



GLOBAL INSIGHTS

International Assets Advisory, LLC ("IAA")

Down Under

"Do you come from a land down under? Where women glow and men plunder?
Can't you hear, can't you hear the thunder?"
Men at Work

For many years Australia has been called the 'lucky country'. This term was originally meant as a well disguised insult. Today "Oz", as it is affectionately known, truly is a lucky country. Since 1990

Australia's economy has grown an average of 3.5% a year. For most of that time its inflation rate has been a modest 2.5% per annum although it has recently spiked to 4.5%. Rich in natural resources, Australia is a major exporter of agricultural products, particularly grains and wool, and minerals, including various metals, coal, and natural gas. In fact the agricultural and mining sectors account for 65% of its exports.

Obviously, Australia's economy has exposure to the whim and whimsy of the global commodities markets, but it may not be as large as you think. The service sector accounts for 80 percent of the country's economic activity. It includes: banking, insurance and finance; the media and entertainment industries;

consulting, tourism and retail; services provided by government, such as education, health and welfare; and other personal and business services.

Finance and insurance is the third largest sector in the Australian economy, generating 7.5 percent of real gross value-added in 2006-07. This sector has been one of the country's highest performing industries, achieving an average annual growth rate of 4.8 percent a year between 1987 and 2007. This growth rate is well above the combined average for all industries (3.5 per-cent) and reflects the strength of the Australian service-based economy.

The Australian share market is the largest in the Asia-Pacific region behind Japan's, based on free-float market capitalization. It overtook Switzerland's as the world's seventh largest with total market capitalization stocks of

around US\$1.1 trillion, according to the Standard & Poor's September 2007 survey.

The Australian international debt securities market is by far the largest in the Asia-Pacific area. Reflecting the maturity and sophistication of Australian markets, almost half of the Australian debt securities market consists of international debt (US\$488 billion in September quarter 2007).

We believe that right now there are some excellent opportunities in both Australian shares and bonds. To find out more about these opportunities and to see if they may be right for you, please contact your IAA Financial Consultant and when you talk with him ask him about what other markets in the Southern Hemisphere we find attractive.

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Hot Commodities

Currency Roundup

EUR	1 Euro equals US\$	1.5729	1.5656
CAD 1	CAD equals US\$	1.0154	0.9850
JPY	US\$ equals Yen	104.08	104.46

The USD has remained fairly stable against most other major currencies this month although it has given up 3% to the CAD. That summer vacation in Canada just got more expensive. Until we see a convergence of base interest rates it will be awhile before we see any real appreciation in USD against other major currencies and it remains vulnerable in the short term.

Getting Ready to Retire

We are getting ready to retire this month. That's right; we are getting ready to retire the paper edition of this newsletter. This will be the last issue of Global Insights printed and mailed to all our clients.

Today's technologies make printing and distributing thousands of copies by mail each month unnecessary and wasteful. While we may not be vegans and very few of us actually ride our bikes to work, we think everyone should do what they can to help the environment.

If you do not already receive Global Insights by email, please call your IAA Financial Consultant and ask to be put on the email list. If you prefer, you can always read, download or print Global Insights from our website (www.iaac.com). Our Financial Consultants will even read it to you over the phone. But if you really wish to still receive a hardcopy though the mail, please let your IAA Financial Consultant know and he will make the necessary arrangements.

Commodity	05/22/08	04/23/08
NYMX WTI Crude Oil	130.98	118.30
COMEX GOLD	921.20	909.00
NYMX Nat. Gas	11.634	10.781

We still believe that Oil is overbought. Nevertheless, energy commodities continue upward. For those that think ethanol is a panacea, consider this:

Since all gas stations in our entire local market switch to 10% ethanol over the last couple of months, my family's fuel economy for our 4 cars has dropped nearly 10% per gallon. Many of our friends and neighbors report the same.

Now I understand that this is not a scientific survey but if correct means that our net oil savings by using ethanol is zero. Please do your own comparison and let us know what you experience.

INTERESTING Thoughts

Benchmark	05/22/08	04/23/08
Fed Funds	2.00%	2.18%
3 Mon. T-bill	1.86%	1.20%
5 yr. T-note	3.22%	3.08%
10 yr. T-note	3.91%	3.83%
30 yr. T-bond	4.62%	4.57%

The Fed's target rate is now 2% and trading in Fed Funds has been right around that level since the last cut. This indicates that the market believes that the Fed is done cutting rates for now. This is echoed by the Fed's own comments. In fact the increase in yields across the entire Treasury market this month portends higher rates and possible Fed increases in months to come.

The economy is showing signs of not being as moribund as many feared a few months ago. However, it is way too early to tell. Unless the continued rise in oil prices retreats and oil actually falls, it is hard to see how inflation can be reigned in without a significant increase in interest rates down the road. If inflation can be contained then interest rates should not have to rise too much from present levels.

We must also point out that for the last few months the data provider for this newsletter was passing on erroneous data on the 3 month Treasury Bill. We apologize for any inconvenience this might have caused.

