

GLOBAL INSIGHTS

International Assets Advisory, LLC ("IAA")

When will the Oil Bubble Burst?

"Double, double toil and trouble."
William Shakespeare

It is not a question of if, but rather when the oil bubble will burst. Long time clients of IAA and readers of this newsletter know that we are skeptical of investment bubbles brought on by hubris. We don't believe any asset goes up continually ad infinitum without retracement. While we believe there are sound fundamentals behind the increase in the price of oil over the last 10 years, all of the fundamentals and geo political risks combined do not warrant the astronomical rise in oil over the decade. The following statistics are from the US's Energy Information Administration's (EIA) website:

So over the last 10 years global demand has grown 14.5%, global output has grown 11.9%, a swing from a 2.1% daily surplus to a 0.23% deficit. Over that same time global proven reserves have grown 33%. Clearly normal laws of supply and demand are being violated. Even when you factor the USD's loss of 41% versus the Euro since its introduction and the greater political instability in the world, there is little justification for the current price of oil. There are two main reasons that Oil is so high. First, the producing countries of the world (both OPEC and Non OPEC) and the world's leading Oil

companies have successfully psychologically conditioned the global consumer to ever rising prices (they have made us whip smart). Secondly, panic speculative buying and market manipulation has overtaken common sense (just like it did in our housing market in 2004/05 and in many other markets throughout history). To paraphrase Honest Abe, "you can fool all of the people some of the time but you can't fool all of the people all of the time." Just like with every other speculative bubble we have seen in past this one too will burst.

How can you profit when this bubble bursts? What alternative fuel sources do we believe will be successful in the future and what companies and countries are well positioned to profit from them? For the answers to those questions, I urge you to contact your IAA Financial Consultant.

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	1998	2007
Price of Oil per barrel	<\$11	>\$118 a/o 4/22/08
Total Global Daily Oil Production	75,600,000 barrels	84,600,000
Total Global Daily Oil Consumption	74,000,000 barrels	84,800,000
Daily difference	1,600,000 (2.1%) barrel surplus	200,000(0.23%) deficit
Global proven reserves	1.02 trillion barrels	1.332 trillion

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Currency Roundup

Currency Value		04/23/08	03/21/08
EUR	1 Euro equals	US\$ 1.5656	1.5433
CAD	1 CAD equals	US\$ 0.9850	0.9770
JPY	US\$ equals Yen	104.46	99.57

The USD has remained fairly stable against most major currencies this month and has even gained a little over some of the major currencies. The notable exception is the Euro. Although USD's decline has slowed it continues to trend downward. Only a minor dollar rally over the last couple of days has gotten it off its all time low of \$1.60 to the Euro. While we still believe that over the next 18-24 months the USD will gain against the Euro, it might fall to \$1.65 or even lower before it bottoms out and begins to work its way back to higher levels.

Getting Ready to Retire

Time and time again I hear from the husbands in married couples that they don't need financial planning services. They are experienced professional businessmen and that they are quite capable of handling all of their own planning including planning for their retirement. While that may be true, I'd like to make two points:

1) According to the U.S. Government the average 50 year old woman will live to 82 while the average 50 year old man will live to only 78. Additionally, the average American wife is approximately 2 years younger than her husband. This means that the average American wife will outlive her husband by 6 years. Thus we ask: Who is going to take care of your significant other after you are gone?

2) I have nearly 30 years of experience working in every imaginable capacity of the financial industry. As the President of this firm my chief responsibility is to run the firm on a day to day basis. Despite having all the knowledge, experience and technology available to plan all my finances, running the firm leaves me too busy to manage all my needs. I do not handle the accounts of my own wife and children. I entrust their care to our dedicated Financial Consultants with their singular focus they are much better positioned to provide a complete strategic plan for my family than I.



Hot Commodities

Commodity	04/23/08	03/21/08
NYMX WTI Crude Oil	118.30	101.84
COMEX GOLD	909.00	919.50
NYMX Nat. Gas	10.781	9.065

Commodities have been mixed for the last month. While gold appears to have lost its glitter, energy assets continue to appreciate. The inflationary affect of energy's unyielding climb has now filtered down to the average consumer in a very worrisome way. We remain much more concerned about the long term impact to the US and global economies from energy led inflation than from the global credit crunch.

INTERESTING Thoughts

Benchmark	04/23/08	03/21/08
Fed Funds	2.18%	2.08%
3 Mon. T-bill	0.75%	0.88%
5 yr. T-note	3.08%	2.57%
10 yr. T-note	3.83%	3.48%
30 yr. T-bond	4.57%	4.28%

Short term rates remain low and Fed Funds continue to trade under its target of 2.25% indicating that short term rates will continue to remain low and that the Fed might still make another cut at their meeting on 4/30. If and how much the Fed cuts remains to be seen. Right now the market only expects a .25% cut. Given all the inflationary data that the Fed now is acknowledging and how much attention it is finally getting in the common media, it is possible that there will not be a rate cut at all.

As we have been saying for months, the real trouble caused by inflation is much more damaging to the long term health of our economy. The ability for the Fed to ignore this continues to shrink with each passing day.

If the European Central Bank (ECB) raises their overnight rate, as they have hinted they will do, it will put even more inflationary pressure on our economy as it will reinvigorate the decline of the USD.