

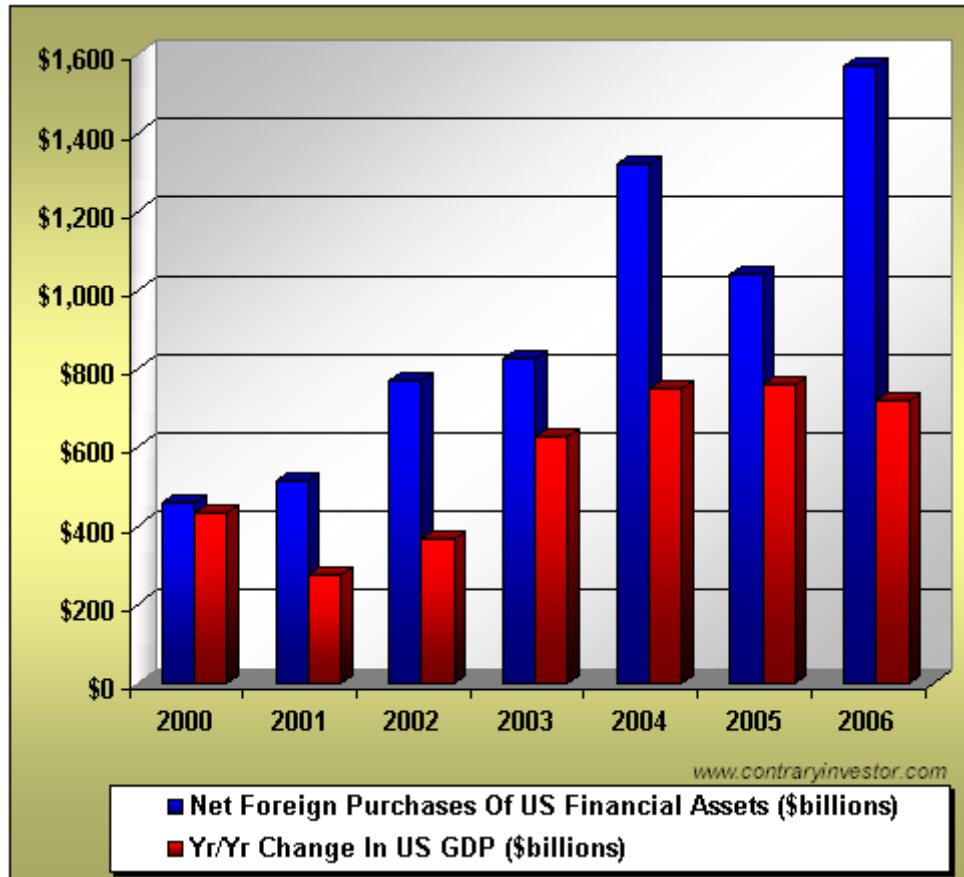
## **WORRY ABOUT SOMETHING ELSE 07.02.2007**

**One of the issues we have heard for over seven years is: *What are we going to do if foreigners (mainly China) decide to sell our financial assets? Won't interest rates go sky high?* Well, yes. Interest rates would go higher unless there was another buyer around.**

**But there are many other factors to consider. Let's assume China sells their hoard of U.S. government securities. First of all, the dollar would get weaker, and this would make China much less competitive. This would cut back on their exports to us (our imports), which would weaken their economy—and remember they have 300,000,000 unemployed people. Do you think that many people might cause a rebellion of sorts? That's how the communists came to power in the first place.**

**Higher interest rates on government bonds would cause our economy to weaken, which in turn would cut into our buying of Chinese goods. The present virtuous circle would turn into a vicious cycle, causing China to enter a recession. Both of us would be under economic stress, causing stock markets to decline. The good news out of all of this would be the move to U.S. government bonds for safety purposes. Stock market participants would become the buyers of China's hoard of government bonds, and we would be the winners.**

**Our suggestion: Find something else to worry about. How about too much debt? See the following chart depicting foreign owners of our financial assets.**



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