GOLD & ENERGY ADVISOR

Vol. IV, No. 4 $19 April 2007

"Are Gold and Energy the Best Investments to Own in 2007?"

"Our *GEA* portfolio is up 10.08 percent in just the first three months of this year!

"Compare that to our peers: Fidelity Select Energy made 6.42%. Profunds Oil and Gas made only 3.2%. Dow Jones Energy sector, a mere 2.48%. The Dow Jones itself went *down* by .87%!

"But how long will the gold and oil bulls run? I believe we have a long, profitable ride still ahead of us. Here's why!"

James DiGeorgia, Editor

- **Famous analyst predicts: gold will set new record this year**
- **Multiple bullish forces pushing oil prices higher**
- **Middle East prepares for war**

The bull markets in oil and gold are looking stronger than ever!

Gold is obviously doing very well, as it's flirting with $700 again. Jeffrey Christian, founder of famed commodities analysis firm CPM Group, has predicted that gold will hit all-time record levels this year.

He pointed out that in 1980, when gold hit $850, its average price for the year was $612 per ounce. The average for the first quarter of this year was $650.12. So it's easy to see how we could break the record in 2007.

As for oil, the bull is still strong. There's been a lot of hand-wringing in the media lately about prices at the gas pump.

Well, if they think it's bad now, just wait.

There's a lot of news lately that points to higher oil prices. I'll start with…

The Failure of Ethanol

Ethanol is all over the news lately. Many people have hoped that ethanol could eventually provide much of America's energy. But that's looking more and more unlikely.

President Bush wants to make ethanol from grass, and this would be wonderful if it worked. Unfortunately, it doesn't—so far, nobody can figure out how to break down the cellulose into usable starches. (Not economically, anyway.)

Therefore, our only real option is to use corn, which has the starches already.

However, it takes energy to make ethanol from corn. Among other things, you use a lot of petroleum in the fertilizer, and lots more in the trucks, tractors, and combines used to grow and harvest the grain. Many scientists believe that it takes as much energy to produce a gallon of ethanol as the ethanol itself contains, which obviously makes the whole exercise pointless. Even the most optimistic ratio is 1.3 to 1—so you would get a mere 30 percent increase in the energy invested. (Gasoline has a 10 to 1 ratio.)

THE GOLD AND ENERGY ADVISOR

EDITORIAL STAFF

James DiGeorgia	*Editor*
Spiros Psarris	*Associate Editor*

PUBLISHING STAFF

Chuck Aultman	*Subscriber Services*
Angela Leonard	*Marketing Manager*

The **GOLD & ENERGY ADVISOR** is published 12 times a year by The Silver & Gold Report, LLC, 925 South Federal Highway, Suite 500, Boca Raton, Florida 33432 (800-819-8693 or 561-750-2030). Subscription rates: Single issue, $19. One year (12 issues), $189. Two years (24 issues), $279.

On top of that, the stuff is difficult to use. You get fewer miles per gallon from ethanol than gasoline. It's corrosive on pipe seals, so we can't transport it by pipeline. And it increases smog when it's burned.

Plus, there's surprising news about ethanol refineries. We would need a lot of these, if we wanted to increase ethanol production. However, a lot of communities are fighting the construction of these facilities—even small communities that desperately need new jobs.

The ethanol plants have big problems with odors, air pollution, and huge water consumption. Legal battles over refinery construction have now broken out in Wisconsin, Nebraska, Kansas, Missouri, Indiana, and Illinois.

Meanwhile, corn prices have gone through the roof, shooting up 80 percent in 2006 alone. This is hitting the agricultural and food industries hard: not only food manufacturers, but also ranchers who use feed corn for their livestock (cattle, hogs, chickens, etc.) There's also a long list of products that use corn syrup as a sweetener: soft drinks, baked goods, and so on.

Farmers are being encouraged to plant more corn, but this means other crops will shrink. For example, soybean crops are projected to decline by one-third this year, which will also have a broader impact on the food industry.

In any case, farmers might not produce as much corn as estimates say. The costs to produce corn have doubled in three years, from $100 to $200 per acre. (Nitrogen fertilizer has gotten a lot more expensive, thanks to the oil bull.)

