



LESSONS FROM A GLOBAL CONFERENCE NOTABLE STRATEGISTS SHARE THEIR VIEWS

Attending the CFA Institute Annual Conference in Zurich, Switzerland was an enlightening, insightful education in global economics and global market strategies. My trip through France and Switzerland did its part to support global economics. I exported fragments of tourism (a digital camera lost on a tour bus and beaucoup US dollars converted to Swiss Francs and Euros). I imported wine, chocolate and cheese. I also carried across customs a wealth of knowledge that will increase the value I can deliver to clients of Hawk Investment Management, LLC.

The world-class conference showcased notable figures in finance such as Ian Bremmer, Abby Joseph Cohen, Marc Faber, and Sir David Tweedie.

The quick-witted Tweedie may agree that optimists see the glass half full, pessimists see the glass half empty, and accountants see the glass twice as large as need be. The Journal of Accountancy ("Topline" June 2006) twist on this familiar maxim can describe opinions expressed by bulls and bears at the conference. Faber's glass is arid. Cohen's overflows, and Bremmer's glass can hold all the world's geopolitical risks.

It really is about oil which is said to grease the economic engines of capitalism. Industrialization of China and India spike global petrol demand and therefore prices. Not so long ago Texans prayed for the return of \$50 per barrel, pledging not to waste their wealth again. This time, they should have plenty of time to consider wise investments. Industrialization of China or India is not slowing.

Elements affecting financial markets concern geopolitical risks centered on oil. Iran has become the most troubling problem in this context. Iran's nuclear ambitions flaunt against U.S. policy. In a region with a nuclear India, Pakistan and Israel, a nuclear Iran could further destabilize an already explosive middle east, and the

U.S. threatens to retaliate against Iran's vagrancy. According to the CIA "The World Factbook", Iran is the world's fourth largest oil producer and has the third highest proved reserves. Geographically situated between the Caspian Sea and the Persian Gulf, Iran is well positioned to strengthen trade status with China. China's growing thirst for oil and ambivalence to U.S. policy pits it in support of Iran's nuclear ambitions and intensifies the situation.

A balance of power and other complex ramifications result from dynamics in balancing oil supply and demand. U.S. consumers drive the lion's share of the world economy which relies on insatiable U.S. demand and cultural influence (a Starbucks is on every

corner in Switzerland, too). Russia's wealth of natural resources and substantial influence in the Middle East elevates its political clout. Putin controls Russian production, and he can affect global supply (and therefore price) by altering resource output. China, while seemingly aligned to conflict with U.S. State Department policy, supplies American consumption.

For 2006 through March, the U.S. Bureau of Economic Research reports U.S. imported \$47 billion goods from China less goods exported to China. This amounts to nearly 1.5% of seasonally adjusted U.S. GDP during the same period.

A triangular world order of power contradicts popular American perception of the U.S. singularly atop the world's power structure. Militarily, this may be true, but economically, the world sits atop a three-legged stool. Failure of one would topple the whole.

China, Russia, and the U.S. will eventually recognize this and seek common ground which will stabilize oil markets. Meanwhile, world equity markets seem intent to discount military conflict in Iran, Hawk remains bullish in long-run economic prospects. History shows that markets are remarkably resilient in the long-run.

Worldwide Oil Market Share and Rank Order

	Daily Consumption	Daily Production	Proved Reserves
United States	25%, #1	10%, #3	2%, #14
China	8%, #3	4%, #5	1%, #15
Russia	3%, #5	11%, #2	5%, #8
Iran	2%, #17	5%, #4	10%, #3
World (tbl)	80,100	79,650	1,349,000,000

Source: *The World Factbook, U.S. Central Intelligence Agency*



445 HUTCHINSON AVE
SUITE 800
COLUMBUS, OH 43235
WWW.HAWKIM.COM

(614) 410-3366 OFFICE
(614) 785-6496 FAX
(614) 657-7797 MOBILE
RCLEMENS@HAWKIM.COM

By: RICHARD A. CLEMENS

President/Principal and Founder
Hawk Investment Management, LLC

CFA Charter holder

Certified Public Accountant

15+ years experience serving clients

