

**Today's Notes:**

1. The Dollar's Decline
2. Revett Minerals: Already a Cash Flowing Mining Company

**1. THE DOLLAR**

It's Friday the 13<sup>th</sup>. Think I'll stay home today. So must the dollar. No matter how much competitive valuation pressure we hear the dollar wants to fall. Tuesday, China said, somewhat begrudgingly, that she would allow the Yuan to rise. As you know the Yuan is now pegged to the US currency. This was probably in response to pressure from China's Asian neighbours (Thou Shalt Not Beggar Thy Neighbour). The Euro Union leaders have also felt the pain of a jointly weaker dollar and Yuan. Time will tell if the Chinese are serious about the floating the Yuan. Today once again the dollar is weaker – across the board. This is good for Dennis Gartman's "things that hurt when they fall on your feet."

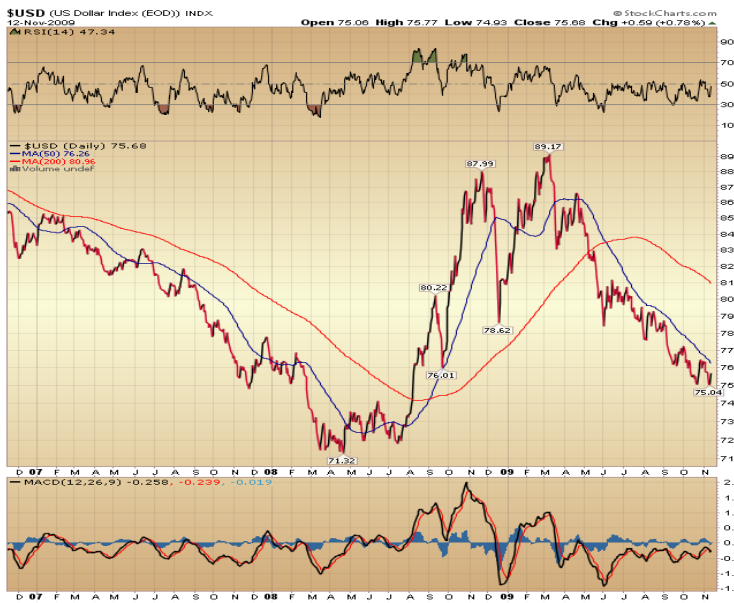
Currency	<u>Chg%</u> <u>X=1\$USD</u>	NY Time	X=	X\$USD	Gold	Gold	Gold
			1\$USD	=1	Price/oz	Chg	Chg%
<u>US Dollar</u>	--	11/13-06:46	--	--	1108.30	+6.00 ▲	+0.54%
<u>Australian Dollar</u>	+0.60%	11/13-06:40	1.0767	0.9288	1193.31	-0.65 ▼	-0.05%
<u>Brazilian Real</u>	+0.12%	11/13-06:46	1.7280	0.5787	1915.14	+8.16 ▲	+0.43%
<u>British Pound</u>	+0.64%	11/13-06:44	0.5992	1.6690	664.04	-0.65 ▼	-0.10%
<u>Canadian Dollar</u>	+0.20%	11/13-06:46	1.0533	0.9494	1167.37	+3.95 ▲	+0.34%
<u>Chinese Yuan</u>	+0.15%	11/13-04:30	6.8216	0.1466	7560.38	+29.80 ▲	+0.40%
<u>Euro</u>	+0.27%	11/13-06:45	0.6716	1.4891	744.28	+1.99 ▲	+0.27%
<u>Hong Kong Dollar</u>	0.00%	11/13-05:00	7.7456	0.1291	8584.45	+46.47 ▲	+0.54%
<u>Indian Rupee</u>	+0.79%	11/13-06:33	46.3163	0.0216	51332.30	-128.58 ▼	-0.25%
<u>Japanese Yen</u>	+0.63%	11/13-06:46	89.7900	0.0111	99514.26	-89.57 ▼	-0.09%
<u>Mexican Pesos</u>	+0.33%	11/13-06:44	13.1615	0.0760	14586.89	+31.02 ▲	+0.21%
<u>Russian Ruble</u>	+0.27%	11/13-06:40	28.8388	0.0347	31962.04	+86.28 ▲	+0.27%
<u>S.African Rand</u>	+0.33%	11/13-06:45	7.4488	0.1342	8255.51	+17.36 ▲	+0.21%
<u>Swiss Franc</u>	+0.30%	11/13-06:46	1.0149	0.9854	1124.76	+2.67 ▲	+0.24%

Wednesday the press was full of "dollar strength" rhetoric. Treasury Secretary Geithner, late of the New York Fed Bank, and Goldman Sachs (a prerequisite for office in today's Washington), said the US needs a strong currency,

*"I believe deeply that it's very important to the United States, to the economic health of the United States, that we maintain a strong dollar ... Because of the important role the dollar plays in the international financial system, we bear a special responsibility for trying to make sure that we are implementing policies in the United States that will sustain confidence"*

How many times have we heard this statement from Washington? There is a growing global fear that the US greenback is beginning a longer and inexorable slide and that the reserve position of the US currency will come under pressure. There is no replacement for that dollar reserve role today and there may not be for a long time.

