

2. WHAT TO DO?

If you believe the global economic scenario that seems to be unfolding, you need to own precious metals and raise some cash (move some assets to the short end of the Treasury yield curve). At some point in the future there will be inflation and you will have a chance to exchange your cash for much cheaper assets. This is famous barbell portfolio that I have written about so often during the past decade. Gold is being sought today as a protective store of value. Whether the central bankers and the establishment like it or not the smart money in the world is moving to gold and silver and has been for some time. Gold is moving higher this AM while growth oriented commodities are under pressure. The dollar carry trade seems to be reversed this AM. The U.S. currency is stronger across the board.

But I do remain committed to Discovery Investing. In the new future you must review the ten point factor model and focus on three issues. I'll discuss those in a moment.

However first I am becoming more interested in food production, water resources and cancer and infectious disease biotechnologies. Specifically companies such as Senesco and Neuralstem seem to be making significant progress in their target areas. In the natural resource area, oil will continue to be the core energy commodity for two to three decades. World class discoveries in these areas should be sought out. The US will move toward total electrification and the infrastructure (grid, battery technology, nuclear technology, road system) will be rebuilt. Energy metals will become more important. These are the rare earth elements as well as lithium, vanadium, molybdenum, uranium, phosphates and copper.

The key to discovery investing success will be using the factor model and focusing on companies with three strengths:

- 1) World class asset potential.
- 2) Experienced management track record.
- 3) Balance sheet strength to sustain the company for 18 months to 2 years.

In the energy sector, I am still a strong supporter of Oil Sands Quest, CGX Energy and MegaWest. Oil will continue to be a critical energy source for decades as we transition to an energy space that will be electric. Most energy researchers believe that it will be the year 2040 before we can make a significant break with fossil based fuels.

Two weeks ago the New York Times published an article I thought I would never see in that publication. They concluded that the Canadian oil sands were now strategic to the United States. With the Gulf disaster ongoing and Canada the largest oil supplier to the US (1.9 million barrels per day). The Times claims that 1 million barrels of Canadian imports are from the Alberta's oil sands. That is why I am very bullish on Alberta's oil sands and also the energy resources of Saskatchewan. These are great discovery investing locales. The Chinese realize this also and they are making inroads into the resource wealth of Canada. I would suggest looking north to Canadian discovery opportunities as well as positioning in the world class domestic U.S. and Mexican opportunities.

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ⁱ (IMF, BIS, Glass Stiegel, Federal Reserve, ECB, etc.)