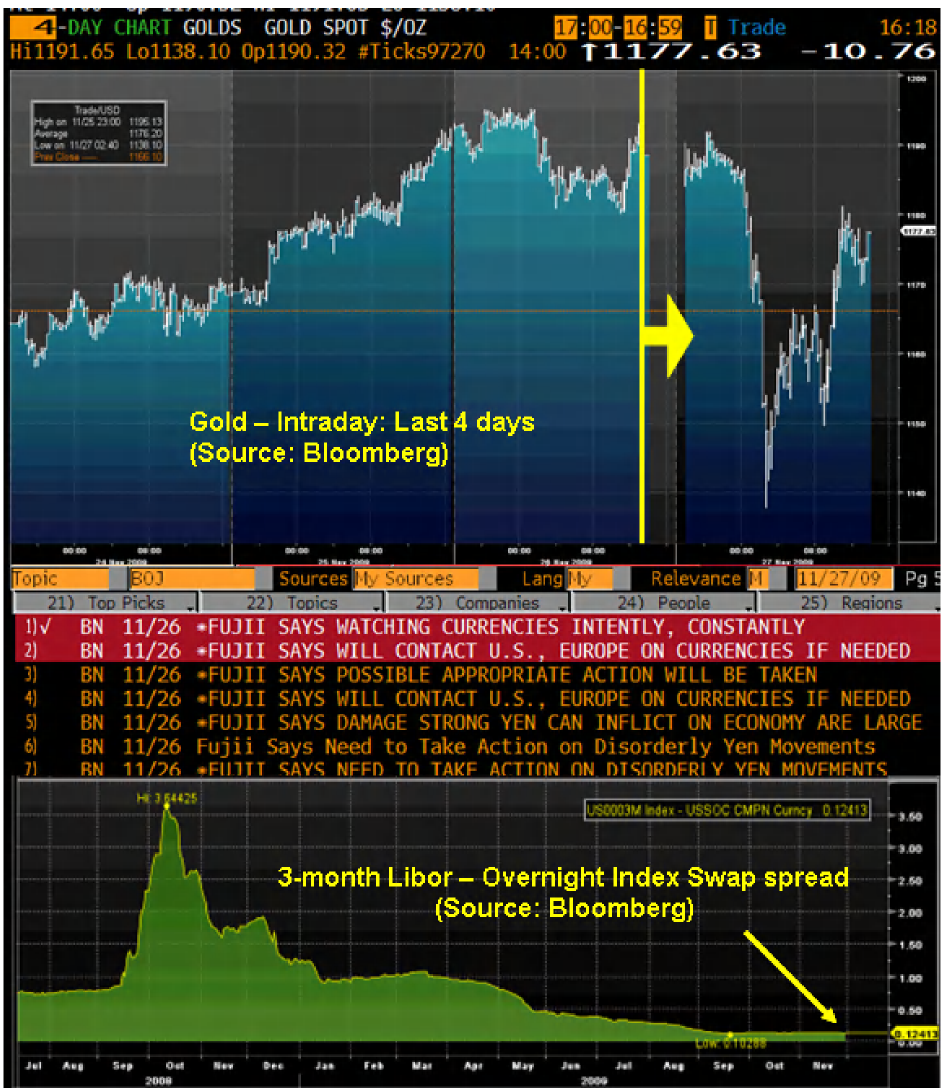
A View from the Trenches

Toronto, Monday, November 30th, 2009

Good morning,

Today's letter is very brief and is the continuation of Friday's, which at the same time, constitutes another good test of our Thesis No. 2 on gold, postulated on April 21st, 2009. Why is today's letter so short? Because it has an attached chart that I think is worth more than a thousand words. As we wrote on Friday, Dubai's crisis is starting to look contained, delimited and unique by its political background. Of course, given the impact on financial institutions locally and in Europe mostly, one cannot ignore it. But, as we wrote too, according to our thesis, if central banks step in to coordinate action against potential contagion in the foreign exchange markets, gold loses its chances to become a reserve asset.

Thus, on Thursday night, the news that the Bank of Japan was considering intervention (according to some analysts it did not carry it fully out, to avoid adding confusion to the situation in Dubai), as the chart below shows, brought gold to its knees overnight, after it had held admirably well on Thursday. Also shown (at the bottom of chart), is the 3-month Libor – Overnight Index Swap spread, which a benchmark of the liquidity conditions in the USD market. On Friday, this spread opened almost unchanged. Thus, in Europe equity markets ended up correcting Thursday's sell off and even as the S&P500 Index was down to 1,083 intraday, the VIX Index managed to contract intraday, closing at 24.74 or 5+% higher than Monday's open. What is the conclusion? Well, I hope it will be obvious by now how much control central banks retain yet…



Martin Sibileau martin@sibileau.com **(647) 999-2055**

Disclaimer: The comments expressed in this publication are my own personal opinions only and do not necessarily reflect the positions or opinions of my employer. I prepared and distributed this publication as an independent activity, outside my regular salaried work. No part of the compensation I receive from my current employer was, is or will be directly or indirectly related to any comments or personal views expressed in this publication. All comments are based upon my current knowledge. You should conduct independent research to verify the validity of any statements made in this publication before basing any decisions upon those statements. The information contained herein is not necessarily complete and its accuracy is not guaranteed. If you are receiving this communication in error, please notify me immediately by electronic mail or telephone. The comments expressed in this publication provide general information only. Neither the information nor any opinion expressed constitutes a solicitation, an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments. The comments expressed in this publication are not intended to provide personal investment advice and they do not take into account the specific investment objectives, financial situation and the particular needs of any specific person. All rights reserved.