►On Target

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Escape to Your Own Private Island

Own your own island, just like Richard Branson, Mel Gibson or Johnny Depp.

It's a romantic idea that we associate with visions of tropical paradise, the status of the mega-rich and complete privacy, with water cutting off the rest of mankind.

Yet, contrary to what you may think, it's an affordable option.

You can buy a tiny island on Panama's scenic Lake Gatun for just $30,000, one of the small islands in Canada's beautiful Bay of Fundy for as little as $66,000, or Tahifehifa in the Pacific island-nation of Tonga – described as "absolutely pristine" with "unspoilt coral reef," for less than $300,000.

Of course if you are one of those mega-rich you might consider buying a Greek island, currently on the market for $65 million. Or the island of Motu Rauoro in French Polynesia, with its "magnificent white sandy beach over 3,300 ft long, coconut trees, heavenly swimming, stunning views of Bora Bora," for a tad over $12 million.

Farhad Vladi, whose Hamburg-based specialist agency has sold almost 2,000 islands over the years, says: "If you can afford a really good car, with running costs, then you can afford an island." One in a good area can cost as little as $100,000. "Islands off the coasts of Nova Scotia and Scandinavia – and islands on lakes – can all be found at around that price."

The private island market is limited by scarcity. Most islands are inhabited (so you're not assured of privacy), are uninhabitable (for example they're covered by water at high tide or in storms), or are too isolated from civilisation.

A major constraint is that foreign ownership with secure title is difficult in many countries, and prohibited in some of the most attractive.

While Canada, with tens of thousands of unspoilt islands, does not discriminate against foreign owners, in the US the situation varies from state to state. The broker Private Islands says some "have strict guidelines on foreign ownership or don't allow it at all."

In Europe each country has its own legislation regarding foreign ownership, but there are many opportunities. Australia and New Zealand have very few islands in desirable areas available for private freehold ownership, with buyers facing environmental and other restrictions.

Freehold islands are rare in the Caribbean, except in the Bahamas – where most cost at least a million dollars. The South Pacific has some of the most beautiful, remote and romantic islands, but few are available for freehold foreign ownership – “all subject to government approval and hefty paperwork,” Private Islands says.

Central and South America are generally open to foreign buyers – but you need to be very careful investigating titles and rights of possession. In the Indian Ocean some of the Seychelles’ 115 islands are for sale, but those of Mauritius are closed to foreign ownership.

Asian nations such as Indonesia, the Philippines and Thailand contain some 25,000 islands, many of which would definitely qualify as tropical paradises -- but you aren’t allowed to buy them.

Long-term leasehold opportunities are widely available, but ownership of island land is restricted to local nationals. As a foreigner you can only circumvent that by marrying a local citizen, or using a holding company with ownership registered in the names of your local nominee. In both cases you lack security of title, placing your trust in a local partner.

There are sometimes unusual features of island ownership you wouldn’t even think existed. For example, UK islands are allowed to print their own postage stamps, known as “carriage labels.”

And there can be some unusual reasons why people want to own islands. The parents of the last British soldier to be killed in the Falklands conflict recently bought a tiny one there as a memorial to him and renamed it – Little Rabbit Island is now Craig Island.

The five most important criteria

Although it has been estimated that there are more than 12,000 marketable islands throughout the world, Chris Krolow, another specialist broker, reckons that fewer than a thousand of them are available for purchase at any one time.

Those that are regarded as the most desirable and therefore generally command the highest prices are in warmer, sunny locations such as French Polynesia, the Caribbean, and off Mediterranean coasts. The cheaper options are generally in the chilly waters of Canada or the Atlantic (off Scotland, Ireland and Brittany, as well as New England).

Vladi says the five most important criteria for a potential island-buyer are: proximity to mainland or populated islands, clear property ownership, availability of drinking water, suitability for development, and a politically stable host country.

