



Silver Users Association

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Market Watch: Silver Price

2007 Comex Spot Settlement

Month	High	Low	Avg.
January	16.95	15.17	16.05
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
2007 Summary	15.50	11.47	13.38

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June 7-10, International Precious Metals Institute Conference

Phoenix, AZ

(The Silver Users Association will be sponsoring the Silver Session)

November 18-19, The Silver Users Association Fall Meeting

Army-Navy Club
Washington, DC

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Hill Leaders, White House Strike Deal on Stimulus Package

House leaders and the Bush administration announced a compromise economic stimulus package Thursday built around rebates for most taxpayers and incentives for business investment. The measure, estimated at \$150 billion, also would make it easier for consumers to buy homes and to refinance their adjustable-rate mortgages into fixed-rate loans insured by the Federal Housing Administration. House Speaker [Nancy Pelosi](#), D-Calif., and Minority Leader [John A. Boehner](#), R-Ohio, called on members of their respective caucuses to line up behind the package so it can quickly be passed by the House and sent to the Senate.

President Bush added his encouragement. "Because the country needs this boost to the economy now, I urge the House and the Senate to enact this economic growth agreement into law as soon as possible," he said. The bill is expected to bypass the House committee structure and go directly to the floor for a vote the week of Feb. 4. Senate Majority Leader [Harry Reid](#), D-Nev., said the Senate would take up the stimulus package no earlier than Feb. 6, roughly 10 days before the start of the Presidents Day recess, which congressional leaders have set as a deadline for final action on the legislation.

Keeping the package intact may prove challenging. Senate Finance Chairman [Max Baucus](#), D-Mont., announced that his committee would mark up its own version of a stimulus package next week, addressing a number of proposals omitted from the House leadership deal with the White House. Reid said, "I expect that the committee and other senators will work to improve the House package by adding funds for other initiatives that can boost the economy immediately, such as unemployment benefits, nutrition assistance, state relief and infrastructure investment."

Pelosi, Boehner and Treasury Secretary Henry M. Paulson Jr., negotiated the deal, which includes rebates ranging from \$300 per individual and up to \$600 per married couple for low-income wage earners to \$600 per person and as much as \$1,200 per couple for those with income tax liabilities of at least that much. Families would get an additional \$300 per child on top of that. Paulson said that if Congress acts by mid-February, the IRS could probably get the rebate checks out in May, after the April 15 filing rush is over and 2007 returns have been largely processed. "Let us praise this package for what it does and not disrespect it for what it does not," Pelosi said, acknowledging that she wasn't entirely satisfied with the results. "It is timely, it is targeted and it is temporary."

Boehner said, "It will help to stimulate our economy in the most direct and effective way possible: by putting money back in the pockets of middle class families, and by giving employers incentives to create new jobs and grow our economy. Equally as important, this agreement contains no unrelated spending or tax increases – a Republican condition of support from the outset of our negotiations." [Jack Kingston](#), R-Ga., said Republicans were waiting to examine the full details of the deal on the stimulus. "If the economy is a sick patient, we need to make sure we are using the correct medicine," he said. There was considerable grumbling from Democrats in both chambers who said the deal did not go far enough.

House Ways and Means Chairman [Charles B. Rangel](#), D-N.Y., said he could not understand why the proposal does not extend unemployment insurance benefits beyond the normal 26 weeks. But the pressure for action is intense, and it appeared unlikely that the dissatisfaction would rise to a level that could derail the package. "I do not personally intend to do anything that would stop it from moving forward," Rangel said. "However, I will continue to fight to make certain we attempt to ease the economic pain of the unemployed as swiftly as possible." Democrats have argued that an extension of jobless benefits would help keep workers afloat during the economic downturn. A 13-week benefit extension was part of the last big stimulus package in 2002 ([PL 107-147](#)).

Under the agreement, checks would go not only to workers who pay income taxes but also to wage earners covered by payroll taxes who make too little to owe income taxes. That was a major concession to Democrats, who had demanded that the rebates be distributed as broadly as possible. In a summary of the deal, Boehner's office said that anyone with at least \$3,000 in earned income in 2007 will get a rebate check of at least \$300; those with children will also get \$300 additional for each child.

People with income tax liability will receive up to \$600 for individuals and \$1,200 for couples, plus the added amount for children. There is no cap on the extra per-child rebates. Retirees and others who paid federal income taxes on investment income but had no earned income in 2007 could still qualify for rebate checks, Boehner's summary said, up to the full \$600 per person or \$1,200 per couple allowed for those without dependent children. Eligibility would be capped at \$75,000 in adjusted gross income per individual or \$150,000 per couple filing jointly. Above that level, the benefit would phase out.

The deal also calls for writeoff incentives to encourage businesses to invest this year in new equipment, with 50 percent bonus depreciation in 2008 for expenditures subject to depreciation over 20 years or less. It also would provide more generous upfront deductions for small businesses — as much as \$250,000 in the year of purchase, double the current expensing limit, with an overall investment limit of \$800,000.

The bill also would significantly increase the size of mortgage loans that FHA may insure and that Fannie Mae and Freddie Mac may purchase. Those provisions are designed to help homeowners in the nation's priciest markets who have been unable to buy homes or refinance "jumbo" loans that exceed current limits.

