

August 8, 2011

*A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.*

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## Topic: Ratings Sound Off

I have to weigh in with my thoughts on the idiotic downgrade of the United States by S&P. What are they thinking!?

S&P has now placed the most powerful, the most versatile, the most influential country on Earth with the same credit rating as Belgium and New Zealand, the only other countries with a AA+ rating. This is ludicrous. At AAA, S&P has Australia, Austria, Canada, Denmark, Finland, France, Germany, Guernsey, Hong Kong, Isle of Man, Liechtenstein, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, and the United Kingdom. How could a ratings agency think that the financial strength of the United States to meet its debt obligations could be less than these countries? Absurd! (Earlier, both Moody's and Fitch Ratings reaffirmed the United States' AAA rating, although Moody's has a Negative Outlook, and Fitch has the rating Under Review, which review process it expects to complete by the end of August.)

This preposterous decision by S&P to downgrade the United States is to ignore the country's enormous inherent taxing power, ignore its vast monetizable gold hoardings, and ignore the incredible expenditure savings that could occur from winding down its overseas military operations. (The United States should stop trying to impose its democratic ideals and principles on countries that do not think the same way that it does.) Like a snowball's chance in Hades, there is no chance, no way, that the United States would ever default on its debt obligations.

Personally, I do not have a lot of use for rating agencies. I worked for nine years for a ratings agency as a senior executive and, therefore, I have some insight into their operational thinking processes. Rating agencies' decisions are based primarily on backward-looking analysis. They essentially react to events that have already happened. They do not opine on what could happen. They are not forecasters, they are reactors.

Having missed Enron, Worldcom, Lehman, the housing crisis, the securitization debacle, and the sub-prime mortgage mess, what relevance, what credibility should the ratings agencies have today?

## Stock-of-the-Week

Will return

In my opinion, not much! Even Jean-Claude Trichet, head of the European Central Bank, seems to agree. On July 7, when he raised the benchmark interest rate to 1.5%, at the same time he threw a crucial lifeline to Portugal that the ECB had already extended to Ireland and Greece, and to Europe's political leaders, by choosing to ignore downgrades by ratings agencies and pledging to keep allowing those countries' banks to swap sovereign debt for fresh loans.

There is no doubt that the United States has got itself into a weakened financial state. Its citizens want to have their cake and eat it too. No person, no family, no state, no country can live beyond its means indefinitely. If you try, eventually you "have to pay the piper". The United States is now at that point.

U.S. citizens enjoy one of the lowest tax rates in the world (unlike its corporations which have one of the highest). The USA is, perhaps, the only major country without a value-added tax. How come?

It is time to pay that piper! The USA can no longer play policeman to the world (military might is a very costly endeavour) while, at the same time, undertake an enormously expensive space exploration program, sustain rapidly-growing social security and related safety-net programs, including significantly-expanding unemployment insurance and rapidly-increasing healthcare costs in the form of Medicare and Medicaid, and, yet, have its citizenry enjoy an unbelievably low, unsustainable, tax rate.

The USA will soon have to come to grips with the reality that the U.S. dollar will soon lose its exalted status as the world's reserve currency. This is already happening, but Congress has its head in the sand. That both China and Russia recently cast disparaging remarks on the United States is ironic. (Those who live in glass houses should not throw stones.) But getting back at the United States is understandable, for the U.S. has long treated its adversaries with disdain. The chickens have come home to roost!

While Americans are amongst the warmest, kindest, and most caring people on this planet, their elected officials are a different story. From a political standpoint (only), it is almost gratifying to see this arrogant, self-centred, self-serving, somewhat globally ignorant, if not politically naïve, country get its come-uppance. The USA has been on top of the world for almost 100 years, and the last 20 years essentially unchallenged. Times have changed.

It is so sad to see the Democrats and the Republicans gnashing at each other, all in the quest of gaining voter support and acceptance in order to get re-elected. How pathetic! These two great parties should be pulling together for the greater good of the United States. For the country is no longer Number 1. And the sad part is, the hapless goons in Washington don't seem to get it.

That the United States must get its fiscal house in order is an understatement. It is going to take remarkable political leadership and foresight to get the United States back on track. The present administration seems far from capable. The party-in-waiting is burdened with divergence and conflict. It can be done, but history is not on its side. History has demonstrated, time and time again, that once a country loses its illustrious Number 1 position, it never gets it back. For the United States, it appears that it will soon be taking a back seat to China.