He says only about 5 per cent of marketed islands are what he would call “quality.” The rest are “adventure” islands – less desirable, and often unsuitable for development.

About two-thirds of properties sold are undeveloped. Unless you’re content to just camp out on them, you would need to make a major investment in basic infrastructure such a jetty, water supply, and a house.

That can easily double the cost of buying the island – but technological progress has made it easier to turn an undeveloped property into a private paradise. For example, a desalination unit costing a few thousand dollars will provide enough fresh water for a household of four, a roof with solar panels costs even less, and you can install diesel-powered or wind-driven electricity generators. Low-cost direct flights make access easier, while wireless telecoms can keep you in touch with the outside world.

Before buying an island, many practical considerations need to be taken into account. Here are some of them:

► You need someone to keep an eye on things when you aren't in residence. A full-time caretaker could cost you thousands of dollars a month – although often all that's necessary is to pay a local fisherman to make regular checks. Some of the specialist property agencies offer a management service.

► Construction is more expensive than on the proximate mainland – typically about 30 per cent higher -- because of transportation costs and often the need for use of special materials to resist corrosion, insect damage and dampness.

► There should be an elevation of at least five metres above sea level, a suitable harbor or anchorage, and a choice of beaches. The more there is of established infrastructure – accommodation, roads, docks, landing ramps – the better.

► Legal and tax implications of ownership need to be investigated, as well as accessibility, political stability of the host country, clear-cut land title, and redevelopment potential (or the threat of proximate development by others). In developed nations such as the US, potential buyers should investigate local laws on zoning and specifics of types of construction allowed.

► Mortgage finance is sometimes available. One offer in Canada I noted is for a 75 per cent loan repayable over five years, at an interest rate of 4 per cent. Sometimes a seller will give you terms.

Would a private island be a good investment?

In time you or your heirs may be lucky enough to score big-time – but it would be wise not to buy on that assumption. It's a segment of the property market, sensitive to trends in the wealth and sentiment of investors.

It's also a very limited market, and one where buyers are motivated much more by their tastes and emotions than by investment values.

It's not about investment, but about your lifestyle… and your dreams.

If you nevertheless want to take investment potential into account, Krolow advises you to look to tropical islands already strongly favoured by tourists, relative proximity to the US (where most island owners live), a safe environment, and availability of accessible amenities such as airports, hospitals and shopping.

Trial rental comes with a survival kit

Vladi strongly recommends that you try island life before committing yourself to a purchase. His brokerage offers islands for rent for those who want to camp out in isolation. For €385 (about $550) you can buy a three-day stay on a Canadian island, which comes with an "island survival" kit of a two-person tent, a fishing rod and accessories, a hammock, a solar power pack with a battery charger, a Swiss Army knife, a compass, a magnifying glass and a "magic towel."

René Boehm, another German specialist broker, says you can rent a two-bedroom house with a private beach on a private island in the Bahamas for as little as $1,000 a week.

As with many other things, modern progress has brought island ownership within reach of a wider market, thanks to relaxation of foreign ownership laws, the emergence of specialist brokers to guide you through the practical difficulties, and the availability of the Internet to show you what's available.

Further information: www websites vladi-private-islands.de, privateislandsonline.com, boehm-privatinseln.de.

What the Global Crisis Is About

The decision by Switzerland's central bank to devalue the nation's currency by pegging its exchange rate at 1.20 to euro -- at a lower level than previously set by the free market – and to "print" an unlimited amount of francs to finance purchase of foreign currencies, is the latest sign of panic by global policymakers.

They are adopting extreme and unconventional measures to cope with increasing stress in the world's financial system.

It won't be the last of such measures. And by resorting to them, policymakers have triggered what Rod Davidson of Alliance Trust Asset Management describes as a "massive crisis of confidence" in global markets.

Chris Iggo of Axa Investment Managers says investors' expectations of economic growth have been revised down – "which means either that debt-to-GDP levels will remain higher for longer, or more severe austerity.