The new limits for FHA and the GSEs would be 125 percent of the median area home price, capped at \$730,000 in the country's costliest housing markets. That is much higher than the administration has previously supported and well above the current \$417,000 conforming loan limit for mortgages that Fannie Mae and Freddie Mac may purchase or the existing \$362,000 limit on loans insurable by the FHA.

In return for the agreement to spread rebates to low-income wage earners, Pelosi backed away from Democrats' demand that the emergency package include increased funding for food stamps and extended unemployment benefits — although that concession provoked immediate criticism. "I believe this is a mistake," said Senate Finance Chairman Max Baucus, D-Mont. "I hope we can improve on that." Whether to insist on extending unemployment insurance benefits will depend on overall congressional support for that move, he said.

Sen. [Charles E. Schumer](#), D-N.Y., chairman of the Joint Economic Committee, said he wasn't opposed to including business tax cuts if that helps get the overall package implemented quicker. "It is aimed where it should be: Bulls-eye, right at the middle class," he said. Baucus said other senators also have been telling him they want unemployment insurance benefits and food stamps provisions in the final package. But he drew no lines in the sand. "Speed is important here. We should not get bogged down in details," Baucus added.

Democratic leaders in the Senate ticked through a long list of potential additions to the bill, including help for states' Medicaid obligations, summer jobs for youths, food stamps, unemployment insurance. The Finance chairman scheduled a markup of a stimulus package for next week, and Baucus said he hoped the markup would be finished before the House floor vote. "I spoke with Senator Grassley this morning, and we agreed to work together, move quickly, and mark up economic stimulus legislation next week," he said.

Mortgage Relief Added to Economic Stimulus Package

An overhaul of the Federal Housing Administration's mortgage insurance program and an increase in the size of loans that mortgage finance giants Fannie Mae and Freddie Mac may purchase will be part of the economic stimulus package, leaders told reporters. The changes will allow FHA and the big government-sponsored enterprises (GSEs) to help save some at-risk homeowners from defaulting as their adjustable rate mortgages reset to much higher rates. It should also help spur home purchases in high-cost areas of the country such as California, New York, Connecticut and Massachusetts.

House Financial Services Chairman [Barney Frank](#), D-Mass., said the provisions in the stimulus package would dramatically increase the upper limit for mortgage loans that the FHA can insure and would likewise boost the conforming loan limit for purchases by Fannie Mae and Freddie Mac, government-sponsored enterprises (GSEs) that play a key role in maintaining market liquidity.

The package will not, however, include a financing stream for an affordable housing trust fund, which Frank previously has made a priority. The new limits for FHA and the GSEs will be 125 percent of the median area home price, capped at \$730,000 in the country's costliest housing markets — much higher than the administration previously supported. The current \$417,000 conforming loan limit for Fannie Mae and Freddie Mac has made it harder and more expensive for those in high-cost markets to obtain "jumbo" loans, because the secondary market shuns mortgages not backed by the GSEs. The current FHA limit of \$362,000 is also far below the amounts that many borrowers need.

While the administration and Treasury Secretary Henry M. Paulson Jr. have been critical of such high loan limits, Frank said the sharp downturn in housing sales and increasing market turmoil, coupled with the fact that the higher limit for Fannie and Freddie would sunset after one year, should make it more palatable to them. "We were told that wasn't necessary. It's now clear . . . the market has closed off mortgages above \$417,000," Frank said. Such a low limit for the entire country is the "dumbest policy" in government, he said.

The House and Senate each passed bills ([HR 1852](#), [S 2338](#)) last year to overhaul the FHA, a Depression-era agency that seeks to help homebuyers obtain affordable mortgages by insuring the loans. But the measures differed over the upper limits for FHA-backed loans and whether FHA funds should be used for an affordable-housing trust fund, as the House preferred. Frank had been working with Senate Banking, Housing and Urban Affairs Chairman [Christopher J. Dodd](#), D-Conn., to reconcile the bills.

The House also passed a bill ([HR 1427](#)) to increase the ability of Fannie and Freddie to provide capital for mortgages, but comparable legislation was not been introduced in the Senate. Frank said urgent need to stave off more loan defaults and save homeowners from foreclosures drove the decision to add the package to a stimulus proposal. "This is a market-foreclosure, recession issue more than any other single factor," Frank said.

The urgency forced Frank to drop for the moment his demands for a funding stream for a housing trust — a plan that remains a key part of his to bolster the nation's stock of affordable rental housing. "The rule for the stimulus is that it has to be relatively non-controversial and it has to be spent quickly," Frank said. "I'm a great advocate of (the trust fund). But I can't with a straight face say that it's stimulating." He said the current language "neither helps nor hinders" the creation of a trust fund, and said Dodd told him that he is "supportive of it and is interested in moving it."

Frank said that other differences between the measures —including the minimum required down payment and whether homeowners who have fallen behind on their mortgage payments will be allowed to refinance into FHA-backed loans — are still under negotiations.

Bill to Extend Trade Preferences for Developing Nations a House Priority

House Democrats expect to act quickly on a multi-part trade bill that would extend preferences for developing countries in South America, the Caribbean and elsewhere. With the trade preferences for Andean nations set to expire Feb. 29, the timing is important. The bill also would extend preferences for Caribbean nations, now set to expire Sept. 30, and for countries covered under what is known as the Generalized System of Preferences. Those expire Dec. 31. All three would be extended to Sept. 30, 2010.