The current ethanol craze might not last very long. Down in Mexico, there's an increasing outcry against ethanol; the bull market in corn has raised the cost of corn tortillas by 30 percent in just a few months. Tortillas are a dietary staple for Mexico's poor, and many are now unable to afford food. Meanwhile, China has banned new ethanol plants because of the threat to its food supply.

In a free market, ethanol would never survive. Currently, ethanol producers get a whopping 51 cents per gallon subsidy just to make the stuff. And that's not including a 54 cents tariff enforced at the border, so domestic companies don't need to compete with imports.

To me, the whole idea has always been ridiculous. When President Bush announced his target of 35 billion gallons a year by 2017, I just laughed. Didn't anybody else notice that this would require more corn than *the entire annual US harvest*?

Ethanol is *not* a threat to the bull market in oil.

World's Second Largest Oil Field: Now in its Death Throes

The oil industry is buzzing about a recent announcement from Mexico. Cantarell, the world's second-largest oil field by output, is dying.

Its daily production plunged by a staggering half million barrels last year: from 1.99 million bpd (barrels per day) down to 1.5 million. According to oil industry consultant David Shields (who has been following the Cantarell situation closely for several years), we'll probably see a further drop down to 900,000 bpd by the end of this year.

Why is this shocking? First of all, Cantarell currently produces one out of every 50 barrels of oil globally. A twenty percent fall in its output is a serious blow to the markets.

But that's not the most important thing here. This is yet another confirmation of something I wrote about in *Global War for Oil*: thanks to modern industry practices, big fields don't decline slowly. Once production peaks and turns down, it collapses quickly.

It's easy to understand why. Underground oil is under tremendous pressure; the first well drilled into a field can even produce a fountain ("gusher") of oil squirting out. As you collect the oil, the pressure decreases. It's like air leaking out of a balloon.

Of course, decreasing pressure will slow production. Therefore, oil workers usually maintain the pressure by forcing water or gas back into the field. (In Cantarell's case, workers have maintained pressure by injecting nitrogen.)

This has two effects. One, you collect all the oil faster, so the end of production comes more quickly. Two, when the end comes, it's abrupt. Since you didn't allow production to taper off gradually, it will fall off a cliff once you reach the end of the oil.

None of this would matter if there were other fields ready to replace the dying ones. Unfortunately, there aren't.

The world economy is utterly dependent on big oil fields for our petroleum. Small fields are more numerous, but just don't produce enough. For example, the United States has hundreds of thousands of oil wells. Cantarell has a mere 208. Yet all by itself, Cantarell equals one-fourth of the entire US oil output!

Nearly one-quarter of the world's oil comes from the biggest 20 fields. But they're dying at an alarming rate. Twenty years ago, there were about a dozen fields producing more than a million bpd each. Today, there are six—and Cantarell is one of them. Kuwait's Burgan field is another—but it peaked in 2005. Then there's Saudi Arabia's Ghawar field—which has had so much water pumped in, it's producing two barrels of water for every barrel of oil.

The big fields will be gone soon. Worse, despite decades of looking, we haven't found any others to replace them. Before the 1970s, eight "elephant" fields (producing more than 500,000 bpd) were found. In the 1970s and 1980s, only two were found. In the last twenty years, there's only been one (the Kashagan field in Kazakhstan). They just aren't there to find.

Cantarell's sudden death throes have sent shock waves through oil markets. Nobody expected it to fail so quickly. It's an ominous picture of the eventual fate of all our big fields.

And a reminder that, as these fields fail, oil prices will soar.

That's all a result of geology. However, oil is also affected by politics. And here again, there's bullish news for oil.

Tuberculosis in the News

I assume you received the recent *GEA* bonus issue on bioterror. (If not, it's available here: http://www.goldandenergyadvisor.com/page/gez/newsletter/2007-04-16-043.pdf)

Just as that issue was coming out, the *Village Voice* reported on a nurse at St. Barnabas Hospital in the Bronx. She had a cough for weeks, and finally asked a doctor about it. The tests showed she had tuberculosis. Worse, she had exposed about 700 workers and patients to the disease, including 238 infants. This was similar to a 2003 incident, where a nurse exposed 1,500 patients and workers to TB at Bronx-Lebanon Hospital.