Although American global dominance may be ending, the country's role and influence will diminish only slowly. It will still play a major role, but it will have to share the world's stage with others, rather than strut unchallenged as it has for the past 20 years.

No empire can go forever. Some last longer than others but, eventually, they all decay from within. All of the great empires, Phoenician, Persian, Greek, Roman, Mongol, Ottoman, Holy Roman, Spanish, British and, now, American, had their "day", after which, the sun begins to set. (In my opinion, the peak of the American Empire coincided with the assassination of John Fitzgerald Kennedy in 1963.)

The world is changing. It always has; it always will. For us living in the Western World, we now face the reality of a powerfully-growing China and an ever-expanding Muslim nation. The USA must learn to live with that and adapt to the change. Its power, its influence, and its (and maybe our) very survival may depend upon it.

But, first, it has to get its financial house in order, no matter what its credit rating. This will take time, a lot of hard decisions, and a new reality by its citizens.

Here comes that piper!

*Bob Weir*, CFA, and Director of Research

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Material Since  
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None

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[Strike Minerals Inc.](#)  
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[Antioquia Gold Inc.](#)  
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[NSGold Corp.](#)  
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**BriefCase**

*NewsBytes from August 2 - August 5, 2011*

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For the latest eResearch publications, see sidebar opposite.

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**Monarques Resources Inc. (\$0.32 - August 2, 2011; MQR-TSX-V) ....** Monarques Resources has entered into an asset purchase agreement for the acquisition of 10 mining claims (the "North Rupert Block") held by Eoro Resources Ltd. The claims are enclosed in the Monarques' 100%-owned Arques property in the Province of Quebec.

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**Anglo-Canadian Uranium Corp. (\$0.16 - August 2, 2011; URA-TSX-V) ....** Anglo-Canadian has begun a 2,500-metre drilling program at its 100%-owned *Princeton* copper project near Princeton, B.C. A recently-completed 3D IP/magnetic survey at the project, covering 25 line kilometres, identified three new potential copper targets, which will be drill-tested in 6 holes between 350-500 m.

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**Chemaphor Inc. (\$0.08 - August 3, 2011; CFR-TSX-V) ....** Chemaphor and its subsidiary Avivagen Animal Health were presented to an international audience through one-on-one partnering discussions, networking, and displays at two major international conferences held recently - one in Charlottetown, PEI and the other in Washington, D.C. The Company is currently pursuing international opportunities uncovered at the conferences.

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**A-Cap Resources Limited (A\$0.405 - August, 3, 2011; ACB-ASX - Australian) ....** A-Cap Resources has published its quarterly report for the period ended June 30, 2011. It released a global resource upgrade (up 65%) for the Company's Letlhakane uranium project in Botswana. The updated resource, reported in compliance with the JORC code, currently stands at 780Mt at 152ppm U3O8 for a contained 261 Mlbs of U3O8 (100ppm cut-off), having grown from 158 Mlbs.

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**Microbix Biosystems Inc. (\$0.305 - August 4, 2011; MBX-TSX) ....** Microbix closed the second tranche of a private placement financing, resulting in the issuance of a further 1,026,452 units at \$0.35 per unit for gross proceeds of \$359,258.

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**NSGold Corporation (\$0.53 - August 5, 2011; NSX-TSX-V) ....** NSGold has completed its private placement of 8,627,451 common shares at \$0.51 per share, for gross proceeds of \$4.4 million. Sprott Asset Management LP, acting on behalf of certain Sprott funds and managed accounts, subscribed for all 8,627,451 shares, representing 19.9% of NSGold's issued and outstanding shares after the private placement. NSGold will use the net proceeds for working capital and for funding of its new subsidiary NSX Silver Inc.

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## Opportunity Knocks

At the present time, eResearch has no positions available.

If you are interested in learning more about eResearch, please contact Bob Weir at the following: [bweir@eresearch.ca](mailto:bweir@eresearch.ca).

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(Includes reports and articles only)

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5. Analyst Article, Urgent Message, August 5
6. Black Iron Inc., Initiating Report, July 19
7. Analyst Article, Gold, August 4
8. Amerix Precious Metals Corporation, Update Report, July 13
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## Bi-Weekly Top Five

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4. Analyst Article, Gold, August 4
5. SLAM Exploration Ltd., Update Report, June 23