Moving the bill would give Democrats a chance to act on trade legislation — without taking up pending free-trade agreements with Colombia, South Korea and Panama vigorously opposed by many in their party. The administration is now making a push for action on the agreement with Colombia. Like the other pending deals, it was signed before the president's fast-track authority ([PL 107-210](#)) expired in June. But lawmakers continue to have strong concerns about the accord. Ways and Means Chairman [Charles B. Rangel](#), D-N.Y., said the preference programs, on the other hand, have been “a centerpiece of U.S. efforts to spread the benefits of globalization to the world's poor and developing countries.”

The Generalized System of Preferences ([PL 93-618](#)) provides duty-free entry into the United States for a range of goods and raw materials for manufacturing products from more than 100 developing countries. In a statement, Rangel said that maintaining the preferences would help ensure that jobs created in the developing nations are not lost to countries such as China. He also said the program has helped create opportunities for workers and businesses in the United States.

His bill would renew trade preferences with Bolivia, Colombia, Ecuador and Peru, maintaining significantly reduced tariffs for most U.S.-bound items. In late 2007, Congress passed a free-trade agreement with Peru ([PL 110-138](#)) that is still in the implementation stage. “This is really a bridge to span the time between now and when the agreement is fully implemented,” said Mike DeCesare, a spokesman for Ways and Means member [Jim McDermott](#), D-Wash.

The bill could face opposition in the Senate, where [Charles E. Grassley](#), the top Republican on the Finance Committee, has concerns about extending preferences to countries like Brazil and India. He has criticized those nations for failing to cut high tariffs on imports from the United States. Grassley also favors a shorter extension of preferences for the Andean countries to maintain pressure on Congress to act on the Colombia trade agreement.

Another section of the Rangel bill would make revisions to — but not extend — the African Growth and Opportunity Act ([PL 106-200](#)). Alan Tonelson, a trade policy analyst at the U.S. Business and Industry Council, criticized the legislation, saying it is “not designed to boost U.S. exports to foreign markets.” Trade advocates, on the other hand, praised the length of the proposed extensions. “If you're contemplating any kind of capital investment in these countries, you can't do that with a six- or eight-month extension,” said William Reinsch, president of the National Foreign Trade Council.

The current extension for the Andean countries ([PL 110-42](#)) ran for eight months. Rangel said he would have preferred longer extensions than those in the bill, to provide predictability and stability. “I have included the shorter extension in this bill to accommodate the range of opinions on the issue of renewal,” he said. Many products exported to the United States from South America and sub-Saharan Africa are from the apparel industry. Such companies often have cycles of production that last several months to meet demand for back-to-school and holiday shopping seasons.

Bankruptcy Provision Snags Housing Bill in Senate

Senate Democrats appear to have broad support for many elements of their package intended to boost the slumping housing market, but they face opposition from the lending industry over a key provision. At issue is language in the bill ([S 2636](#)), introduced by Majority Leader [Harry Reid](#), D-Nev., that would allow bankruptcy court judges to modify the terms of home mortgages, including reducing the outstanding principal on a loan.

Under current law, judges may not change the terms of primary-residence mortgages as part of bankruptcy court proceedings, although they can modify loans for vacation homes and family farms. Although lenders on Thursday said they endorsed many provisions in the measure, Kieran P. Quinn, chairman of the Mortgage Bankers Association, said that as long as the bankruptcy provision was included, “we cannot support the package as a whole.” The broad-based bill also recycles several proposals that have failed to win enactment before. Those include tax breaks dropped from the final version of the economic stimulus bill ([HR 5140](#)) that President Bush signed into law Feb. 13.

Reid said he planned to bring the measure to the Senate floor after the Presidents Day recess. “We believe that when this legislation is enacted it will keep a million families in their homes,” Reid said Thursday at a news conference. House Speaker [Nancy Pelosi](#), D-Calif., said Thursday, “We should use every vehicle at our disposal as we go forward.” The National Association of Home Builders backs a provision that would allow businesses to use net operating losses in 2006, 2007 or 2008 to offset profits from five prior years and receive applicable tax refunds. The current limit is two prior years.

A second leftover provision from the stimulus package would provide an extra \$10 billion of tax-exempt private activity bond authority that could be used to refinance subprime loans or provide mortgages for first-time home buyers. But Democrats will have to overcome a concerted lobbying effort from the lending industry against the bankruptcy language. Lenders maintain that such a provision would lead banks to charge higher interest rates for all borrowers to offset the chance that mortgage contracts could be changed. “We are very, very certain that moving on legislation like that, even if it doesn’t get signed into law, will have a very negative impact on the availability of credit,” said Floyd E. Stoner, executive director of congressional relations and public policy at the American Bankers Association.

Borrower advocates, including the Center for Responsible Lending, say the changes could help keep some 600,000 subprime borrowers in their homes. Other provisions include one to boost funding for Community Development Block Grants by \$4 billion for buying and rehabilitating foreclosed properties in areas with high foreclosure rates. It also includes language aimed at simplifying mortgage documents. Yet one lending industry lobbyist predicted that “the package is DOA.” “A Congress that can’t conclude [Federal Housing Administration] modernization stands no chance of passing this bill,” the lobbyist said. “It’s a political statement.”

