

Osborne Investments gets out of the market!

Special points of interest:

- *Out of the market*
- *Gold*
- *Christopher*
- *Future?*
- *Currencies*

In November of 2008, our clients had the good fortune of completely getting out of the stock market! The Standard & Poor's 500 was down 38% last year and down 28% at one point in time this year. Since the market reached its nadir, it has rebounded.

Currently, I am keeping the growth portion of my clients' accounts in

money market and gold (GLD), and a few currencies. Even at current prices, the market is still expensive. My recommendation is to sit on the sidelines, in cash, and wait for the market to fall. There will be deals aplenty when this happens. Money can be made or lost in a very short amount of time.

Because of the positions we've taken, we have managed to outperform the market by a wide margin. So what is the moral to this story? You shouldn't always be invested in the stock market. About every 30 or 40 years, there is a complete collapse. If you always have to be invested in the stock market, you are doomed for failure.

Gold is making money in a tough market

Our gold investment, GLD, has been doing quite well in this tough environment. We bought at around \$820 to \$850. Gold briefly went to \$1,000 a

few weeks ago. I predict that whether we are in an inflationary or deflationary environment, gold should do well. When central banks

print money, gold has traditionally risen in value. I plan on holding this investment for quite some time and hope that it is profitable.

Holmes Osborne interviews Warren Christopher



March 17 at the Omni Hotel with former Secretary of State

I had the opportunity to interview former Secretary of State, Warren Christopher, for the Chartered Financial Analysts Society of Los Angeles. Mr. Christopher is famous for negotiating the release of American hostages from Iran in the 1970s. He commented on the following: **1.** Iran: should not be allowed a nuclear weapon.

2. Cuba: old U.S. policy towards Cuba has been a failure. Things will change with a new generation **3.** Syria: new leader is open to peace discussions. **4.** China: wants drilling rights for oil in South Sea **5.** Iran Hostage Crisis: most stressful time in his life. He was obsessed with getting them released. They were

released on the day of Reagan's inauguration. May have been intentional slight toward Carter. **6.** Iraq: we will probably have a presence there for a long time. **7.** Israel: appointment of right wing Lieberman will upset Arab countries. **8.** Pakistan: very dangerous situation brewing.

So how did we get into this big financial mess?

The Federal Reserve can print money at will. It printed money and loaned it to banks. Banks gave this money to consumers and businesses. The Asians bought our T-Bonds and financed the treasury. No more. The bubble burst. The Federal Reserve is printing money

to get us out of this mess. It will mitigate some of the problems but will cause inflation.

Millions of people will have to find jobs that truly add value to our economy. As an example, we have an overabundance of people in the financial industry. These people

must find careers in industries that are truly needed: health care, teaching, and science are examples.

This will take many years before this happens. It will not happen at the end of 2009 like many predict. Who is the #1 person to blame? The head banker: Alan Greenspan.

What investments look attractive in the future?

There are a handful of investments that look good in the future. I'm waiting for each group to fall substantially before I buy. The first are junk bond mutual funds. I will become interested when yields are in the high teens. The second category is oil. Oil will

probably get back to its highs in a few years. The next group is Hong Kong. This is my favorite way to invest in China. Asia does not have the credit problems the U.S. faces. It does rely on the US buying goods, which has come to a stand still. The last group is oil and natural

pipelines. These investments pay high dividends and are reasonably safe. Last year, some were yielding over 15%. It will be awhile before I feel comfortable buying any of these investments

Australian and Canadian dollar

These two economies should do well in the future. Both have an abundance of natural resources and do not have a lot of government debt. In addition, there is little exposure to subprime loans.

Canada is rich in oil and minerals. The country is the United State's second largest importer of oil. Australia supplies Asia with the iron ore, uranium, copper, and other minerals.

These investments can be made through two exchange traded funds: FXC for the Canadian dollar and FXA for the Australian dollar. These currencies will become attractive with US inflation.



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Holmes Osborne is a private money manager, founder of investment newsletter www.stockroyalty.com, and writes financial articles. Holmes is host of Money Confidential on Santa Monica 16 and Los Angeles 36 public television and spoke at the Fifth Annual Value Investor Conference. He has a degree in finance from the Martin J. Whitman School of Management at Syracuse University and holds the Chartered Financial Analyst designation. Holmes is a member of the Pacific Council on International Policy, president of the Malibu Rotary, member of Business Forum International, and formerly on the board of the LA National Association of Business Economists. Publications that his articles have appeared in include: The Motley Fool, TheStreet.com, and Quality Stocks for Women.