"Moreover, the confidence of investors in the ability of policymakers to accelerate the adjustment has all but disappeared."

Governments have been basing their policies on the assumption that the world economy will returned to sustained growth at the levels experienced in recent decades, but investors are coming around to realizing that assumption is false.

That will have ominous consequences.

Stephen King, chief economist at the giant international bank HSBC, writes in the *FT* that investors are now "licking their wounds, having moved prematurely into equities without understanding the nature of the crisis.

"The underlying problem relates to the totality of claims within the financial system on economies that have badly underperformed relative to previous – over-optimistic – expectations."

He says that prior to the crisis that erupted in 2008, economists routinely thought the US economy could expand at a 3 per cent annual rate in perpetuity.

Yet through the course of the economic cycle that coincided with the Bush presidency, "the US grew at only a 2 per cent rate, despite the 'help' of a housing boom, excessively loose credit, and financial trickery in all its many forms."

The long-term average growth rate of the US economy may now be even lower.

The burden of debt is now too big to be supported by the "new economic reality" of lower economic growth.

"In this world of economic permafrost," King writes, "someone, somewhere, will have to accept losses.

"Will those losses accrue to taxpayers, recipients of public services, equity investors, bondholders, domestic debtors or foreign creditors?"

Ultimately politicians will have to determine how the pain is to be shared out – but deciding how that is to be done still seems a long way off.

"In this world of heightened uncertainty, investors naturally flock to safety." That is why the yields on the safest bonds – the securities of nations such as the US and Germany – have been falling, and their values have continued to rise.

This shows "a loss of faith in the entire financial system" as investors try to work out the best ways to protect themselves.

Ludicrous Consequences of Carbomania

Governments' hugely expensive plans to induce motorists to convert from vehicles driven by fossil fuels to those powered by electricity have become a farce.

In the US only about 3 per cent of people planning to buy a new car would even consider General Motors' highly-publicized Volt, only a few thousand of which have been sold since it was launched last December. Not surprising, really, considering that even after a federal subsidy of $7,500, the Volt has a sticker price of $41,000 and gets only 56 kms on a single battery charge.

In China the much-hyped electric-car manufacturer BYD, into whose shares billionaire Warren Buffett has poured money, is a ludicrous failure. It's sold only 365 of its plug-in hybrid model since its launch 2½ years ago, while its showcase pure-electric model, the e6s, has sold only 53 since March 2010. Almost all went to one buyer, a taxi company… owned by BYD.

Another political scam, "green jobs," is proving to be hugely expensive.

In Ontario, Canada, it's estimated it requires investment of a million dollars for each green job being created.

In Michigan state an "advanced battery" facility built to equip all those electric cars the bureaucrats expected consumers to rush to buy, having already soaked up a quarter of a billion dollars in federal funding and state incentives, is losing money heavily, although it did create some green jobs – at an average cost to taxpayers of $625,000 apiece.

Some of the manipulations of the facts by the carbonatics to keep the public on-side for continuing huge subsidies are laughable. For example, what do you think of as "green" jobs? Those who make solar panels or bio-fuels? In its latest study the Brookings Institute claims the most numerous jobs that it claims as green have been in categories that encompass sewage plant operators, bus drivers and park rangers.

And in Britain it's estimated by an energy consultancy that green taxes already account for £15 of the £82 average cost of a megawatt of power. By 2020 the burden of taxes and all the expensive infrastructure needed for a distribution system that can handle unreliable wind-farm power will reach £50 per megawatt.

Outrageously, all these huge costs are being imposed on the public by the political classes on the basis of scientific evidence that is at least questionable – more so, because of the hysterical attacks on those who question the extent to which human beings are responsible for causing global warming.

A new development guaranteed to stoke the controversy is a scientific study that proves what the carbonatics have consistently denied – that natural factors, in particular changes in the sun, could be more important than human activity in determining climate change.

