



FIDELITRADE
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Presents...



Winter 2002

The Refined Investor[®]

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FideliTrade Incorporated[®] is a full-service precious metals company specializing in the sales, trading, custody, and delivery of precious metals bullion products for individual, commercial, and institutional clients worldwide.

FideliTrade Incorporated
3601 N. Market Street
Wilmington, DE 19802

Toll Free: 800-223-1080

Tel: 302-762-6200

TeleFax: 302-762-7570

www.fidelitrade.com

Gold... and the September 11 Aftermath

Which Is It... "Safe Haven" or "Risky Business"?

In the days immediately following September 11, the stock market fell dramatically and the gold price rose rapidly from the low \$270s to the mid \$290s. Both markets have now reverted to their pre-September levels, as fear of future acts of terrorism and of further disruption to our economy has since subsided. It is interesting, however, that the financial media and market pundits were quick to explain the sudden movement of capital out of equities and into the gold (and bond) markets as a "*flight to safety*" on the part of investors.

In fact, available market data seem to indicate that since September 11, vibrant "*safe haven*" buying by investors continues, particularly in the Middle East and Far East regions of the world where the fear of instability is most threatening. However, the softening global economy has diminished the demand for gold from the jewelry and industrial sectors. This decrease in industrial demand has neutralized the recent increase in investor demand, a factor that has kept the price contained in a rather narrow trading range.

Certainly, long before the world ever heard of Osama bin Laden and the Taliban, analysts were fond of using the phrase "flight to safety" to describe sudden, pronounced shifts of capital from one investment arena to a more stable one in response to a specific, usually unexpected, development. A sudden and significant flow of funds into gold due to "safe haven buying" clearly implies that whatever that capital was previously invested in, was or has become, unsafe. Yet during "normal" times, these same

folks typically characterize gold and the other precious metal investments as "risky," "volatile," "unpredictable," or "unsuitable." Yet, whenever the stability of the world's geo-political and financial systems is thought to be in peril, and the market prices of the precious metals rise in response, the experts unabashedly account for the sudden increase as the result of investors seeking a safe haven for their money.

So, which is it, "safe haven" or "risky business"? The answer lies in the movement of the gold price itself.

To appreciate why investors and money managers often acquire gold in times of crises, it is important to first understand that a sudden or significant flow of capital into gold is a reflection of investor beliefs and concerns regarding the possible consequences of a crisis -- on the world economy, global stability, or the international financial system, but not the crisis itself.

In the event of disaster, the degree to which the financial markets are affected and the extent to which capital flows out of some assets and into others depends on the level of concern over the perceived consequences of the event. This may help to explain why the gold price rapidly rose and then receded and the stock market responded contrarily post September 11. The initial fear and uncertainty about the ultimate consequences of both the terror attacks and U.S. actions in Afghanistan have, at least temporarily, abated.

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A Message from the Managing Directors

Happy New Year!

As you may remember, our last issue of the Refined Investor included a customer survey through which we hoped to gain a better understanding of your precious metals interests and needs. Your participation in that quest was greatly appreciated.

Among other things, the survey told us that:

- Our customer service levels are “above average to excellent” (Thank You!)
- Our billing statements are generally succinct and easy to read
- Product interest covers the full spectrum with bulk appeal allocated to gold and platinum
- Motivation to invest in precious metals stems overwhelmingly from their role as a hedge or “safe haven” (see lead article)
- Areas of further topical interest include the critical steps engaged in the production of the metal in which you ultimately invest.

Future issues of the Refined Investor will include, among other things, articles about the structure of the precious metals markets. A broad overview of that structure is depicted below.



Thank you for your patronage. We encourage you to call us whenever you feel we can be of assistance. Please know that all of us at FideliTrade wish you a healthy, prosperous and safe New Year.

Sincerely,

Michael B. Clark
Michael B. Clark

Sincerely,

Jonathan E. Potts
Jonathan E. Potts

(continued from front page)

Consider that all of the precious metals stored in the vaults beneath the World Trade Center have been successfully recovered since September 11. But, the vast majority of paper records, cash, artwork, etc. all located in the twin towers, was permanently destroyed. Gold's indestructibility, liquidity, and intrinsic value can render it the ultimate investment asset. As such, whenever the viability of the world's financial system is perceived to be in danger, or our economy's ability to function properly is in question, investors invariably seek the certainty and security of gold as a “safe haven” in their “flight to safety.”

SIL 427 ▲ 0.2^{***} GOLD 267.50 ▲ 1.25^{***} PLAT 583.20 ▲ 2.10^{***} SIL 427 ▲ 0.2^{***}

Notes from Our Trade Desk... GOLD 267.50 ▲ 1.25^{***} PLAT

- *Congratulations to the winners of our Gold Canadian Maple Leaf Coin Drawing! They are: Pauline Robinson of Sanborn, MN; Jim Thornton of Chicago, IL; Fritz Buchthal of Santa Barbara, CA; Michael Birk of Winston Salem, NC; Thomas Magee of Wilmington, DE; Dominick Ciampo of Georgetown, DE; Daniel Egbert of Carmichael, CA; Donald Comstock of Blue Lake, CA; Alfred Pickolz of Freehold, NJ; and Phyllis Tal of Houston, TX.*
- *Visit FideliTrade at www.fidelitrade.com. Our website now includes downloadable forms and agreements. Additionally, we are still seeking your email addresses so that we may send you timely and relevant market updates. Simply submit your address online.*
- *Did you know that you can include precious metals investments in your IRA as an effective way to reduce your year-end tax burden? April 15th is only three months away!*
- *Non-year specific gold 1/10-ounce coins are now available at special prices! Call 1.800.223.1080 today for more information.*
- *2002 Silver American Eagle bullion coins will be available late-January.*
- *FideliTrade has initiated a Customer Referral Program appropriately named “Glittering Awards.” Call an Account Executive today for more information.*