The article said this is becoming a real problem. The number of health care workers in New York City with TB is up 25 percent since the early 1990s. The nationwide nurse shortage means more foreign-born nurses are coming here to work. Since TB is so prevalent in the rest of the world, many of these workers are bringing the disease with them.

The Socialist Nutcase in Venezuela

Hugo Chávez, the dictator of Venezuela, has ejected Western oil companies from their properties in his country.

There are currently six American and European companies exploring for oil and upgrading existing facilities in Venezuela's Orinoco region. Chávez has

Latest prices as GEA goes to press—April 25, 2007

Comex spot contract: silver $13.81, gold $683.90
Nymex spot platinum: $1,298, palladium $378
Nymex Light Sweet Crude Oil $65.14

Silver coins		Dealer will buy at this price	Dealer will sell at this price
100 1 oz. silver American Eagles		$1,460	$1,560
100 1 oz. common rounds		$1,380	$1,480
$1,000 face value US pre-1965 coin bag (circulated)		$9,500	$10,300
$1,000 face value US circulated silver dollar bag (VG or better)		$11,500	$12,300
US Morgan silver dollars	PCGS MS64	$38	$43
	PCGS MS65	$120	$130
	PCGS MS66	$275	$325
Platinum coins			
U.S. Platinum Eagle:	1 oz.	$1,300	$1,350
	1/2 oz.	$600	$675
	1/4 oz.	$300	$338
	1/10 oz.	$130	$150
Gold coins			
Australian Kangaroo		$660	$690
British sovereign (Kings)		$150	$170
(Elizabeths)		$150	$170
Canadian Maple Leaf		$650	$685
Credit Suisse 1 oz. gold bar		$655	$690
Mexican 50 peso Centenario		$790	$820
South African Krugerrand		$650	$670
US Gold Eagle:	1 oz.	$662	$692
	1/2 oz.	$331	$360
	1/4 oz.	$165	$180
	1/10 oz.	$66	$76
US $20 double eagle:			
Liberty Raw	MS60	$657	$687
NGC	MS63	$875	$925
NGC	MS64	$1,315	$1,450
NGC	MS65	$3,580	$3,900
Saint Gaudens Raw	MS60	$665	$705
NGC	MS63	$720	$780
NGC	MS64	$845	$895
NGC	MS65	$1,250	$1,350

now kicked them out, effective on May 1st. Daily operations—*and* majority ownership—are to be handed over to Petreleos de Venezuela (PdVSA), the state-owned oil company.

The Western companies were in Venezuela under contracts signed in the mid-90s with PdVSA. The Orinoco Belt has a lot of oil, but it's a thick tarry sludge that can't be extracted or processed with normal methods. PdVSA couldn't do anything with it, so Western expertise and capital were brought in.

After a decade of work and a $17 billion investment from the Western companies, production from the region is now 600,000 bpd.

And Chávez just stole it all.

Here's why this matters to us. Chávez's mad decisions have already slashed Venezuela's oil output, from 3.5 million bpd down to 2.5 million. Among other things, he fired 20,000 experienced oil engineers and workers, because they didn't support him politically. He replaced them all with incompetent (but loyal) toadies.

Plus, he's siphoned off millions of bolivars (the national currency) from PdVSA to pay for his whacko socialist programs. For example, he sends 100,000 poor Venezuelans to Cuba each year for vacations. Public spending soared 43 percent last year alone. He also *gives* Cuba $3 billion worth of oil each year.

Now the Orinoco region—an area with huge potential for development—will have its production destroyed too. Oil workers there are already looking for other jobs, since they're facing steep pay cuts. Also, thanks to Hugo's previous confiscations, investors are now withdrawing their capital from Venezuelan industry. This has already hurt PdVSA's production by an estimated 60,000 barrels per day.