Changes in the sun's impact on cosmic rays, which in turn impact on the earth's cloud cover. According to a study carried out at CERN, the European nuclear research facility, the rays appear to strongly enhance the formation of clouds.

Current climate models used to predict global warming don't take any account of the impact of cosmic rays on clouds.

This is new evidence supporting earlier analysis by Scandinavian scientists that showed a close relationship between solar variations and changes in the earth's surface temperature since 1860 – something which until now the politically-charged climate change "consensus" has refused to accept.

The scientists who did the CERN research don't deny that human activity contributes to climate change. But they question its importance relative to natural factors such as the influence of the sun.

What Caused the UK Riots?

Cutting through the predictable political claptrap, it is clear that last month's riots in Britain were not a freak event, but the precursor of even more serious developments in future.

Their roots lie in fundamental social problems that have been allowed to fester for decades, encouraged by wrongheaded policies – including "soft" policing forced on the police by the political classes.

At the core of the defective society lies an educational system that fails to inculcate the right values and build the foundation for responsible personal behaviour, concern for others and material achievement.

One consequence, Harriet Sergeant writes in *The Spectator,* is that "63 per cent of white working-class boys and just over half of black Caribbean boys at age of 14 have a reading age of seven or below." When they leave school, they are unemployable.

One reason is poor teaching. Just 12 teachers out of a work-force of 450,000 have been suspended for incompetence in the past nine years. The teaching unions are a politically formidable vested interest that opposes the changes needed to reward excellence and punish poor performance.

Another reason is lack of classroom discipline. Bad behaviour largely escapes punishment sufficiently severe to re-shape pupils' ways because there is an obsession with human rights, which has been taken to extremes.

Bad parenting is another part of this problem. Parents are too concerned with their own lives to insist that children do homework, and do it properly; to interact with teachers to improve their children's social behaviour and academic achievement.

Many parents are too concerned with their own financial survival – or personal pleasures – to give their children the attention they need.

To some extent, this is a consequence of a general decline in social values, and in particular the erosion of traditional values that has come with the decline in marriage and similar personal commitments to family and the broader community. Selfishness has strengthened.

Far too many children grow up in homes without the presence of a male parent. One reason is a welfare system that encourages girls least suited to parenthood to have babies and live off the public purse, whose benefits seem a more attractive option than working for a living. Not surprisingly Britain has the highest teenage pregnancy rate in Europe.

Another consequence is that children – boys in particular – lacking a male role model at home, find it on the streets. There's been the steady rise of gangs, hundreds of them in London alone, whose anti-social behaviour pollutes the quality of life in so many residential areas, and frequently takes the form of criminal acts.

However, economic change has also had a major role in fostering the development of the under-class.

Thanks to globalization, many of the jobs have migrated to the Third World.

Technological change and well-intentioned but foolish policies such as minimum wages have eroded work opportunities. Employers, rather than hire labour that is poorly motivated as well as poorly schooled, and therefore inefficient given the pay and conditions that have to be provided, prefer to mechanize.

Or to employ immigrants, who generally work harder and are often better-educated. One consequence of European integration and disastrously-managed immigration control is, as Sergeant reports, that according to official statistics "of the 1.8 million rise in employment over the Labour years, 99 per cent went to immigrants."

None of these problems will be solved easily, and even if seriously addressed, none will be solved quickly.

Although a few of Britain's finest politicians, such as Iain Duncan Smith and Frank Field, understand what needs to be done and are fighting for it to be done, they face huge opposition to bringing about fundamental change.

Passwords, PINs and the Elderly

My wife Liz has once again made it into international media, this time in the British magazine read by retirees, *The Oldie*.

It reports that, needing to contact her bank's customer services department for the first time in many years, she had to answer "a whole battery of security questions," whose answers she had long forgotten.

"She asks how she can safely write down this information, which banks demand she keeps confidential – advancing age, failing memory and limited knowledge of computer skills present a really serious problem in managing the vast number of passwords, memorable words and other security trivia necessary to function adequately in the busy world we live in."