Federal Reserve Chairman Ben S. Bernanke called on Congress to act on legislation to modernize the FHA, a Depression-era agency that helps homebuyers obtain affordable mortgages by insuring the loans. Lawmakers are working to reconcile House- and Senate-passed bills ([HR 1852](#), [S 2338](#)) but have not yet figured out how to address a House proposal to divert income paid to FHA to an affordable-housing fund. The House passed a regulatory overhaul of Fannie Mae and Freddie Mac ([HR 1427](#)) last May.

Immigration Bill: No Discharge Petition in the Works — Not Yet, Anyway

Rumors to the contrary, Rep. [Brian P. Bilbray](#) of California says Republicans have no plans to force Democrats into voting on an immigration enforcement measure written by one of their own. Rep. [Heath Shuler](#), D-N.C., has introduced legislation to strengthen border security and force employers to verify that their workers are legal ([HR 4088](#)). But the measure includes no provision to legalize millions of illegal immigrants, an idea that most Democrats say must be part of any immigration overhaul and that Republicans deride as “amnesty.”

Consequently, Shuler’s bill is more popular with the GOP than with his own party — 90 of its 136 cosponsors, including Bilbray, are Republicans. Immigration lobbyists and interest groups suspect Republicans might try to force a vote on the bill by collecting signatures on a discharge petition. But Bilbray says there’s no petition circulating yet. “My attitude is, I’ll work with Heath on this issue,” he said.

Nadeam Elshami, a spokesman for House Speaker [Nancy Pelosi](#), D-Calif., says that any immigration bill must be both bipartisan and “comprehensive” to get to the floor — meaning that it addresses both law enforcement and the status of illegal immigrants.

The Texas Democratic Debate

There have been so many presidential candidate debates that even the most zealous political junkies have lost count by now. But Thursday's Democratic debate between Sens. [Hillary Rodham Clinton](#) and [Barack Obama](#) was the most eagerly anticipated encounter of them all. That's because the debate, which was held in Austin, Texas, and broadcast on CNN and later on Univision, was the first joint appearance between Clinton and Obama in three weeks — an eternity in a Democratic contest that has included many unexpected twists and turns.

The debate was expected to have a much more combative tone than the last Clinton-Obama joint encounter — a civil affair on Jan. 31 that was held just before “Super Tuesday” on Feb. 5 that produced no clear front-runner for the Democratic nomination. Since then, Obama has amassed a double-digit winning streak of state primaries and caucuses that has seriously wounded the Clinton campaign, which needs to stanch Obama's momentum ahead of critical primaries in Ohio and Texas on March 4 (Vermont and Rhode Island also will hold primaries on that day).

But it took a long time for Thursday's debate to flesh out any points of disagreement between Clinton and Obama, who spent more time attacking President Bush and his policies than each other. They found common ground on a number of issues. In the first half of the 90-minute debate, in fact, Clinton and Obama didn't criticize each other. It wasn't for lack of trying on CNN's John King's part. Early in the debate, he asked Clinton and Obama to contrast their approaches for managing the economy as president. Neither candidate took the bait. They denounced the Bush administration's tax proposals and also agreed on immigration policy.

The second half of the debate yielded some disagreements and barbs. Clinton said that she was “amused” that an Obama surrogate — Texas state Sen. Kirk Watson, who represents Austin — couldn't name a single legislative accomplishment by Obama when pressed by MSNBC broadcaster Chris Matthews during an interview this week. Obama, for his part, noted his work on health care and criminal justice issues and his prominent role in the Senate to overhaul ethics laws. The following are CQ Politics' Mosts and Bests from Thursday evening's debate:

- **Most Discussed Issue:** Probably a tie between health care and immigration — both big concerns in a border state that includes many impoverished regions where individuals don't have health insurance or struggle to pay for it. Health care didn't get mentioned in the first half of the debate, but occupied a good chunk of its second half. The biggest difference in the candidates' health care plans is that Clinton's universal coverage plan includes a mandate requiring everyone to purchase health insurance and Obama's does not.

“This is a significant difference,” Clinton said. “Sen. Obama has said it's a philosophical difference; I think it's a substantive difference. ... I just know that if we don't go and require everyone to have health insurance, the health insurance industry will still game the system.” Obama said that people who lack health insurance want it but can't afford it, and that an all-encompassing mandate would result in fines on people who can't afford coverage. Obama says his plan would reduce health care premiums by \$2,500 per family per year. “Both of us seek to get universal health care. I have a substantive difference with Sen. Clinton on how to get there,” Obama said.

Obama also said he would overhaul health care as president in a more transparent manner than the Clinton Administration did 15 years ago, when Sen. Clinton was a chief architect of a sweeping health care proposal that failed. The candidates see eye-to-eye on immigration policy, though. Both Clinton and Obama expressed support for an overhaul of immigration laws that would include a “path to citizenship” for many illegal entrants.

- **Most Predictable Statements:** Both candidates reiterated the major themes that have punctuated their campaigns of late. Clinton said that she was prepared to serve as president on “day one,” while Obama said he was well-equipped to

bring about needed change in Washington, D.C., where he said that “too many politicians are interested in scoring political points rather than bridging differences in order to get things done.”

