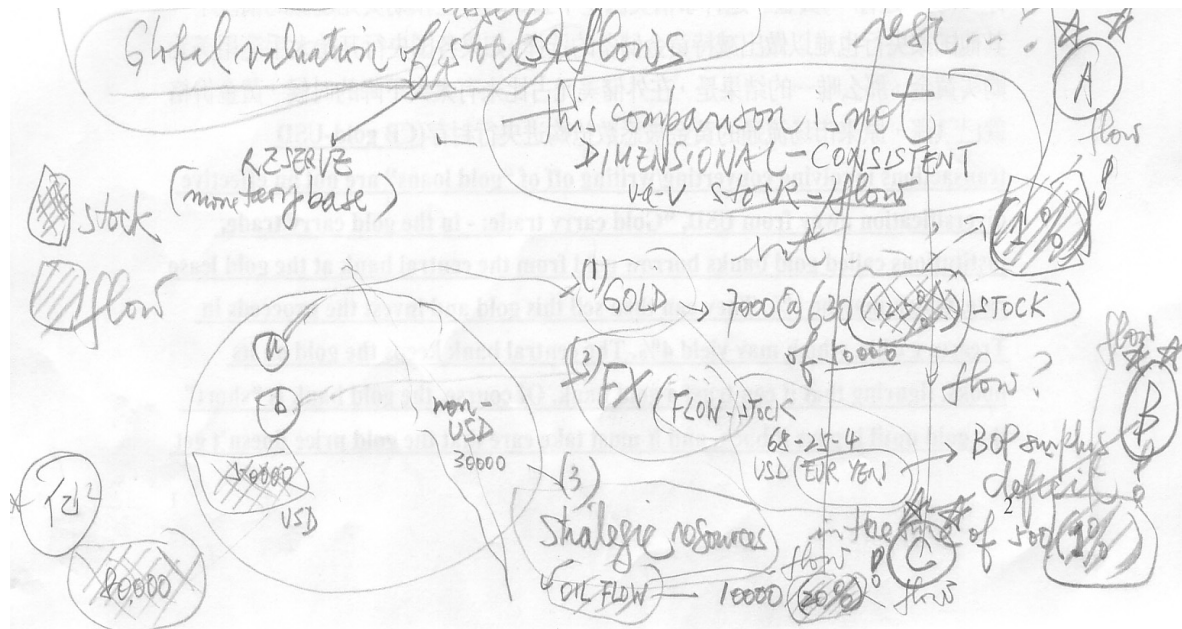


The volatile economic environment

Tsang Shu-ki (27/12/06)

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The portion of global reserves (base money) that can be reshuffled out of USD and among alternatives such as (A) precious metals (gold and silver), (B) non-USD currencies (EUR, Yen, etc.) and (C) strategic resources (oil etc.) seems to be quite limited. But I'm having big problems with stock and flow figures, to which I should/may return after my holiday break in an earthquake zone for a few days starting tomorrow.

What I said on 7/12/06:

I don't know why I scribbled the notes below whilst having a drink last evening. An evident bear against the US dollar, I have been telling my friends that an empire never collapses overnight. And certainly not the sole hyper-power, right after the largest rescue mission in monetary and fiscal policies that history has seen. Doomsday forecasters talk about the flood in worldwide liquidity and the imminent demise of the greenback. But how would liquidity get liquidated, in a financial system with too many fund managers and investors? Through a black hole? Even from a cyclical point of view, more dramas appear to be in store before a tragedy. And that is probably only an episode in the long waves of global political-economic restructuring.

Now, I totally disclaim all responsibilities for whatsoever anyone might come to interpret from or act on this non-piece.

