To: Oakmont Corporation

From: Damon de Laszlo

DABERIAM XXXV

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Global Economic Indicators

World Economic Growth (World Bank figures)	2006	4.00%	2005	3.60%	2004	3.40%

Base rates: 31 Oct 2007	USD	4.50%	EUR	4.00%	GBP	5.75%

MSCI World Equity Index	31/10/2007	299.601	29/12/2006	235.243	YTD %	27.36%
Gold (PM London Fix $ per ounce)	31/10/2007	789.50	29/12/2006	635.70	YTD %	24.19%
Oil (WTI Crude $ per barrel)	31/10/2007	94.54	29/12/2006	61.06	YTD %	54.83%

As anticipated in August, some of the banking train wrecks have taken place as well as quite a few corporate accidents. There are still some to come.

The rating agencies review structured securities on a 90-day cycle. One can, therefore, anticipate considerable write-downs over the next three months and beyond. When an instrument is downgraded from, say, AA quality to BB it falls into the sub-prime category causing banks regulatory problems. It is worth noting that Basle II exacerbates these problems as the liquidity calculations are more and more defined by letter ratings.

So far the large financial institutions have not yet had to unload structured debt instruments and while write-offs have been announced, there has been very little testing of the real market for complex paper. The pressure and the problems will grow as we get to the 31st December, and as I mentioned last July, year-end reporting requirements will discourage bank chairmen etc. from having to explain why they are holding sub-prime paper. It is easier to take a loss and move on.

Through August, September and October we have seen the market dip and then recover. As the faster moving hedge funds have rebalanced their books, we can now expect a good run up of stocks and shares as well as commodity prices as we go into the year end, the usual trend as interest rates trend down.

While the phenomenon of the connectivity of the new world creates sort term gyrations, it does seem to make it easier to predict a trend. However, this global connectivity is making it exceedingly difficult for Central Banks to act with foresight, if they ever could.

Five years of deflationary pressures caused by the export of goods from the low cost economies of Asia to the West is coming to an end; the dollar balances and the Euro balances being built up by China, India and the Middle East are of themselves

creating pressures that the banking system cannot control. The current financial crisis, a product of excessive liquidity, an inverted yield curve and the unintended consequence of regulation, is forcing US interest rates down which in turn will continue to depress the dollar. While European interest rates continue to remain steady or tend to rise, the full force of the financial crisis has not yet struck home. This is pushing up the Euro against the dollar.

China is raising its interest rates to damp down its now nearly out of control expansion. This will force the RMB and the dollar to decouple. Until now the Chinese authorities have been happy to make money by adding to their dollar surpluses to invest in US Government paper. A profitable transaction as the interest rate in the US has been higher than in China. It's doubtful that the Chinese authorities will be happy to continue this process for much longer as they are now losing money on the exchange rate and will start to lose money as the interest rate differential reverses.

While the present trends of declining Western interest rates and rising Asian interest rates are likely to continue for the next six months or so, as the financial markets work out their problems it is likely that stock market values and commodity prices will continue to rise. The Western economies are also benefiting from Asian and Middle Eastern growth which is softening what otherwise would be a more rapid economic slowdown.

The whole system could, however, unravel very rapidly when the RMB re-values. The impact of a revaluation will be a dramatic increase in prices in the Western economics as the supply of goods to the retail market is re-priced to the new exchange rates.

Today the Central Banks in the US and Europe are more concerned about the immediate problems of the financial crises but if inflation indices start to rise faster, interest rates will rise with them.

All in all it looks as though we have a built in run up in the equity markets, particularly for companies involved in global trade and supplying industry with raw materials and the rise in equity markets around the world, which very much includes the Asian markets, is likely to continue until the link in the RMB/US$ chain is broken, at a guess, next Autumn.

But it is always dangerous to make predictions – as Mark Twain said – "*particularly about the future.*"

But for the moment, the future seems particularly clear!

Damon de Laszlo
31 October 2007