Incidentally, Chávez also just announced a takeover of Venezuela's largest electricity and telecommunications companies. Venezuela's economy is headed for the toilet fast.

So is its oil production.

Chávez controls a significant oil resource (Venezuela is the fourth-largest supplier of oil to the US). His government is a strong bullish force on oil.

Madness in Saudi Arabia

While we're talking about oil suppliers, there's a tragic piece of news from Saudi Arabia.

A 19-year-old woman was recently kidnapped by a group of men with knives, who gang-raped her 14 times. Afterwards, a Saudi court sentenced *her* to 90 lashes, and told her she was lucky to avoid imprisonment.

What was her crime? Only this—at the beginning of the incident, she got into a car with a man who wasn't related to her. (It's illegal for women to be alone with men who aren't family members.)

Also, in addition to all this, she was severely beaten by her brother after being raped. This was to punish her for bringing embarrassment to the family.

Why do I mention this incident? It demonstrates how mad the Saudi society has become. Saudi Arabia was founded on radical Wahhabi Islam, which includes a violent anti-American sentiment. The "royal" family has always been fairly secular, and willing to work with America in the Middle East. However, their society overall is radical, thanks in part to the Saudi government-funded *madrassas* (religious schools that preach, among other things, death to Israel and America).

The royals have constructed a trap for themselves, and the jaws are slowly closing. On the one hand, the princes love the wealth they get from oil sales to America and Europe. On the other hand, the radical influence is rising. The Saudi rulers are under increasing pressure to oppose the US and attack Israel.

You might remember the oil embargo in the 1970s, when the Saudis decided to withhold their oil from us. We saw mile-long gas lines and sky-high prices. That day might come again, a lot sooner than anybody expects.

Iran: Closer to Nukes than We Thought

On April 9, Iran celebrated its "national day of nuclear energy." Exactly one year earlier, Iran had announced its first enrichment of uranium. Now in 2007, Vice President Gholamreza Aghazadeh announced, "we are entering the mass production of centrifuges and starting to launch industrial scale enrichment." The government even sent out millions of congratulatory text messages to Iranian citizens on their mobile phones.

Inspectors from the International Atomic Energy Agency have confirmed that Iran has at least 1,300 centrifuges up and running. (The inspectors saw them first-hand.) Not only that, Western intelligence has learned that Iran has a lot more uranium than we had thought. According to former Iranian spy chief General Ali Reza Askari, Iran has bought lots of it from Congo. (The African country has eight percent of the world's uranium reserves, and no export controls.) Iran's agents have also been negotiating with Somalia, Namibia, and Kazakhstan.

Meanwhile, the government continues to demonstrate that we're in serious trouble once the mullahs go nuclear. A program on IRIB (official Iranian radio) just concluded a lengthy series on the Mahdi—the Islamic Messiah. It said his return is imminent.

When the Mahdi returns, the program said, he will "break the back of the oppressors." "Liberal

Presidential Candidate warns of a "Nuclear 9/11"

New Mexico Governor and Presidential Candidate Bill Richardson recently warned that we're vulnerable to a nuclear 9/11, thanks to lax security around the weapons and nuclear material of the old Soviet Union.

The Soviets had many stockpiles of nuclear material—not only in their weapons, but also stored in various facilities in Russia and other Soviet states. After the Soviet regime collapsed, many of these facilities were abandoned and left unguarded. Some were secured only with padlocks.

Thievery has been rampant. In 2002, Russia's chief nuclear regulator Yuri Vishnevsky admitted that weapons and reactor-grade nuclear materials had been disappearing from the country's atomic facilities for *more than ten years*.

Bill Richardson was part of our government's efforts to help secure this nuclear material (what's left of it, anyway), to keep it out of the hands of terrorists. During the Clinton Administration, he was ambassador to the United Nations, and later became Secretary of Energy.

Now he's accusing the Bush Administration of doing too little to continue this effort. He recently said, "If al-Qaeda obtained nuclear weapons, they would not hesitate to use them with the same ruthlessness that allowed them to fly airplanes filled with people into buildings... Meanwhile, we are spending $10 billion a month on Iraq. Of the many ways in which the Iraq war has distracted us from our real national security needs, this is the most dangerous.

