

November 10, 2005

Hello Successful Investors and Planners,

I've copied some excerpts of an article posted on Richard Russell's Dow Theory Letters web site (www.dowtheoryletters.com) yesterday and pasted them below. The article is from Bloomberg discussing how foreigners didn't show up for the treasury auction yesterday. I've been talking about this in the commentaries I write. When foreigners don't buy our bonds, i.e. lend us money, at a given rate, we have to raise the rate in the auction until the buyers show up to lend us more money. This, along with the fact that 2 year paper pays almost as much as ten year paper, is why longer term interest rates are rising right now. Throw in general price inflation in Huggies wipes and diapers as well as Oscar Meyer Bologna and you have a conundrum—rising rates and rising prices.

What continues to amaze me is that the FED tells us we are experiencing 3% inflation. Putting that debate aside, even if we are experiencing 3% inflation, we are told that is “acceptable” and “under control”. That equates to losing half the value of your dollar every 23 years. That is not “acceptable” to me, how about you?

What do we do when rates are rising and so are prices? We hold hard asset related investments and otherwise invest with extreme discretion. That should help ease the pain the next time we pick up ever more expensive diapers and bologna...(looking at Ruby's inflated cheeks helps as well!!)

Currently we hold gold stocks but just a couple. We still expect gold to pull back to 425-440 at which point we plan to deploy existing cash into 3-4 more positions. Similar story with energy--oil must pull back some more before we view it as a worthy investment. My feeling is that by the middle to end of next year we will enter a recession (or see signs of one coming) and short term rates will come down one last time as the new FED chairman, Ben Bernanke, flexes his reflation muscles. I think hard assets will have seen their lows at that point for several years to come.

Just some food for thought...

“Indirect bidders, which include foreign central banks, bought 21.1 percent of the \$13 billion in five-year notes, down from 45.8 percent last month, the Treasury said. The drop in debt prices wiped out more than half the rally the past two days. The Treasury will sell \$13 billion of 10-year notes tomorrow.

....Since the Treasury started releasing such figures in May 2003, the share of five-year note sales won by indirect bidders has ranged from 14 percent to 65.8 percent, and averaged 39.2 percent. Foreign investors owned \$2.06 trillion of U.S. marketable securities outstanding as of August, up from \$1.17 trillion, or less than 40 percent, three years ago, according to the Treasury.

....Kraft Foods Inc., the largest U.S. foodmaker, and Kimberly- Clark Corp., the largest maker of diapers, said they are boosting prices to recover higher costs for raw materials and energy. Kraft increased the price of Oscar Mayer cold cuts and Jell-O refrigerated puddings by 3.9 percent. Kimberly-Clark will charge 6 percent more for Scott and Cottonelle toilet tissue and napkins, Viva paper towels and Huggies wipes in February.” -Bloomberg November 9, 2005

Successful Investing to All!!

Justin

Justin B. Friedrichs, CFP®
Friedrichs Asset Management LLC
Registered Investment Adviser
6767 Forest Hill Avenue, Suite 305
Richmond, Virginia 23225
(804) 272-6070
(866) 272-6070
(804) 272-6080 fax
Justin@FriedrichsAssetManagementLLC.com
www.FriedrichsAssetManagementLLC.com

*Securities offered through NEXT Financial Group, Inc. Member NASD & SIPC.
Friedrichs Asset Management LLC is not an affiliate of NEXT Financial Group, Inc.*

It is important that you do not use e-mail to request, authorize or effect the purchase or sale of any security or commodity, to send fund transfer instructions, or to effect any other transactions. Any such request, orders, or instructions that you send will not be accepted and will not be processed.

Investors should not rely solely on the information contained in this E-Mail. Rather, investors should use the E-Mail as a market analysis starting point. An investor should engage in additional in-depth research in order to develop an informed opinion regarding the merit of an investment opportunity.

The information contained in this email is for educational and informational purposes only. It does not consider your particular investment objectives or financial situation and does not make personalized recommendations. It is not intended to provide specific legal, investment, accounting, tax, or other professional advice. Individuals should consult with the appropriate professionals to help answer questions about their specific situations or needs prior to taking any action based on this information.