

Today's Notes:

1. Vancouver Cambridge Symposium January 17th.
2. The Golden Constant
2. Hockey Night in Canada

1. VANCOUVER SEMINAR JAN 17TH

Next January 17th I will present my keynote speech at the Cambridge Symposium in Vancouver. My topic on **Monday January 17 at 1:30** is:

“The Rise and Fall of the US Dollar.”

In addition I will introduce five new names that have potential for wealth creation during a **Discovery Investing Workshop on Monday January 17 at 11:00 AM**. On Monday I will also participate on the **World Outlook Panel (5:30 PM)** chaired by Michael levy with John Embry and David Coffin. This is a must attend panel discussion if you want the truth about the developing issues in our world and how to cope with the future.

2. THE GOLDEN CONSTANT

Yes, even in these days of dire economic straits for the entire world, there are opportunities in discovery for you to create legacy wealth. Gold is still one of those opportunities and today you must own and hold some gold bullion or coins. Gold is morphing as you read this Morning Note into its true historical

And so this AM I write on current occurrences and states of nature that seem strangely incompatible. Louis MacNeice's famous poem, **Snow**, written in 1935 shortly before WW II enveloped the world, perhaps best describes the situation enveloping the world today:

*The room was suddenly rich and the great bay-window was
Spawning snow and pink rose against it
Soundlessly collateral and incompatible:
World is suddener than we fancy it.*

*World is crazier and more of it than we think,
Incorrigibly plural. I peel and portion
A tangerine and spit the pips and feel
The drunkenness of things being various.*

*And the fire flames with a bubbling sound for world
Is more spiteful and gay than one supposes --
On the tongue on the eyes on the ears in the palms of one's hands--
There is more than glass between the snow and the huge roses.*

The world has indeed become “sudden” and “crazier” than we think. September 11th, 2001 made those issues certain. The “fire flames” for a spiteful world today. President Obama’s reluctant slide into the morass of Afghanistan made that point clear last night. But there is then a timeless “golden constant.” This AM we see gold moving north once again well past \$1200 per ounce. The move has been truly historic. This is a 10 year secular bull market.

China is clearly encouraging its citizens to build a “home made” dollar hedge. Chinese citizens are now encouraged to purchase gold and “poor man’s gold”, silver. Chinese consumer demand alone for gold in 2008 Q3 was 120 tonnes. That demand has surely increased in 2009. Indian jewelry demand reached 112 tonnes in Q3 2008. There is huge pent up demand and a cultural affection for silver in China. India’s government just stepped in to purchase half the IMF’s recent sale. India, Sri Lanka and other Central bankers are buying (not selling) gold.



We are inclined to agree with Harvard Professor Niall Ferguson (his book, *The Ascent of Money*, is a must read) that a 500 year “tipping point” is very near or has been reached. Given the unfolding events in this crazy and suddenly incompatible world we are inclined to believe that that tipping point is now in the past.

What is this “tipping point?” It is a point of no return. It does not mean that the world will suddenly disintegrate. Instead we are headed to a new equilibrium. In Ferguson’s view it is a tipping point into the ascent of Asia and a relative decline of Western civilization and the standard of living in the West.

In many past Morning Notes, I have spoken of the nascent and secular Quality of Life Cycle. This is almost entirely an Asian phenomenon. Emerging countries – yes even Russia and Brazil – must eventually follow. In fact my entire philosophy of Discovery Investing has been based in my research for the past 6 years on the notion of discovery in many fields – food production, health care, medicine, transportation, energy modalities, natural resources and infrastructure development. We will need discovery efforts to be financed in all these areas. Your discovery opportunities are unlimited today. It is an untouched investment space.

But the future is sure to be quite different form the past. The era of western investment banking and hegemony is finished. That is the essence of the tipping point that Professor

Niall speaks of so confidently. He suggests that the trade is China. I think the trade is from the newly consuming BRICS (Brazil, Russia, India and China) to the commodity-providing BRACS (Brazil, Russia, Australia, Canada). I focus particularly on the Canadian currency and the Canadian biotech and natural resource sector. It was instructive to note that Russia will now buy up Canadian dollars as part of its foreign exchange reserve holdings.



The plight of the US dollar is likewise indicative of the tipping point. We see a continuing decline of the US currency over time and we expect the recent lows (71.32) to be tested and bested. If you are US dollar-based you MUST develop an active investment and hedging strategy. If you have owned gold as I have recommended for the past 4 years you have done well indeed. At this point the general equity market is tremendously overvalued and seriously susceptible to another downturn. On the other hand there are some tremendous values in the discovery space. There is no safety in any fiat currency – a quick look at the price of gold denominated in Canadian and US paper currency tells the gold story effectively.





2. HOCKEY NIGHT IN CANADA

Canada is a country with its heart and soul in ice hockey. Perhaps more than any other country in the world Canadians love hockey. When I was a young lad growing up in Aylmer, Ontario every boy played hockey, every girl figure skated. It was just what you did in the cold Canadian winters. During the 1950 and 60s my father bought tickets to maple Leaf Gardens once a year to see the Leafs. These were Blue tickets (second section) which cost, as I remember, \$5 each. Maple leaf Gardens was always packed. In 1967 the Toronto Maple Leafs won their last Stanley Cup beating the Montréal Canadiens in 6 games. These were visits that I shall never forget. Who can forget Foster Hewitt or Danny Gallivant?

Much is happening with hockey in Canada today. The New York Times reports today that

“The decline of the American dollar has led to trade imbalance north of the border, on the rinks of the national Hockey league.”

The Canadian dollar says the Times, has risen 50% since 2002. This has politicians and industrialists in Ottawa, Toronto and Quebec City screaming. Meanwhile the 6 Canadian NHL teams are now prospering. Don't get me wrong, the Leafs are now 7 wins in 26 games. But not only do they pack in fans every night they are making real money. The New York Times says,

“A stronger currency has made it cheaper for the six Canadian teams to pay their players in United States dollars and to reduce debts. It has also inflated the revenue of the six Canadian franchises and, in turn, the league's revenue. That has hurt some of the weaker teams in the United States by pushing up the minimum amount teams must spend on payroll.”

Toronto has one of the most valuable hockey franchises in the world. The strength of the Loonie is helping to propel that forward. It has helped Vancouver to sign two players for upwards of \$30 million dollars. The Times notes that some Canadian teams have hedged currencies would that they had bought gold as some mining companies I know have done.

The Canucks, for instance, have sold out 276 consecutive games. The average price of a ticket to see the last-place Maple Leafs is \$114.10, the highest in the N.H.L., according to the Team Marketing Report.

It's been quite a long time since dad took me to see the Leafs play just as it has been long since the Leaf's have won the coveted Stanley Cup. But the economic fortunes of the Canadian teams have turned up relative to their US cousins up as the US currency has entered it long downward spiral relative to the Loonie and Gold. The fate of the Canadian teams can only improve from here. The US teams face quite a different future.

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