- **Biggest Zinger:** “Lifting whole passages from someone else’s speeches is not change you can believe in; it’s change you can Xerox.” Clinton delivered this memorable line after Obama responded to a question about recent revelations that recent speeches included some phrases that were delivered by Massachusetts Gov. Deval Patrick, a prominent Obama supporter, when Patrick was running for governor in 2006.

Speaking before Clinton, Obama said that the accusations of plagiarism were “silly” and indicative of a “silly season” in the current campaign — and that the debate should turn to substantive issues. “I’m happy to have a debate on the issues. But what we shouldn’t be spending time doing is tearing each other down — we should be spending time lifting the country up,” Obama said.

- **Most Timely Issue:** Cuba. The recent news that longtime Cuban leader Fidel Castro will relinquish power spawned the debate’s first question: would the candidates be willing to meet with Raul Castro, Fidel Castro’s brother, who is expected to become the nation’s next president?

Clinton said she would not meet with Raul Castro until Cuba has taken proactive steps such as opening up its economy, releasing political prisoners and ending oppressive practices on the press. “Of course the U.S. stands ready, and as president, I would be ready to reach out and work with a new Cuban government once it demonstrated that it truly was going to change that direction,” Clinton said. She added: “A presidential visit should not be offered and given without some evidence that it will demonstrate the kind of progress that is in our interest and, in this case, in the interest of the Cuban people.”

Obama said that he would meet with the new Cuban leadership, but that a “starting point” to U.S. policy in Cuba should be “the liberty of the Cuban people.” “I would meet without preconditions, although Sen. Clinton is right that there has to be preparation,” Obama said. “It is very important of us to make sure there was an agenda, and on that agenda was human rights, releasing of political prisoners, opening up the press. ... But I do think that it’s important for the United States not just to talk to its friends, but also to talk to its enemies.”

- **Biggest Back-burner Issue:** Iraq didn’t get a whole lot of attention in the debate, though the two candidates had covered this ground in previous encounters. Obama opposed the Iraq War from the very start and supports a timeline to begin withdrawing U.S. troops from Iraq. Clinton voted for the original 2002 resolution that authorized President Bush to wage military operations in Iraq, but promises to begin withdrawing U.S. troops from Iraq early in her administration.

- **Most Original Question:** In the debate’s final question, CNN’s Campbell Brown asked each candidate to describe a “moment of crisis” in their lives when they were “tested” the most.

Obama, who was raised by his mother and grandparents and worked as a community organizer, said that the “cumulative experience” in his life instilled in him good judgment and an ability to bring people together. “What was most important in my life was learning to take responsibility for my own actions — learning to take responsibility for not only my own actions, but how I can bring people together to actually have an impact on the world,” Obama said. Clinton said that she faced challenges in her life as well, but that her problems paled in comparison to “what I see in the lives of Americans every single day.” She segued to an anecdote about wounded war veterans she met at a medical center in San Antonio.

- **Most Unifying Moment:** When Obama and Clinton shook hands near the end of the debate, after Clinton, in a moving finale, said that she was “absolutely honored” to appear with Obama. “Whatever happens, we’re going to be fine,”

Clinton said. “We have strong support from our families and our friends. I just hope we’ll be able to say the same thing about the American people, and that’s what this election should be about.”

FEC To McCain: Not So Fast on Public Financing Withdrawal

The FEC put the brakes on [John McCain](#)’s request to withdraw from public financing for his presidential primary campaign today, saying such a move requires the approval of four voting members of the commission. The agency also questioned a recent bank loan the campaign obtained as possible grounds for rejecting the campaign’s request to withdraw from the program.

The FEC’s [statement](#), released today, comes in response to a [letter](#) the McCain campaign sent two weeks ago informing the agency the candidate was withdrawing from the program, which he had applied for in the fall. The FEC currently lacks the four-person quorum necessary to vote on such issues due to a political stand-off over the confirmation of commissioners. It is unclear when the full commission would be able to vote on McCain’s request.

Obama Outshines Other Candidates in January Fundraising

Raising \$19.7 million, as [Hillary Rodham Clinton](#) did in January, would be quite a feat in any normal month, relative to any normal presidential candidate. But Clinton has the misfortune of competing for funding with [Barack Obama](#), who stunned the political community by raising \$36.8 million, the most ever in a month by a Democratic presidential candidate in a primary race.

Obama’s spectacular show of fundraising was virtually all from individual donors, his strong suit. Since the campaign started, he has raised \$138.2 million from individuals compared with \$119.9 million for Clinton. The Illinois senator’s January haul, revealed yesterday in his campaign’s monthly financial report to the Federal Election Commission (FEC), trumped even his staff’s own projection of \$32 million. And it allowed Obama to add to his savings, even as he spent \$30 million in the early primaries and the build up to Super Tuesday. Obama started February with \$24.9 million in the bank, about \$6 million more than on January 1.

Clinton, on the other hand, burned through far more cash than she raised in January, even with a \$5 million loan she made to her own campaign. She spent \$28.5 million over the course of the month. However, thanks to a significant edge in cash at the end of last year, Clinton still had more in the bank than her rival — \$29.2 million — going into February. The New York senator has kept the money race close thanks to nearly \$1 million in donations from political action committees, fundraising vehicles run by politicians, corporations, unions and other interests, a \$10 million transfer from her Senate campaign, and now the \$5 million loan.