"It took a Manhattan project to create the bomb. We need a new Manhattan project to stop the bomb—a comprehensive program to secure all nuclear weapons and all weapons-usable material, worldwide."

Governor Richardson's concern is commendable. However, after ten years of thievery, it's probably too late. Terrorists almost certainly have at least some of this material already.

democratic civilization" will only be found in "history museums." Instead, "when he reappears…one global government, the most perfect ever, will be established."

So the Iranians are looking forward to the complete destruction of Western civilization, and a one-world Islamic government.

They take this fantasy very seriously. You might remember that last September, when Iranian President Mahmoud Ahmadinejad spoke to the United Nations, he said he was bathed in light from heaven throughout his speech. (His delegation saw the light too.)

He also said, "I felt that the atmosphere suddenly changed, and for those 27 or 28 minutes, all the leaders of the world did not blink. When I say they didn't move an eyelid, I'm not exaggerating. They were looking as if a hand was holding them there, and had just opened their eyes—Alhamdulillah [Praise Allah]!"

This is the guy who would be in charge of the nukes.

Meanwhile, world leaders continue to 'negotiate' and threaten Iran with more sanctions if they don't stop developing nuclear energy. Iranian journalist Amir Taheri recently wrote an interesting perspective on this. He said, "Successive US administrations have assumed that the problem with the Khomeinist regime lies in its behavior, which they hoped to modify through traditional carrot-and-stick diplomacy. The problem with the regime, however, is its *nature*, its totalitarian ambitions and messianic claims. Being an enemy of the US, indeed of all democracies, is in its political DNA. A scorpion stings because it is programmed by nature to do so. A regime that is the enemy of its own people cannot be a friend of others."

Rumors are spreading about an imminent US assault on Iran. Our government is tight-lipped on the subject, but other governments are not. Russian officials in particular are sounding the alarm. For example, Russian news agency RIA Novosti recently said, "Russian intelligence has information that the US Armed Forces stationed in the Persian Gulf have nearly completed preparations for a missile strike against Iranian territory."

Other officials are more specific. Russia's Col. Gen. Leonid Ivashov, former chief of staff of the Russian armed forces, said our attack is coming very soon. "Preparations to strike Iran's strategic facilities continue…Three major groups of US forces are still in the Arabian Sea and the Persian Gulf. Altogether, they have up to 450 cruise missiles on alert.

"Military operations against Tehran will begin with the launch of at least two unexpected strikes using Tomahawk cruise missiles and air power in order to disable Iran's air-defense capabilities. According to our data, up to 150 aircraft are to be involved in each strike on Iran. Land-based air-defense systems will be disabled in the first place, then mobile short-range systems, which Tehran has.

"Combat nuclear weapons may be used for bombing. This will result in radioactive contamination of the Iranian territory, which could possibly spread to neighboring countries."

Is he right? It's too early to tell. However, we do know that the aircraft carrier *USS Nimitz* recently left San Diego, heading toward the Persian Gulf. The *USS Eisenhower* and *USS Stennis* are already there. That's an awful lot of firepower packed into a little bit of water.

Portfolio Updates

In Update #326, we issued recommendations for those subscribers who owned SUFL (Suncor), XEC (Cimarex Energy), and EAC (Encore Acquisition).

On Suncor, we legged into a spread with our deep-in-the-money call. We sold the June $75 calls (SUFO) for $3.40.

On Cimarex Energy, we sold the June $35 calls (XECFG) for $2.80. This brought our cost down to $20.60.

On Encore Acquisition, we sold the June $25 calls (EACFE) for $1.00. This brought our cost down to $9.10.

In Update #328, we issued recommendations for those subscribers who owned TLM (Talisman Energy), APC (Anadarko Petroleum), and DVN (Devon Energy).

On Talisman Energy, we sold the April $15 calls (TLMDC) for $2.50. This brought our cost down to $3.36.

On Anadarko Petroleum, we wrote one contract against 100 shares that were bought on 5/17/06. We sold the May $45 calls (APCEI) for $.90. This brought our cost down to $42.75.