The elderly struggle "to remember every PIN and password needed these days to withdraw cash, make credit card payments, set the house alarm and log in to websites."

The magazine provided some warnings and useful tips such as:

► Don't write down the PIN for your bank card and store it with the card. Ideally you can disguise the PIN – but you have to remember exactly how and where you have concealed it.

► Hide the PIN by writing the number backwards, starting with the second digit, or adding two numbers, so 1234 becomes 3456.

► In your address book, create a fictitious friend with a fictitious phone number that includes the PIN.

► Choose PINs and passwords that you can remember but nobody else would guess. You can use the same PIN for everything – but never use your date or year of birth because that's too obvious, "although grandchildren's birthdays are probably remote enough."

► Combinations of letters and numbers are more secure, although you don't want a password so obscure that you can't remember what it is.

► Choose a word you can remember but switch some of the letters for similar-looking numbers, such as 4 for A, 3 for B, 5 for S, so "brains" becomes "3r4in5."

► Choose a phrase personal to you such as "Betty and I married on 4 August in the rain," with the initial letters BAIMO4AITR.

► Avoid well-known quotations and lists, such as names of planets or colours of the rainbow, which a hacker's software can easily pick out.

► Write your list of PINs and passwords on paper rather than on a document recorded in your computer. The magazine doesn't say so, but anything saved on a computer is potentially accessible by a hacker, whereas a "hard copy" record isn't – provided you keep it somewhere safe that isn't obvious for an intruder to find.

Unfair Consequences of Best Intentions

Astonishingly, 17 years after the end of apartheid, millions of South African Blacks are deprived of the same home ownership rights as Whites, says my friend Leon Louw, director of the country's Free Market Foundation.

They are the owners who received houses distributed to them under a government programme called RDP – about three million of them -- which are subject to "racially discriminatory and pre-emptive conditions," one of the commonest being an eight-year prohibition on selling or letting.

If an owner loses his job, he cannot move to another area to take a job there.

Experts and land audits suggest that between a half and three-quarters of all RDP and other houses in Black areas are not occupied by their registered owners.

Owners who can get jobs elsewhere are faced with an “intolerable choice… remain unemployed or abandon their most valuable asset.”

If they choose to abandon an RDP house, “it is reallocated to the next person on the waiting list (or, as some believe, the next person to pay a suitable bribe), and they never get another, regardless of how compelling their reason might be for leaving.”

They “have to choose between being housed or employed. If they choose to remain unemployed, they will probably lose their house anyway because they won’t be able to afford to maintain it or pay property taxes.”

Leon says “most Blacks ignore their lawful option and sell or let their RDP or other township house ‘informally.’ Since the law prevents them from having secure or tradeable title, they are forced to sell or let at massively discounted ‘black market’ prices.

“New occupiers live in a state of permanent fear that they might be caught and, with their belongings, summarily evicted on to the sidewalk.”

A common objection to giving Blacks full title to their homes is that they will dispose of them, pocket the cash, and become homeless again. But that objection is never raised to ownership by Whites.

Any owner, Black or White, may need money more than his house for a host of legitimate reasons, such as relocating to somewhere with better employment prospects, starting a small business, educating children, paying for healthcare.

Evidence is that when assets are freely tradeable, they move into the hands of those best able to make use of them.

“Apartheid tenure” should be scrapped, Leon says.

I see this as an interesting example of how well-intentioned regulation and control by bureaucrats often (usually?) results in unfair consequences far worse than if individuals were left free to make their own choices.

The Uncertain Outlook for Shale Gas

The US Energy Information Administration predicts that natural gas prices in North America will only increase to about $7 a unit by 2035, perhaps to no more than about $5.35, compared to around $4 now, because of massive growth in supply coming from exploitation of shale deposits.