But for the first time since the race began, Obama has more in total receipts, \$140.6 million, than Clinton, at \$138 million. The Clinton campaign credited the revelation of her loan with a surge in donations — \$10 million contributed online, they reported, in the five days after Super Tuesday on Feb. 5. The Obama campaign also released post-Super Tuesday numbers — \$7.2 million in the 48 hours after polls closed. The monthly financial report for February, due March 20, will shed more light on the campaign’s fundraising efforts this month.

Overshadowed in large part by the Democrats, things were quieter on the Republican front. Interestingly, reports for January reveal that cash has had little bearing on GOP primary success this election — the three candidates left standing in the race have managed to outlast opponents who boasted far more extensive resources.

Arizona Sen. [John McCain](#) raised \$12.8 million last month, exceeding the \$10 million he raised in the entire fourth quarter of last year. Victories in New Hampshire and South Carolina helped him regain favor with GOP donors, something he had lost after financial mismanagement over the summer raised questions about his campaign's judgment and viability. McCain's fundraising total was boosted by a \$950,000 loan the campaign took out last month, on top of \$3 million in loans he obtained in 2007. The campaign spent most of the money raised — \$10.5 million — which left only \$5.2 million in cash on hand going into the Super Tuesday primaries.

McCain's main opponent, former Arkansas Gov. Mike Huckabee, had even less in the bank than McCain at the end of January — just \$929,000. Huckabee raised \$4 million in January, a jump relative to his previous funding pace, but not enough to underwrite a national campaign operation. Despite his shoestring budget, Huckabee managed to pick off five Southern states on Super Tuesday and has vowed to continue his candidacy

The other Republican still in the race, Texas libertarian [Ron Paul](#), reported the most money in the bank, with \$6 million cash on hand at the close of the month. January, however, was not Paul's best month. He raised \$4.6 million, less than he received in 24 hours during one fundraising drive in December. Paul spent \$6.5 million in January but failed to get much bang for his buck in terms of votes, and after a poor showing on Feb. 5, his long shot candidacy appears to be losing steam.

McCain denounces NY Times, denies favouring lobbyist

John McCain hit back Thursday at a potentially damaging report insinuating he had a romantic relationship with a female lobbyist during his failed 2000 bid for the Republican presidential nomination. The 71-year-old Straight Talk Express candidate denounced the New York Times for its article suggesting his close ties with 40-year-old Vicki Iseman led him to favour her clients

With his wife, Cindy, at a specially arranged campaign trail news conference, the Arizona senator said he and Iseman had been nothing more than friends - adding he last saw her "several months ago" at an event. According to the Times, unnamed aides had been concerned McCain and Iseman shared more than friendship as she appeared with him at fundraisers, visited his offices, and travelled with him on a client's corporate jet.

"I'm very disappointed in the article - it's not true," McCain said in Toledo, Ohio, where he was campaigning ahead of the state's March 4 presidential primary. "At no time have I ever done anything that would betray the public trust or make a decision which, in any way, would not be in the public interest or would favour anyone or organization." Cindy McCain - his second wife, 17 years his junior - called her husband a "man of great character."

Appearing just as McCain is all-but-certain to secure his party's nomination in the current race, the report is at best an unwanted distraction for his campaign regardless of its veracity. Also potentially problematic is the way the article segues from new reporting on the aides' concerns to a long-ago documented savings and loan scandal in which McCain and four other senators lobbied to various degrees on behalf of disgraced financier Charles Keating. As it rehashes the 16-year-old "Keating Five" scandal, the article's authors contrast the event with McCain's reinvention of himself as a reformist favouring stricter ethics and campaign finance controls, and opposing special interests.

Ominously for McCain, the newspaper uses remarks by people who've known him over the years to back a claim that "his confidence in his own integrity has sometimes seemed to blind him to potentially embarrassing conflicts of interest." From the time the piece appeared on the Times website Wednesday night, pundits were already speculating it could result in some support swinging to Mike Huckabee, the former Arkansas governor, who remains in the race despite trailing far behind McCain.

Some even suggested it could prompt Mitt Romney, the former Massachusetts governor, to think about restarting his campaign, which he "suspended" two weeks ago. The appearance of the article also shifted media focus from the far-closer Democratic race, in which Hillary Clinton sought Thursday night to slow the momentum of her rival Barack Obama as the two slugged it out in a televised debate at the University of Texas campus in Austin.

Iseman, who met McCain as she represented telecommunications companies that did business with his Senate Commerce Committee, denied the pair had been romantically linked, the Times reported. She did not comment publicly Thursday. A follow-up story that appeared on the Washington Post's website on Thursday cited McCain aide John Weaver as having urged Iseman in late 1999 to stay away from the senator.

Members of McCain's small circle of advisers also confronted McCain directly, according to unnamed Post sources, but McCain said at his news conference no such meeting had taken place. Weaver was considered McCain's closest confidant until he left the senator's current campaign last year. The McCain campaign said in a statement Americans are tired of the "gutter politics" it claimed the Times article represented.

