



The Polar Letter

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As our readers know, we have been cautious concerning the traditional debt and equity markets for quite some time (please see our previous newsletters online). We feel that the numerous excesses of past many years will take several years to “work out.” For example, the process of de-leveraging along will take at least three years, in our opinion. De-leveraging, by the way, will most definitely mean lower earnings in many sectors, most notably the financial sector.

The foregoing notwithstanding, the United States debt is in excess of nine trillion dollars and the total “American debt” (including personal, corporate, etc.) is in excess of fifty trillion dollars. We feel that this multi decade trend of living beyond our means can not continue, and will create ramifications in many areas.

This morning, **The Royal Bank of Scotland** issued an interesting bearish forecast:

Presently, we favor investments in silver (just over \$17 this morning) and gold (\$889). Naturally, such investments may take many forms. Additionally, we recommend participation in one or more of our many futures investment programs (which may not be suitable for all situations).

Please call us for details concerning your particular situation.

By CNBC.com | 18 Jun 2008 | 06:32 AM ET

The Royal Bank of Scotland issued a stark warning to investors Wednesday, stating global stock and credit markets could be on the verge of a steep market sell off as central banks have their hands tied by soaring inflation, the Telegraph reported. “A very nasty period is soon to be upon us – be prepared,” Bob Janjuah, credit strategist at RBS, told the UK Daily Paper. The S&P 500 index is likely to slump by more than 300 points by September, accordingly to a report from the bank’s research team, as “all the chickens come home to roost” from over-easy lending practices and other excesses of the global boom period, the report quoted by the Telegraph said. “I do not think I can be much blunter. If you have to be in credit, focus on quality, short durations, non-cyclical defensive names. Cash is the key safe haven. This is about not losing your money, and not losing your job,” Janjuah told the paper. RBS expects US stocks to continue to gain until early July before the effects of the oil spike to drag on the momentum, the Telegraph said. Bob Janjuah was not immediately available for comment.

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Michael C. Jordan
President

Polar Investment Counsel, Inc.

Member: FINRA, NFA, MSRB, SIPC
Broker-Dealer / Investment Advisory
Home Office: Thief River Falls MN 56701
218.-681.7344 * 218.681.1329 [fax]
www.polarinvest1.com

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