On Devon Energy, we sold the April $70 calls (DVNDN) for $1.75. This brought our cost down to $60.70.

In Update #334, we issued recommendations for those subscribers who sold April options on DVN and TLM.

On Devon Energy, we closed our April $70 calls (DVNDN) and rolled them up to the May $70 calls (DVNEN).

On Talisman Energy, we closed our April $15 calls (TLMDC) and rolled them up to the May $15 calls (TLMEC).

The Middle East Prepares for a Summer War

If the US strikes Iran, it will trigger a broader conflict. All the nations in the Middle East are already preparing for it.

As the initial target, Iran is bracing itself for an American assault. The mullahs are busy fortifying military positions in Tehran.

They're also smuggling large quantities of weapons to Hezbollah in Lebanon. The Muslim terrorists are getting ready to attack southwards and draw Israel into the war, assuming the Israelis aren't already involved. (They probably will be anyway. According to Britain's *Daily Telegraph*, Israel is negotiating with the US for flyover rights in Iraq. Israeli planes would need to fly through US-controlled air space in Iraq, on their way to attack Iran.)

Iran has also increased its payments to the Islamic Jihad and the Popular Resistance Committee terror groups. According to recent reports, when the war starts, terrorists will strike US and Israeli targets.

Meanwhile, Syria has placed its army on high alert, and is mobilizing its military along the Israeli border. The state-run media are broadcasting militant warlike messages.

Over in Gaza, Palestinian terror groups have been smuggling huge quantities of weapons and rockets in from Egypt. They're also constructing large complexes of underground war bunkers.

Whether or not we go after Iran, it's looking like Israel will soon be the recipient of attacks from several directions (from Gaza to the west, Lebanon to the north, and Syria to the northeast). Unsurprisingly, Israel just conducted a huge national war drill—the largest since its establishment in 1948.

The chaos might spread even further than this. Adel Assadinia, the former Iranian consul-general in Dubai, recently defected to the West. He says Iran has a secret network of agents in place across the Middle East, working with the Shiite minorities in the largely Sunni Arab nations. When war erupts, these minority groups will cause civil unrest in their countries, in an effort to destabilize the entire region. (Countries such as Dubai are currently friendly to the West. Iran wants to change all that.)

The US attack is shaping up to be a large-scale assault. BBC News has described American plans to be much larger than a simple air strike. Obviously, attacking the nuclear facilities alone would be inadequate; Iranian air defenses would need to be taken out first. But the report said US Central Command officers have broadened the plan to include not only air defense sites, but also most of the country's military infrastructure (air bases, naval bases, missile facilities, and command-and-control centers).

The article didn't give a reason for this, but it seems obvious. Once we attack Iran, the mullahs will retaliate however they can. If we're going to strike,

Is the US giving bioweapons training to al-Qaeda?

"The NIH (National Institute of Health) is funding a research and development arm of al-Qaeda."

That's according to bacteriologist Richard Ebright, a chemical biology professor at Rutgers University, who sent a warning letter to Elias Zerhouni (director of the NIH). He's not alone in his concerns: 758 other scientists also signed the letter.

According to Ebright, the US has been breathtakingly stupid in its biodefense research since 9/11. We're distributing bioweapon secrets and actual specimens of pathogens to hundreds of labs, many of which are brand-new, and all with insufficient oversight. (For example, 97 percent of researchers receiving bioweapons funding from the National Institute of Allergy and Infectious Diseases have never received funding for this type of work before.)

As Ebright told *Technology Review*, "There are now more than 300 US institutions with access to live bioweapons agents and 16,500 individuals approved to handle them." Ebert complained that the background checks for these individuals were cursory and almost worthless: "Mohammed Atta would have passed those tests without difficulty."

Later in the interview, he told the journalist:

"If al-Qaeda wished to carry out a bioweapons attack in the US, their simplest means of acquiring access to the materials and knowledge would be to send individuals to train within programs involved in biodefense research. And today, every university and corporate press office is trumpeting its success in securing research funding as part of this biodefense expansion, describing exactly what's available and where.