Ironically, if the insinuations of marital infidelity and favour-granting remain unsubstantiated, it could in the long run help McCain in his bid to overcome suspicion among those on the Republican right who say he's not "conservative enough" to represent their party. This is because many Republican conservatives view the New York Times as left-leaning, and are likely to consider the article as a partisan-inspired attack.

Gold ends up but backs off record high as oil dips

By Frank Tang and Atul Prakash - REUTERS

NEW YORK/LONDON (Reuters) - Gold ended higher on Thursday in choppy trade that saw prices hit a historic high on a struggling dollar and supply worries, then gave back some of its gains on a sharp decline in crude oil prices.

Other precious metals also rose. Silver hit a 27-year high above \$18 an ounce, a spike of 22 percent this year, while palladium jumped more than 9 percent to a 6-1/2-year high before paring gains.

"The outlook for gold remains positive given the expectations for continued dollar weakness, further Fed rate cuts and inflationary and macroeconomic concerns," Suki Cooper, precious metals analyst at Barclays Capital, said.

"Although speculative length remains elevated, we would expect further safe-haven buying to buoy prices," she said.

Spot gold rose to \$944.40/945.20 an ounce by New York's last quote at 2:15 p.m. EST from \$934.80/935.60 late on Wednesday. During the session, gold hit a high of \$953.60.

The gold contract for April delivery at the COMEX division of the New York Mercantile Exchange settled up \$11.40 or 1.2 percent to \$949.20 an ounce.

"At the moment, it appears to be investor demand which is the real driving force" behind gold's rise, said Daniel Hynes, metals strategist at Merrill Lynch. "And that is influenced by things such as a weak dollar, risk aversion and inflationary fears."

Gold fell off session highs with sliding U.S. crude oil futures, which settled down \$1.47 at \$98.23 a barrel after a government report showed rising crude inventory. Lower crude oil prices diminish gold's appeal as a hedge against oil-led inflation.

But gold was buoyed by a slipping dollar. The U.S. currency was weighed down by minutes from the Federal Reserve's January policy meeting, which affirmed expectations of further U.S. interest rate cuts.

Markets have priced in the risk of another half percentage point rate cut at the Fed's March meeting, which would further erode the dollar's appeal to global investors.

Dollar weakness tends to boost the price of gold, making the precious metal cheaper for other currency holders.

"There is a real possibility of a spike above \$1,000 an ounce, although I am not convinced at this stage about its longevity above that price," Hynes said.

BULLISH FACTORS

Analysts said there were several reasons to be bullish.

"There is no single reason why investors hold gold. Some fear a dollar crash, others buy gold for a liquid way of playing the commodity cycle, others will have bought it on momentum," said John Reade, metals analyst at UBS Investment Bank.

"But yesterday's move shows another reason. We believe that many investors have bought and held gold because of fears of stagflation, coupled perhaps with worries about financial system risk," he said in a client note.

In other metals, platinum hit a record high of \$2,182 an ounce and was last at \$2,151/2,161, up from \$2,120/2,130 in New York on Wednesday.

"Clearly any weakness in the price is pounced on quickly by investors as there are plenty waiting on the sidelines to enter into the market," Hynes of Merrill Lynch said.

Platinum has jumped 40 percent this year after mines in South Africa, accounting for 80 percent of world output, were shut for five days at the height of last month's power crisis.

South African power utility Eskom said it had contracted 30 million tons coal of the 45 million tons it needs over the next two years to help resolve a crippling power crisis.

In investment news, London-based ETF Securities said on Thursday its platinum exchange traded commodity fund PHPT.L had more than doubled its holdings of the precious metal to 302,000 ounces since the start of January.

The company said holdings in its palladium exchange traded commodity had jumped by more than 200 percent to 139,000 ounces over the same period.

Palladium rose as high as \$525 an ounce, tracking strong platinum prices. It was last quoted at \$510/515, against \$481/484 late in New York on Wednesday. Silver hit a high of \$18.03 before falling to \$17.84/17.89, against \$17.76/17.81, its U.S. market close on Wednesday.



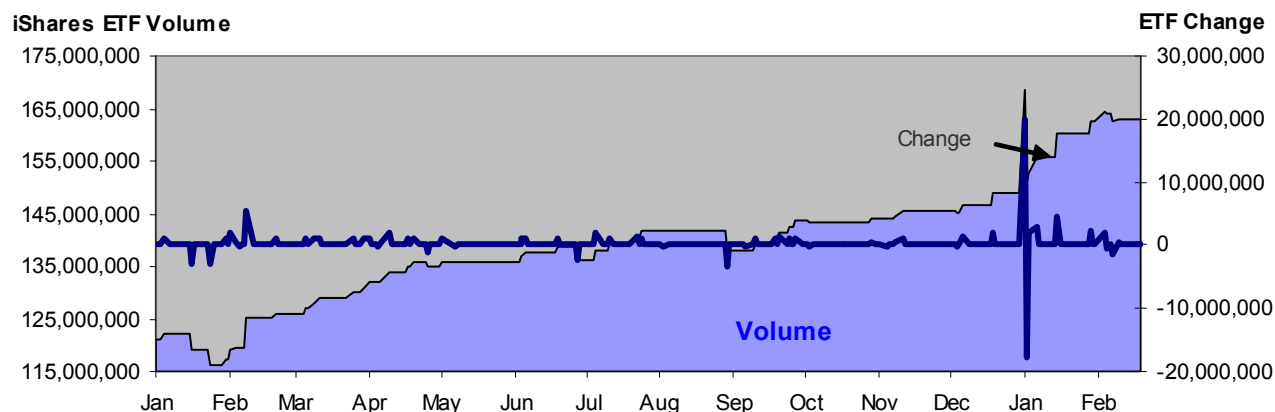
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Silver Market Update for the SUA Newsletter - 20 February, 2008