However, there is increasing evidence that the companies involved have greatly over-promoted the viability of shale gas to raise capital and boost their profits. Shale requires huge ongoing expenditure on drilling to identify viable additional areas to maintain production, as the depletion rate of shale wells is precipitous compared to those tapping conventional deposits.

Although there are major advances in the technology of extracting gas from the shales, much of the recent value of such advances is being captured, not by the producers, but by oil service companies.

Industry consultant Wood Mackenzie reckons that on a “full-cycle basis,” at current prices in the US “almost all gas shales are uneconomic.” Only the Marcellus and Eagle Ford plays are safely profitable today.

However, energy investment specialist PPHB reckons that as developers cut back on their drilling to reduce their losses, that will improve the supply/demand balance and start to have a favourable impact on gas prices in the second half of next year.

Environmentalists are increasing their opposition to exploitation of shale deposits, even though natural gas is environmentally superior to coal and oil, “because its volume growth has depressed gas prices, which have undercut the growth of renewable fuels,” says Allen Brooks, MD of PPHB.

“Many people have called gas shales a ‘game changer’ – but regulation could change that game in ways we haven’t contemplated.”

Europe as Germany’s Empire

A year ago I described Europe as being, in all but name, Germany’s empire of 500 million people – but one about to become a major burden. It would nevertheless stand by its “troubled empire.” Notwithstanding domestic opposition, Germany would “provide or mobilize enough financial aid” to avoid collapse of the Eurozone, “which would be so devastating to the nation’s political, economic and financial interests.”

But Berlin would impose a price for its support – acceptance by the profligate South of German values.

Another commentator, Peter Oborne, has also now started writing about Europe as Germany’s evolving empire. He says the latest bail-out was a “decisive step” towards a fiscal union.

That means Southern European member-nations “face a future as vassal states, their role reduced to the one enjoyed by the European colonies” in the past. They will provide “a ready market for the manufactured goods and services provided by the far more productive and efficient Northern Europeans.”

While the Southerners, unable to compete, “relapse into pre-modern economic systems, Germany is busy turning into one of the most dynamic and productive economies in the world.”

Tailpieces

Stresses Down Under: Policymakers in Australia are increasingly troubled by the two-speed nature of their economy. On the one hand, the nation’s strong role as a supplier of iron ore, coal, natural gas and other resources to Asia means the mining sector is buoyant. But the strength of the currency is causing increasing pain in other parts of the economy.

The obvious point of vulnerability is the housing market, which has all the characteristics of a property bubble. Values are at the highest level in the Englishspeaking world, relative to income. And after years of politically driven boosts, total mortgage debt has risen from 20 to 90 per cent of GDP.

There is potential for a wave of selling because a full one-third of residential property is owned, not by occupiers, but by investors, due to a longstanding tax break that encourages Australians to own investment properties.

Dwelling prices have in fact started to fall, and that seems likely to gain momentum. This could soon make the central bank start cutting interest rates – which would trigger a weakening in the Ozzie dollar.

Where to invest now: "Investors buy stocks, not the economy," says *Fullermoney*'s David Fuller. "America's many successful multinational companies are an inverse mirror image of their home-country government." They "have strong balance sheets and collectively run a tight ship in terms of overheads." The stock-market downturn has improved their valuations.

He argues that in a troubled economic environment, among equities the winners are most likely to be "leading big-cap multinationals leveraged to Asian-led global GDP growth.

"They are free to manufacture where they receive the most advantageous conditions in terms of costs and entry to overseas markets, and to sell where they earn the best returns. They also get to consolidate earnings in soft, 'begging-bowl' currencies."

A finance professor and a research director writing in *The Wall Street Journal* point out that dividends of companies as a whole outside the financial sector are now 20 per cent higher than they were at the 2007 peak.

With the above-2 per cent dividend yield on the 500 biggest US listed companies representing less than 30 per cent of the profits they earn, their managements have "a huge cushion to maintain dividends if indeed the US economy experiences a double-dip recession."

