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Over the last century, we have experienced five bull markets in commodities, or, according to Jim Rogers, author of [The Adventure Capitalist](#), one on average, every 20-30 years. There have also been prolonged periods when stocks performed well while commodities floundered, a number of them contemporaneous to one another. For example, in the late 1960s and 1970s, commodities prospered and stocks under performed. In the '80s and '90s, the situation reversed, with stocks thriving and commodities performing poorly.

The last major or 'primary' bull market in commodities ended in 1981. Prior to that, the decade of the '70s witnessed a huge boom in the demand for commodities with an accompanying increase in raw material prices. Investors were seen diverting money from paper assets into energy- and precious metals related investments. Amid tensions in the Middle East and the resulting oil embargos, oil prices soared to \$40 a barrel, and gold vaulted to \$800 to the ounce. Prices for many other commodities increased as stockpiles were built up to meet the increasing demand. The rising prices attracted speculators which drove prices up still further. Engulfing us all was a frenzy of investment intended to increase the production of 'undervalued' raw materials; the public, to be sure, was convinced that oil would soon surge to \$100 a barrel, and a troy ounce of gold was going to eclipse the \$1000 mark.

**Lest the average investor be left behind, a mad rush to jump aboard the raw materials bandwagon ensued, only to collapse of its own weight. (This scene was, substantively, no different from the more recent high tech-led feeding frenzy that created and then burst the stock market bubble. And, as in the tech boom, where rampant over-investment produced a huge overhang in supply, causing the tech bubble to burst, the commodity bubble also burst.) True to form, this most recent commodity bear market has lasted almost 30 years. Now, however, based on the price action of several key commodity indices, there are signs that the bear is out of hibernation and, in its place, a new primary bull market in commodities is underway!**

Now many analysts believe, the cycles have reversed, resulting in a secular bear market in stocks, and a primary bull market in commodities. There is plenty of evidence to support this assumption!

**Numerous investors remain unaware of what has been transpiring in the commodities markets. Think again, we suggest! Commodity indices have far outpaced stocks, bonds, and even real estate! The risk of loss in futures trading is substantial. Such trading is not suitable for all investors.**

**It is important to note, with commodity prices depressed for so long, there is comparatively very little investment underway designed to increase production in natural resources to meet increasing demand.** Planning, designing and implementing the means for producing and processing many raw materials often requires a long lead time-one that may require years. In the process, demand for certain raw materials can potentially outstrip supply, leading to major price spikes in commodities. We saw that in 2004, with oil prices reaching \$55 a barrel.

With inventory supplies down, and demand increasing, many commodities, among them crude oil, gold, copper, Euro currency, and cattle have been leading the commodity indices to highs not seen in many years. For example, another widely followed marker, the Commodity Research Bureau Index (CRB Index), reached eight-year highs. See chart below.



### Inflation Inevitable

Over the past three years we have had the "mother of all stimuli" impact the US economy. The government has kept the presses working overtime, printing money backed only by good faith. In the process, our budget, and trade deficits have reached record levels, helping cause the U.S. dollar to sink to record lows against the Euro currency. **Many feel, with the almost uninterrupted growth of the US budget and the trade deficit, the depreciating US dollar, strengthening global economies and ever increasing demand from raw material 'starved' nations like China, inflation is inevitable, and that we have just begun the start of a sustained major bull move in commodity markets.**

We believe the stock market is in a secular bear market with limited upside potential, while the long dormant commodities markets are now in the throes of a major new bull market imbued with significant upside potential. For suitable investors, commodities are the place to be!

**Many believe the anticipated inflationary after effects of the record low U.S. dollar, combined with record U.S. budget deficits will start to be seen in 2005; underpinning the commodity markets, and propelling them upwards!**

Besides including traditional commodity markets like soybeans, corn, wheat, cattle, cocoa, sugar, cotton, gold, silver, platinum, CRB Index; commodity markets also include stock indices like the NASDAQ, S&P 500, Dow Jones Industrial Average, Russell 2000; energy products like crude oil, unleaded gasoline, natural gas, and financial instruments like U.S. Treasury bonds, 10 Year Notes, and Euro Dollars. Unlike stocks which generally move in the same direction, there are many commodity markets, each with its own distinct fundamentals where one can be having a substantial major move up and another a substantial down. The numerous different markets available to trade in commodities provide investors increased potential for markets to attempt to capitalize on! Futures trading is not suitable for all investors. The risk of loss is substantial.

The commodities which are receiving the lion's share of press include gold, crude oil, the US dollar and the Euro currency. It is our feeling these markets will continue their current trends, with prices moving higher. **However, a number of commodities remain near historic lows, or have made substantial corrections from their highs, potentially presenting a classic opportunity for investors. There are also several investment strategies available to qualified investors that attempt to capitalize on the commodity markets, including the limited risk use of buying options. Consult your Vision affiliated Introducing Broker for the commodities and investment strategies, which best suit your investment temperament, goals, and affordability.**

Past performance is not necessarily indicative of future results. The risk of substantial loss exists in futures trading. An investor can potentially lose more than the initial investment.