Global Outlook, July 2008

The credit crisis in the United States has had chilling effects upon world capital markets. The proliferation of bad debt and the necessary bailout and/or sale of large financial institutions to foreign investors have sent signals to structural reform needed in the US economy. The low interest rates coupled with inflation, largely driven by energy and food prices, further undermine and weaken the US dollar's value. Declining real purchasing power in the US will adversely affect trade partners, exports, and nations pegged to the dollar. Inflation is rampant in the Middle East, putting pressure on the governments in the region to potential re-price oil in another currency other than dollars. There are undercurrents of shifting reserve assets out of dollars and even shifting away from international transactions. Capital flows into the US have been very high since the financial crises of the late 1990s. However, real investment in China and India, as well as other developing regions, offer better returns on investment given the decline in the value of the dollar. All of these events combine to limit the availability and liquidity of funds for commercial development.

Euroasian derives its funding from private sources and has not suffered from the credit crisis in the US. The lack of "easy" credit has increased the scope and quality of viable projects and has refocused attention on core business clusters and primary infrastructure. Energy, agriculture, and critical infrastructure are growing the world over regardless of high prices and transportation costs. Technology sectors that look to improve the effectiveness of these sectors are also thriving. We are experiencing growth in the face of adverse conditions and look for business opportunities that are sounds, have excellent fundamentals and show the promise of superior returns. Given current trends energy development projects in Europe, North America, and East Asia are given priority as well as biofuel development in Latin America. Euroasian is looking to make strategic partnerships and take advantage of the current conditions. Creative solutions are needed to achieve favorable results in this market.

Surging oil prices have lifted the profile of sovereign wealth funds in recent months coupled with increasing concerns within certain sectors of large domestic markets about foreign governments owning large stakes in the financial well being. Abu Dhabi's acquisition of Citibank stock is one example that comes to mine where the US raises xenophobic national security concerns and yet actively seek foreign capital flows to fund its huge fiscal and trade deficit. The US's continued funding of the Iraq conflict, its trade deficit and its budget deficit continue to undermine the value of the dollar. Foreign investors and reserve banks need to take proactive steps to ensure their reserves and investments do not decline in real value do to a depreciation of the US Dollar.

Many countries are now rethinking their currency pegs in light of US policies. The issue is that their primary relationship is with the US economy and therefore revaluing their currencies will reduce their competitiveness with the US. The main trade off at present is the increase in the cost of non-US dollar denominated goods and domestic inflation. There is a balance to be sought, and foreign investors must be careful to adequately weigh the risks and profits of a business venture with the exposure posed by inflation and possible further devaluation of the US dollar. Banks, Financial Institutions and investors are conservative by nature and capital has dried because of it. Euroasian is looking to make smart investments and we carefully craft our facilities to minimize risk and to seize the opportunities of the changing global market place.