"To make an antibiotic-resistant bacterial strain is frighteningly straightforward, within reach of anyone with access to the material and knowledge of how to grow it… A conventional bioweapons agent can potentially be massively disruptive in economic costs, fear, panic, and casualties."

we need to remove not only their nuclear facilities, but also their ability to retaliate in other ways.

Across the Middle East, tensions are high, and getting higher. Again, this is more upwards pressure on oil prices. And a major war would spike gold up, too.

Meanwhile, a few thousand miles to the east, there are…

Ominous Developments in China

Federal Computer Week recently ran an alarming report about China "waging all-out warfare" against US Department of Defense computer networks. It said, "The conflict has reached a campaign-style, force-on-force engagement." The attacks are deliberate, "continuous," and *very* sophisticated.

The article quoted a senior official at the Naval Network Warfare Command, responsible for defending Navy and Marine Corps computer networks against attack. He mentioned that the Chinese are attacking in every possible way: not only to steal our technology, but also to gather intelligence, research Dept. of Defense operations, and plant Trojans and viruses in our systems.

Major attacks have already disabled the entire computer infrastructure at the Naval War College. (It was offline for several weeks.) There was also the series of attacks now dubbed "Titan Rain," in which Chinese hackers gained access to sensitive US computer networks, including those at Lockheed Martin, Sandia National Laboratories, and Redstone Arsenal.

The naval official described an incredible level of sophistication in the attacks. For example, an attacker might plant a virus as a distraction. While US computer personnel are trying to eradicate it, the attacker comes in "slow and low" elsewhere to gain entry.

Many of the attacks have implanted "back doors" into our computer systems: a way for attackers to quietly enter and gain control of the system later. US personnel remove these whenever they find them—but how many of them haven't been found?

China, Russia, and Iran: New Threats to our Navy

Charles McQueary, director of the Pentagon's weapon testing office, is threatening to disapprove certain future projects. These are major projects, like the $35.8 billion CVN-21 aircraft carrier, and the $36.5 billion DDG-1000 destroyer project.

Apparently there's no point in building these monster ships now that Russia and China have a new 'carrier-destroying' missile: the SS-N-27B. Western intelligence calls this missile the "Sizzler."

The Sizzler can be launched from miles away, but flies only 10 yards above the water, making it impossible to see or detect until it's almost upon the target. Once there, it's almost impossible to stop. It screams into the target at an incredible three times the speed of sound, and can even perform defensive maneuvers on the way in (to avoid anti-missile systems).

Our carriers are sitting ducks. The Navy still uses the Aegis anti-missile system, which is now over 20 years old. It's hopelessly outclassed by these new missiles.

Who has these missiles? They're built by a Russian company, so obviously the Russian government has them. We also know that China has bought a bunch, along with 8 diesel submarines equipped to fire the missiles. Worst of all, a Pentagon official confirmed that Russia has also offered Sizzlers to Iran.

If these missiles get into Iranian hands, the balance of power in the Persian Gulf would be completely reversed. We have two carrier groups in the Gulf now, with a third on the way. This is a tremendous amount of firepower. If Iran has Sizzlers, though, the Gulf would become little more than a Persian shooting gallery.

This would mean Iran could close the Strait of Hormuz any time it likes. Twenty percent of the world's oil supply passes through this narrow passage every day. Plus, Iran has threatened to close it before. (Iran's supreme leader Ayatollah Ali Khamenei said, "If the Americans make a wrong move toward Iran… the Americans would not be able to protect energy supply in the region.") Our ships would be helpless to stop the closure.

If Iran sank a few of our ships and declared the Straits to be closed, we'll see oil hit $150 overnight.

We're Still Riding the Bull!

Obviously, there are lots of reasons to expect high oil for the foreseeable future. Depending on events in the Middle East, oil prices might explode upwards soon. Or, they might rise more slowly over the coming years, as major oil fields continue to deplete. Gold is looking great too, for these and other reasons.

I believe we're positioned exactly right. The media can continue their starry-eyed reports about new fuels, new technologies, or whatever else. But in the markets, only the truth matters!