Wrong focus: By choosing to pay savers nearly nothing, the US central bank, the Federal Reserve "is directly connected to the weakness in personal income," argues former Treasury official David Malpass.

"The zero-rate policy only benefits mega-borrowers like federal and state governments, big banks and big corporations – a group not known for much net private-sector job creation. The select few are able to borrow cheaply, but corporate profits often go abroad."

Profligate monetary policy isn't stimulating economic growth – last year "the more the Fed intervened in markets, the weaker the GDP growth each quarter." And it thwarts the interbank market, "which normally moves large sums from cash-rich banks to the growing banks that lend to new and small businesses."

Malpass says that while Wall Street and Washington are booming, "much of the private sector feels stuck in the mud," while "the wealth transfer from savers to debtors and foreigners" is creating "thousands of millionaires each year trading currency volatility and inflation hedges.

"The profits are immense, but it's a zero-sum game in which the losers are the millions of Americans who work and save in dollars," with the Fed pursuing "a semi-official weak dollar policy."

Machines have taken over: The high level of correlation in movements of America's 250 biggest listed stocks in the market turbulence of last month, with 81 per cent of them moving in the same direction at the same time (average correlation in the past has been only 30 per cent), had nothing to do with investor activity but high-frequency trading done by computer programs, it seems.

"The terminator machines are in charge," says David Fuller. "And not just in US large-cap stocks – similarly high correlations have been evident in a number of other stock markets and also commodities, bonds and currencies.

"It is about time regulators did something about it, because high-frequency trading is destabilizing, predatory and involves front-running."

Maths magic: A reader asked me to explain why increases in interest rates can reduce the present value of an investment.

When the capital value of an asset is calculated, a rate of interest is used to discount the value of future earnings, because future income has less value than current income, and the longer into the future such earnings are calculated, the greater the loss of value.

Some standard rate of interest is used as a discounting value, for example the current rate on offer for investment in a risk-free security such as a ten-year government bond.

If such a rate is 4 per cent a year, over 20 years the cumulative value of $1,000 earnings a year will be $13,392. But if a higher rate of discounting is used, 5 per cent, the cumulative value over the same period will be only $12,189.

Higher interest rates reduce the present capital value of such investments.

Multiple benefits: Gold not only "performs relatively strongly in a high inflation scenario," but also "does comparatively well" in a deflation scenario linked to a "sharp rise in financial stress," such as a wave of defaults in peripheral Eurozone countries, says a new study by the Oxford Economics consultancy.

"We find that because of its lack of correlation with other financial assets, gold has a useful role to play in stabilizing the value of a portfolio."

Gold's optimum share of a portfolio is about 5 per cent, which "is higher than levels found in typical mainstream investment portfolios."

Atomic risk: Notwithstanding what happened at Japan's oldest reactors at Fukushima, nuclear is the safest of all energy sources, relative to output. According to *wallstreetdaily*, there have been only 0.04 deaths per terawatt hour generated by nuclear, compared to 0.15 for wind, 0.44 for solar, 1.4 for hydro, 4 for natural gas, 36 for oil and 161 for coal. Presumably the very high figure for coal reflects the dangerous business of mining the stuff.

Soft landing in Asia: Although growth of the Chinese economy is slowing somewhat, mainly because of monetary tightening, leading indicators such as electricity consumption and steel production do not point to a sharp slowdown ahead, says Deutsche Bank Research.

A soft landing is the most likely scenario for this year and the next, with real GDP growth of 8.3 per cent forecast for 2012.

Housing boom in the US: No… this isn't a fantasy. Although all attention is focused on house prices, which continue to fall, there's a boom in rental accommodation under way as Americans increasingly favour renting over buying. In July the "shelter" component in the consumer price index posted the largest monthly gain in three years, with a year-on-year rise of 1.4 per cent.

Wise words: *One way to make sure crime doesn't pay would be to let the government run it.* Ronald Reagan.

Martin

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