



INVESTORS MONEY MANAGEMENT CORPORATION

Advising Investors Since 1974

Members Of



Registered Offices:

517 - 11th Avenue,  
Between 5th and 7th Streets,  
San Jose, Costa Rica.

**Communications:**

27, Old Gloucester Street,  
London WC1N 3XX, U.K.

Telephone or Facsimile:

**+(44 207) 900 6390**

Email / internet:

**info@immcorp.com**

**www.immcorp.com**

November, 2005

Dear Readers,

*Instead of our usual Market Concepts Letter, we're sending you an abridged version of a timely article, written by Mr. Enrico Orlandini, of Lasco S.A. a company specializing in mining investments and analysis :*

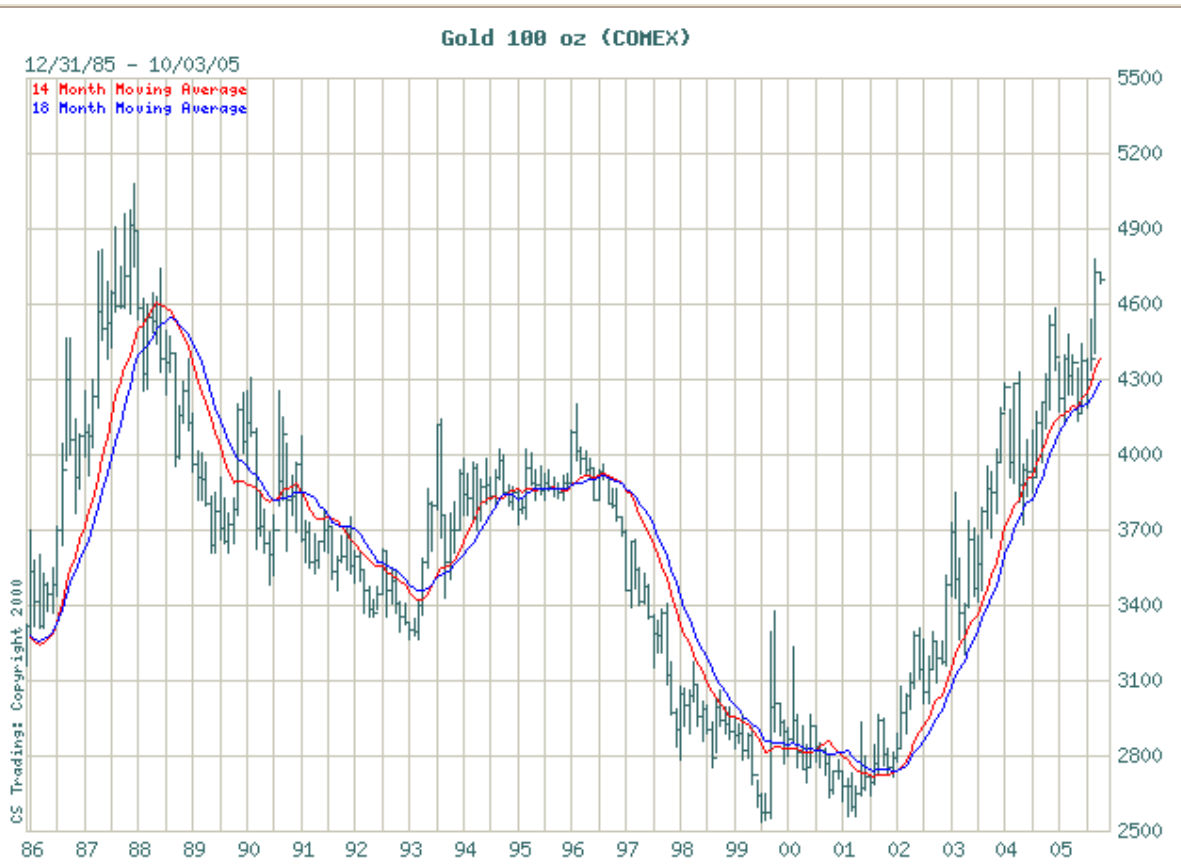
## **"The Bull Lives!**

Gold is the best kept secret in the world and you have to ask yourself why? We've made a move up from a low of US \$251.00 an ounce in early 2001 to the recent high of US \$483.10 an ounce (basis the December gold futures contract) and it didn't even merit a footnote in the financial journals. General Motors rises 2% in a month and CNN goes gaga. This is very hard to rationalize! Fortunately the rationalization isn't really of any great importance. The movement speaks for itself and really doesn't need a cheerleader. In fact, the longer this Bull Market goes unnoticed, the more money its patrons are going to make. I know I've over simplified this a bit, but sometimes that's a good thing. The average investor makes speculation in gold a lot harder than it has to be, but more on this later.

Back in my February 6th article about gold, I highlighted some of the reasons why I thought gold would continue to rise. I've now updated the list by adding a few more items to that list:

- An out of control fiscal deficit.
- Declining gold production,
- M-3 now rising at a staggering US \$1 trillion/year pace,
- A complicated and growing mess in the Middle East,
- Greenspan's imminent retirement,
- A huge and still growing trade deficit,
- The Katrina clean-up costs, and
- A non-productive U.S. economy based on debt and consumption.

