

To: Oakmont Corporation

From: Damon de Laszlo

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Global Economic Indicators

World Economic Growth	2007 (IMF Estimate)	4.90%	2006 (World Bank)	4.00%	2005 (World Bank)	3.60%
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Base rates: 30 June 2008	USD	2.00%	EUR	4.00%	GBP	5.00%
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MSCI World Equity Index	30/06/2008	324.671	31/12/2007	299.916	YTD %	8.25%
Gold (PM London Fix \$ per ounce)	30/06/2008	930.25	28/12/2007	833.75	YTD %	11.57%
Oil (WTI Crude \$ per barrel)	30/06/2008	140.00	28/12/2007	96.01	YTD %	45.82%

As we are now in the second half of 2008, it is time to raise our sights to 2009. The unwinding of the debt crisis is likely to continue through the end of '09 as the problems in the banking sector continue to accumulate. The psychological momentum will by the year-end have gone from denial by most economists and regulators that we were heading into economic problems last year, to extrapolating endless gloom and disaster going into '09.

The debt crisis will next year have a very depressing effect on economic growth as the West's banking system increasingly becomes short of liquidity. The impact will be most painful in Europe as there is hardly any room for Government intervention when compared with the USA. The dollar area also has the advantage that it is the only place that the Sovereign wealth funds etc. of the Middle East and Asia can easily invest.

The USA will also benefit, perversely, from the high price of oil over the next 12 months or so. The appreciating RMB against the dollar and the huge increase in freight rates is starting to have an increasingly beneficial impact on the US terms of trade and the US domestic economy. One can expect that US industry will provide a growing percentage of the US GDP as it gears up to support the domestic market, replacing Asian sources and increases its exports to the rest of the world. It is interesting that both BMW and Toyota have recently announced planned increases in their motor-car production in the US.

The global increase in commodity prices, coupled with China's growing impact on the global economy as it ceases to be the provider of low cost consumer goods to the West, means we can expect rising inflation for some time to come. However, it is probably unlikely to take hold in the same way as it did in the 70s. The Western

economies, particularly the USA, are unlikely to see rampant wage increases as the labour markets in general are not tight.

There is, however, a considerable shortage of skills as there has been a dumbing down of education in most countries over the last ten years or so. The wildcard on inflation is nevertheless commodity prices. We can assume that food production will increase over the next year or so as the price incentive takes hold. Similarly, oil production will increase as the new found wealth of the producers start to get absorbed and they look for more. The recent rapid rise in price has in the short term had the strange effect of discouraging many producers from increasing production as the same amount of oil produced so much more cash.

One can expect this phenomenon to change next year, even countries like Russia will wake up to the fact that their new revenue streams will decline if they don't plough resources back into developing their oil reserves. Added to this there is a likelihood that new exploration and field technology will start to increase production at the same time as Western demand declines. Then excitement of "Peak Oil" will fade for the time being.

In the case of Metals, there are longer term issues. It takes considerably longer to increase mining production in the short term and there is much less politically shut in capacity compared with oil. In the case of mining, the potential for increasing production of current mines is, in many areas, considerably reduced by a shortage of electricity generating capacity. South Africa being a case in point, recently in the News.

Looking at the world as we go into the Dog Days of summer, the most worrying wild cards, apart from the continuing financial explosions, are the edgy politically situations. In America the election will continue to produce irrational politics. In China there are many malign forces who would like to disrupt the Olympics, which could produce unforeseeable and damaging political consequences around the world. It is also not clear how serious Russian sabre-rattling is along the East/West border. This particular problem is exacerbated by the somewhat incoherent European-wide foreign policy; or rather one should say the inability to create any cohesive policy.

If we can get through the current year-end without a political accident adding to the economic problems, then certainly by the middle of 2009 actual economic conditions should be improving. The improvement will, of course, not be visible in the Press as many of the statistical indicators will by then have been pointing downwards for nearly two years, since the middle of 2007.

Best wishes for the summer.

Damon de Laszlo
15th July 2008