



Monday Night Report – April 23, 2007

The Monday Night Report is written on Monday night, after market close. Subscribers receive the newsletter every Monday or Tuesday morning before the markets open again. Subscribers may at all times log into their account in order to review it. It is published 3 days later on StockTargets Website on a public at <http://www.stocktargets.com/newsletters.html> for anyone to read.



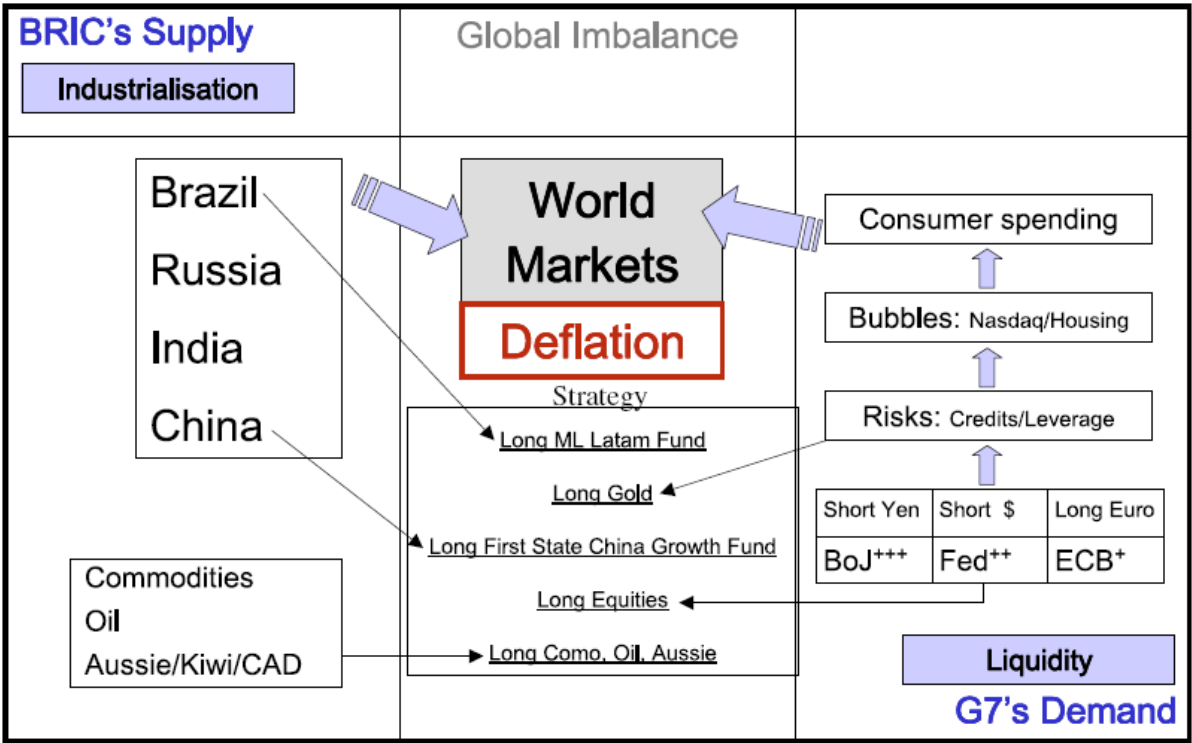
The StockTargets "Monday Night Report" by Philip Coutaz

Philip Coutaz, 55, is a Ph.D. in Economics at N.Y.U. where he also was a Teaching Assistant in Economics. Philip holds a Master in Economics from the University of Aix-en-Provence (France) and was Assistant Professor of Economics at University of Connecticut in Stamford. He was a Member of the Worldwide Investment Committee of BNP Paribas in Paris (today the largest French bank). He is one of the founders of Information Express Corp (NY) in 1986, an early online company, providing Wall Street firms with information services and automated stock screening systems prior to the emergence of the Internet. He is currently the Chief Investment Strategist at Bank SCS Alliance in Geneva, Switzerland.

INDUSTRIALISATION, DEFLATION & LIQUIDITY

Our central macro-framework is the following:

1. On the supply-side, Brazil, Russia, India and China (BRIC) are emerging as world industrial powerhouses. As they became world producers of finished goods, they have considerably increased their intake of commodities and oil.
2. On the demand-side, G-7 countries have lost the revenues from production and G-7's demand has remained short of BRIC's supply. To boost demand and stem the threat of deflation, the Bank of Japan (BoJ), the Fed and the European Central Bank (ECB) have enhanced for years liquidity creation in order to promote credit expansion and consumer spending.
3. Such a world macro-imbalance could last many more years, as it did in early 1800s, when France and the United Kingdom began their industrialisation process, and again at the turn of the 1900s, when the United States and Japan embarked on their own. Because BoJ and the Fed did not provide at the time the necessary liquidity, deflation forces overtook the world economy, a policy mistake, which will not be repeated (1929).



Bottom line: We believe excess supply of manufactured goods from BRIC's countries will continue to be met with excess liquidity from G-7 largest Central Banks. The investment strategy that befalls such a macro-scenario is illustrated in the graph above.