Fred Bergsten recently wrote in *Foreign Affairs* (Nov. / Dec. 2009) that it is clearly “in the best interest of the US” to move away from its sole role as keeper of the reserve currency. Running large external deficits in a reserve currency country continually ignites bubbles. Rising deficits combined with a reserve currency causes inflows and lower rates. Both Professor Kenneth Rogoff and Niall Ferguson (Harvard) suggested on Bloomberg, October 29<sup>th</sup> that the fiscal imbalances in the world are now greater than ever. US fiscal policy and the existence of the reserve currency status of the US dollar are igniting the next round of bubbles. There may be very good reason why China tied her currency to the dollar and encouraged its citizens to buy gold and silver. Professor Ferguson sees a sharp 10% sell off in the US dollar from this level (75.04) and then a long, gradual decline. Professor Ferguson foresees an imminent “tipping point” due to the evolving fiscal situation.



The US dollar touched down at 71.32 in March 2008. We think it will test that level again whether or not the rest of the world’s central bankers try to support it or competitively devalue their currencies. This newly apparent action highlights the failure of fiat currency arrangements.

But here is the probable outcome. The US needs inflation more than any country in the world. Fred Bergsten recently said that given current spending plans in Washington (we believe spending in the current Congress will continue to be relentless) that by 2030 (according to CBO projections) the net debt will rise to \$50 trillion and servicing that debt will require \$2.5 trillion each year. At some point this service is unsustainable. It cannot go on forever. The dollar will fall, long rates must rise to attract new capital and inflation will reassert itself.

Why does the Fed want inflation? It is very simple; if you carry a lot of debt inflation is your friend. The dollar will not be. We like the currencies of the commodity countries. Once again we quote Professor Ferguson who says we are on the cusp of a 500 year event. He believes that China will be the engine that eventually emerges.

*“China is in the early phase of a massive buying spree to get the commodities she needs. ... Load up on copper, load up on anything the Chinese want ... the safest one way trade you can make.”*

We think that the long term dynamics of a falling dollar combined with the Chinese commodity buying spree are good reasons to buy hard assets, not only gold and silver. Mining shares in the Canadian markets are good places to start.

The Loonie – definitely headed back to par -- and beyond. Please act accordingly.



## 2. REVETT MINERALS (RVM TSX C\$.18)

Last August I had the pleasure of visiting the management and employees of Revett Minerals near Troy, Montana. Before visiting the mine at Troy I visited the Governor's office in Helena. Governor Schweitzer is most interested in projects that employ people of Montana and also in projects that are locally run.

Currently Revett's Troy mine produces ~1.2 million ounces of silver and 9.8 million pounds of copper (2008). There is virtually no contamination as the ore at Troy is embedded in silica which, in fact, will someday be an excellent by product. The concentrate produced at Troy is widely sought by refiners. Based on current metal prices, I believe that the Troy mine could produce free cash flows of between \$750,000 and \$1 million a month in 2010. The Troy mine may have a 10 to 15 year mine life.

But that is not the real story of Revett. Revett is fully permitted to turn shovel on its world class Rock Creek deposit. Rock Creek consists of a drilled out ore body of 229 million ounces of silver and 2 billion pounds of copper. Revett is fully capable, given its mining operations at Troy (20 miles down the road), of getting this ore body at Rock Creek into production. The ore at Rock Creek is virtually identical to that at Troy except that it is higher grade and a much larger deposit. CEO John Shanahan and new Chairman of the Board Tim Lindsay are turning this company around. Subsequent to Revett's record of decision and state permit, we do not

believe that further final permits will be granted any time in the near future in or around the Rock Creek deposit.

Governor Schweitzer recently had this to say about Revett Minerals and their ability to mine and employ citizens of Montana both at Troy and the world class Rock Creek deposit.

***“This is a mine that is owned by the local people. It’s not owned by some big foreign company. There are 185 jobs ... people that work there are shareholders. This is a mine that is important to the community.***

***“We’re on the record having been supportive of the (Rock Creek) mine, ... That record is because they have a mining plan that’s demonstrating that they will be able to do it right.”***

There are significant environmental objections to mining at Rock Creek. These are now in the court but we expect a positive ruling in the near future. Revett is therefore a classic Discovery Investing play and it is very cheap at 18 cents. Please use the Ten Point grid and perform your own due diligence and Discovery analysis on Revett. You’ll be pleasantly surprised.

I am an advisor to Revett Minerals and own shares in the company. I reserve the right to buy this stock within 48 hours.



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