

# GLOBAL INSIGHTS

International Assets Advisory, LLC ("IAA")

## Green with Envy

"You'll never plough a field by turning it over in your mind."  
An Old Irish Proverb

Over the last several months global equity markets have experienced a lot of turmoil. Just the possibility of a US lead recession has been enough to knock 15% off many equity markets around the world. We think all this talk about recession and economic crisis is overdone by a media that loves to trade in hyperbole and panic. Nevertheless we accept that there are real global economic concerns and although the jury is still out in regards to a recession, we are at the very least in the middle of a global economic slowdown. That being said even in tough markets there are always interesting opportunities. We feel one such market that is currently offering such opportunities is Ireland. Dubbed by many the "Celtic Tiger", the transformation of the Irish Economy over the last twenty years has been so outstanding that it has been called the "Irish Miracle".

Twenty years ago their unemployment was at 20% and the highest in Europe while Ireland's best and brightest were leaving en masse for sunnier economic climates. Today unemployment is just over 5% (well below the EU average) and their economy employs over 200,000 new immigrants from Eastern Europe (5% of Ireland's population). Ireland was the poor man of Europe. Its per capita income was only 63% of that of the UK. Today Ireland is a wealthy country. Its Gross Domestic Product (GDP) is at 131% of the average GDP for the member states of the Organization for Economic Cooperation and Development (OECD), putting Ireland in the top tier with Luxembourg, Norway and the US. Ireland too is experiencing the current global economic slowdown. We believe that Ireland is better positioned than most other developed markets to weather this storm. The Irish

Economy is still expected to grow at 2.9% this year and then rebound in 2009 to a growth rate of 3.5 – 4%. The Irish housing market is already showing signs of recovering from a 1 year downturn and we expect this recover to pickup pace in the second half of 2008. So far this year the Irish Equity market is the second best performer out of all EU equity markets after Slovakia and is down only 1.4% for the year versus 10.1% for the FTSE Eurofirst 300. Investors in Irish equities started discounting for the economic slowdown well in advance back in February of 2007. These are just some of the points that make us "green with envy" when considering the Irish Equity market.

To learn more about the Irish market in general or specific investments that may be suitable for you, please contact your IAA Financial Consultant.

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## Currency Roundup

Currency	Value	02/22/08	01/23/08
EUR	1 Euro equals US\$	1.4825	1.4628
CAD	1 CAD equals US\$	.9872	.9773
JPY	US\$ equals Yen	107.17	106.55

The last month has been relatively quiet in the currency markets. The dollar lost a little ground to the Euro after the Fed cut its target rate to 3.00% while the European Central Bank (ECB) held their rates steady. Most central bank observers believe that eventually the ECB will have to follow the lead of the Fed and the Bank of England and start cutting rates. Our outlook remains unchanged and we still believe that the dollar will appreciate versus major European currencies while losing ground to the major Asian ones over the next 18 months.

## Getting Ready to Retire

In difficult markets it can be hard to maintain the discipline to stay invested. Nevertheless, when planning for retirement that is exactly what you must do. As of January 2008, the US inflation rate has grown to 4.28%. Even if you are earning 2% on your cash you are losing 2.28% to inflation on an annual basis. Right now there is no reason to believe inflation will be coming back down soon. All economic indicators point to higher inflation.

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## Hot Commodities

Commodity	02/22/08	01/23/08
NYMX WTI Crude Oil	98.81	86.99
COMEX GOLD	947.80	890.89
NYMX Nat. Gas	9.146	7.621

We have been worried about inflation for many months. The continued upward trend in energy and gold only fuels our concern. It seems as though the popular press and the Fed have finally acknowledged that there is real trouble ahead with inflation.

## INTERESTING Thoughts

Benchmark	02/22/08	01/23/08
Fed Funds	2.97	3.43%
3 Mon. T-bill	2.24	2.19%
5 yr. T-note	2.92	2.74%
10 yr. T-note	3.88	3.60%
30 yr. T-bond	4.64	4.31%

Despite the Fed's cut in their target rate to 3.00%, the yields on all US Treasuries are up this month. What does this show about the market's opinion on the future? It shows that the market is anticipating rising inflation.

Chairman Bernanke has been very clear that he is much more interested in controlling unemployment than taming inflation. As a result the market is expecting at least a 25 basis point cut in the Fed target rate in March and the overwhelming majority of the market is looking for at least a 50BP cut.

We believe that the current US unemployment rate of 4.9% is a lot less troubling than the current inflation rate. We believe that failing to tame inflation will ultimately be more detrimental to the US economy than focusing on unemployment.