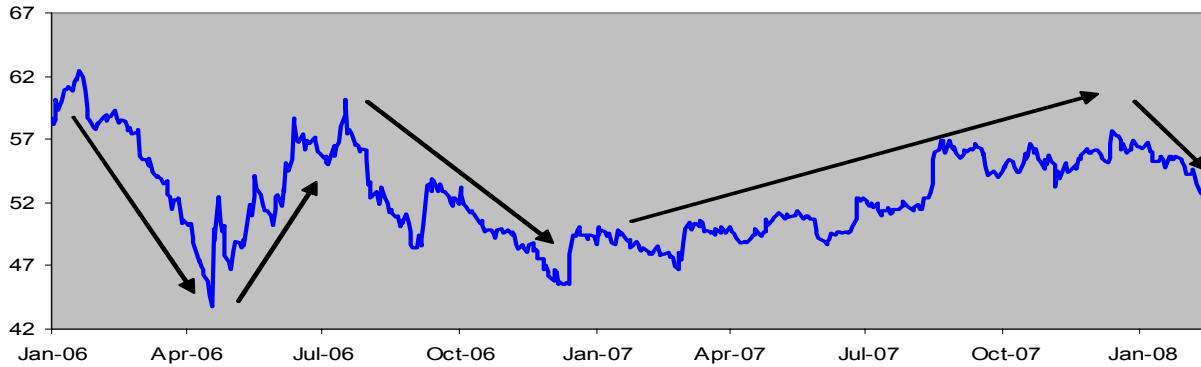
Following the release of analysts 2008 price forecasts in early January, the common consensus among participants was that while the silver price would continue to escalate, any price strength would greatly lag behind that of gold. We are not yet 3 months into the year, and already silver has broken through the high price predicted by 62% of market analysts polled in LBMA 2008 Forecast. Over the last 9 weeks, silver has quietly built up a significant momentum. The precious complex was preoccupied initially by gold's move about \$900 in January and once the depth of the South African power crisis became apparent, the explosive moves in the PGMs took centre stage. In the last 2 months, gold has risen 20%, however the silver price has appreciated in excess of 30%. The preponderance of this rally was fuelled by a steep increase in investor activity. The COMEX net long position has risen more than 50% since the week of the 18th December. Over the next 10 months, while we believe that silver could trade as high as \$21 which is upgraded from our previous estimate in January of \$18, we retain our belief that the basis for this rally will be continuing spill over effects from the full precious complex, not just gold.

iShares ETF Activity Jan 2007 to Present, Oz



ETF Activity: Once we wash away the puzzling movements into and out of the main ETF silver contract at year end, which were legitimate creation and redemption transactions, this contract has appreciated over 13 Moz since the beginning of 2008. Representing a 9% increase in offtake, and when taken along with the notable appreciation in the global silver exchange book, it is very clear that the investment story has been the key price driver of silver. However, a significant lack of industrial consumption directs us to be somewhat cautious of the metals future path. The current price is very dependant on investor demand and the fickleness of such investors in the past should not be forgotten.

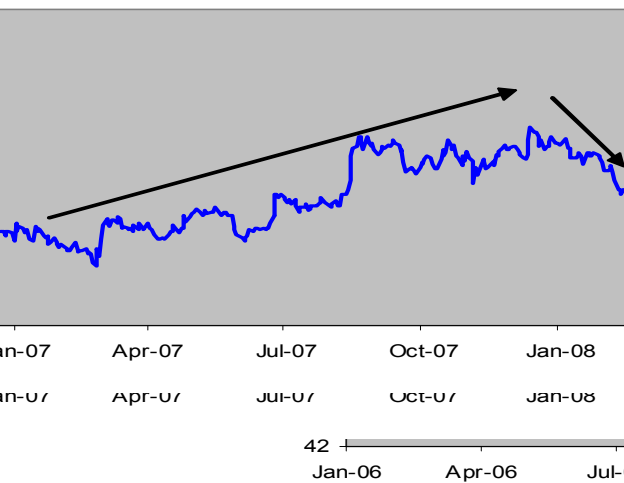
Gold / Silver Ratio



Gold / Silver Ratio: As we stated last month, the gold / silver ratio in 2007 reflected the lacklustre performance of the white metal against that of gold. The trend of the ratio analysis reflected the lack of momentum within silver to significantly rally and hold, and thus outperform gold. Silver enjoyed a very healthy start to 2008, and therefore it is necessary to revisit this statistic. Since the beginning of 2008, the direction of this ratio changed course as the silver price gathered notable vigour. Despite the current strength of the white metal, over the next 12 months, while silver may enjoy pockets of strength relative to gold, on balance we anticipate gold will maintain its “lead performer” status.

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ver Ratio



Gold / Silver Ratio