There is absolutely nothing here to give you a warm and fuzzy feeling. Cold shivers running down the spine would be much closer to the truth. When I sit down and analyze the situation, I can't help but wonder just what goes through the head of the average politician in Washington. Apparently grey matter is in short supply and pork is running amuck. George Bush has not vetoed one single spending bill in his more than five years in office. Not one! He's signed them all. You mean to tell me that every single spending bill that Congress approves is an economic work of art? I think not! With all of the above in mind, I would like you to focus your attention on the following chart:



This is a monthly chart of gold and it's almost as rare as a dodo bird. Most investors have never seen one and what's worse, don't even know that such a thing exists. I guess it fits in with our here-and-now mentality. Instant gratification, baby! Well, instant or not this graph is a textbook example of a Bull Market, and it's a thing of beauty.

With respect to the Monthly Chart, you can see the recent peak at 483.00. Not shown is this week's correction that's taken us back down to today's low of 463.20. This is just above the December 2004 and the area where we broke out from. The question of the day is are we beginning a new correction or is this just the pause that refreshes? I originally had a 489.00 price target for this leg up but have since changed my mind. Honestly, I no longer have a definite target but feel that a minimum of 512.00 is not unrealistic. Why? The chart above shows that we spent seven months consolidating around the 430.00 area and that's a long time to consolidate for just a 12% rise. No, I have to believe that we have bigger fish to fry.

I want to talk a bit now about this particular Bull Market and the phases that have and will comprise the entire movement up. Then I want to put it into a time frame that the average investor can use as a guide. First the phases. The typical Bull Market can be divided into three phases: the first phase is characterized by the entrance of so-called "smart money." These are large, sophisticated investors who like to get in at the bottom and sit through the entire move up. Think Rothschild! They can move tremendous amounts of money and never leave so much as a ripple in their wake, and they don't just go in and buy everything in sight either. No, they'll start with a relatively (to them) small position and accumulate on dips and over a period of months, sometimes years as is the current case with gold. It is my opinion that we've just finished the first phase of our Bull Market in gold. Think about this; these folks took four years to build a position. Meditate on the patience and discipline required to do such a thing! They wouldn't go through such a laborious effort for a typical Bull Market that lasts twenty-four months. That alone tells you that this particular Bull is something special.



Next comes the second phase. This is where the Merrill Lynches and J. P. Morgan's of the world suddenly discover that something big and mysterious and wonderful is happening, and their customers should reap some of the benefits. That's where we're at now; we've just begun the second phase, and this is typically the longest and most difficult of the three levels. In the Weekly Chart shown above, you could identify the beginning of the second leg with the September breakout above 450.00. Now you are going to see that the Bull will do everything in its power to get you off of his back. Also, getting back to the time issue, I want you to think about something. If the first phase lasted four years, and the second segment is typically the longest, **then we won't see the beginnings of the third stage until sometime in 2009!** That's a generational Bull Market, i.e., once in a lifetime, and that's why the big money took such pains to establish their position.

Now we come to the third, and what should be the last stage. This is where you pull into the local neighborhood gas station and the kid who fills your tank tells you about some junior mining share that he bought and how it rose 50% in a month. It's the blow-off stage where we go higher, faster than anyone thought possible. It will also prove to be the period where the most money will be made. I suspect this stage will last anywhere from one to three years, into 2012, and should top out at US \$2,500 an ounce. This is what a generational Bull Market looks like.

Now I want to throw in a caveat. There just might be a *forth stage* whereby we see a collapse of economic, moral, and political structures in the U.S. and a disappearance of the dollar along with it. If and when that happens, all bets are off. We came close in 1907, and again in 1929, but we were a different nation then. The average man on the street had values, family mattered, and we produced something. My fear and suspicion is that this time we reach the tipping point and over she goes. The decline and fall of the Roman Empire comes to mind. Something so terrible that a whole nation could just up and disappear in what seems like an instant! Pretty nasty stuff, isn't it?



That's the best reason in the world to own gold and related gold shares. Why gold shares? Feast your eyes on the preceding daily chart of Goldcorp, Inc. (GG). It is in my opinion the bluest of the blue chip gold stocks. Note how it has risen 76% since late April of 2005 while physical gold has rallied 15%. There you have it, leverage! And with ten straight monthly dividends to boot. Gold will be the only real store of value but the quality mining shares won't be far behind. Anyway, getting back to the forth phase, what do you think the Japanese and Chinese will say when they wake up one morning and realize all the bonds they hold aren't worth the paper they're written on? Better yet, what do you think they'll *do*? World wide social unrest could very well be the order of the day. I don't know that we'll see a forth phase or not, but I wouldn't bet against it. The best case scenario will be a realignment of world economic power and an acknowledgement of the problems that we've been sweeping under the carpet for years. Some sort of "arrangement" will be made and it will have the appearance of business as usual, but business will then become anything but usual. More fodder for the masses I suppose.

In conclusion, gold was, is, and will continue to be the best investment for this millennium for many months to come. Your job as a speculator is to hang onto your position as opposing forces will use any and all methods to pry you away from it. Declines will happen, and we could even be in the midst of one now, but in 2009 it won't have mattered one bit if gold declined US \$13.40 in the last three days or not. The only thing that will matter is the fact you own gold.

Food for thought for a hungry mind."

*If you would like any additional information, please contact us though our London UK offices. We travel extensively and meetings can frequently be arranged in most major cities. – Sincerely, IMM Corp.*