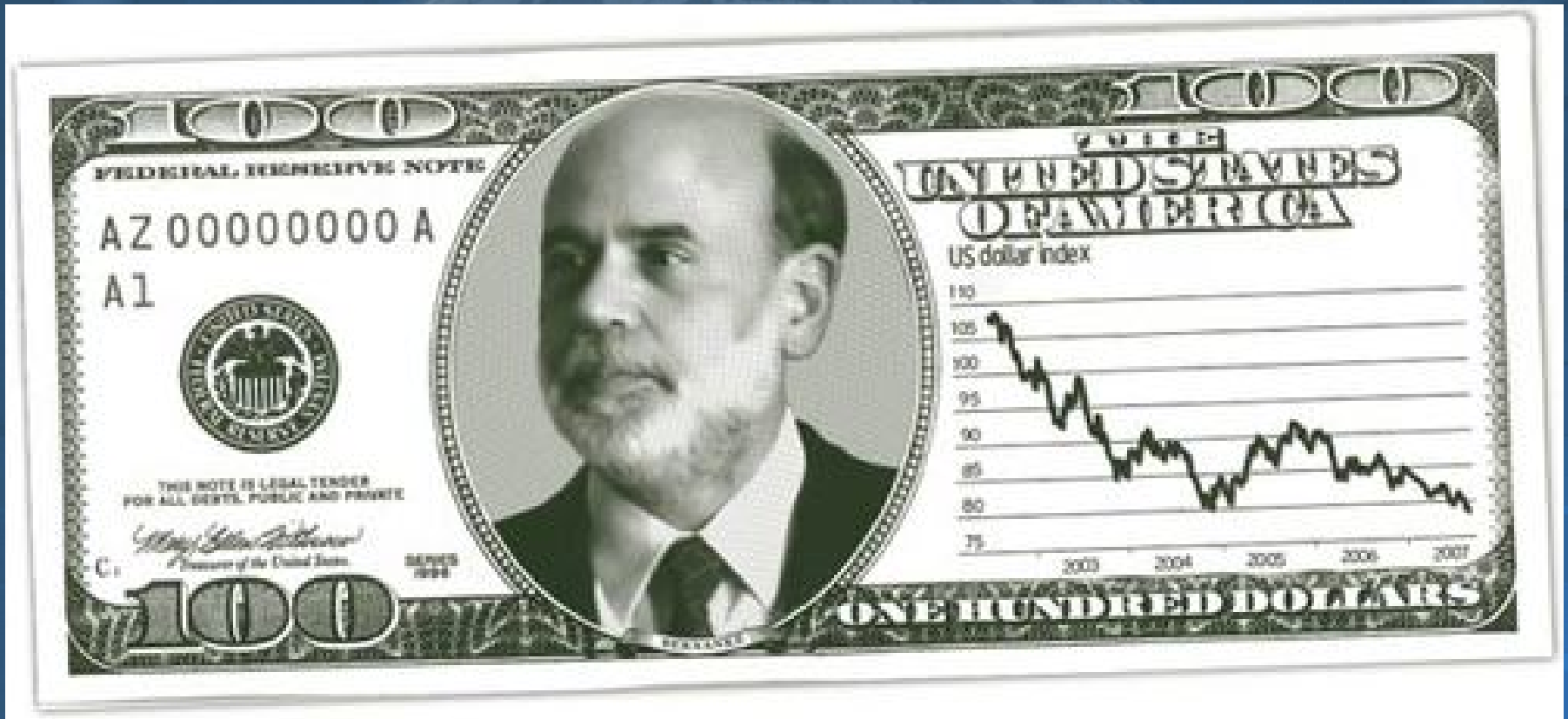


San Francisco 2009



Survive The Great Inflation Ahead

MURPHY NEW WORLD FUNDS



Michael Murphy, CFA
New World Investor

NewWorldInvestor.com



What Will Be The
Biggest Factor In
Your Investment
Returns For the Next
5 Years?

U.S. FEDERAL SPENDING 1792 - 2012

Sources: US GPO & US Census Bureau
Hat tip: USGovernmentSpending.com



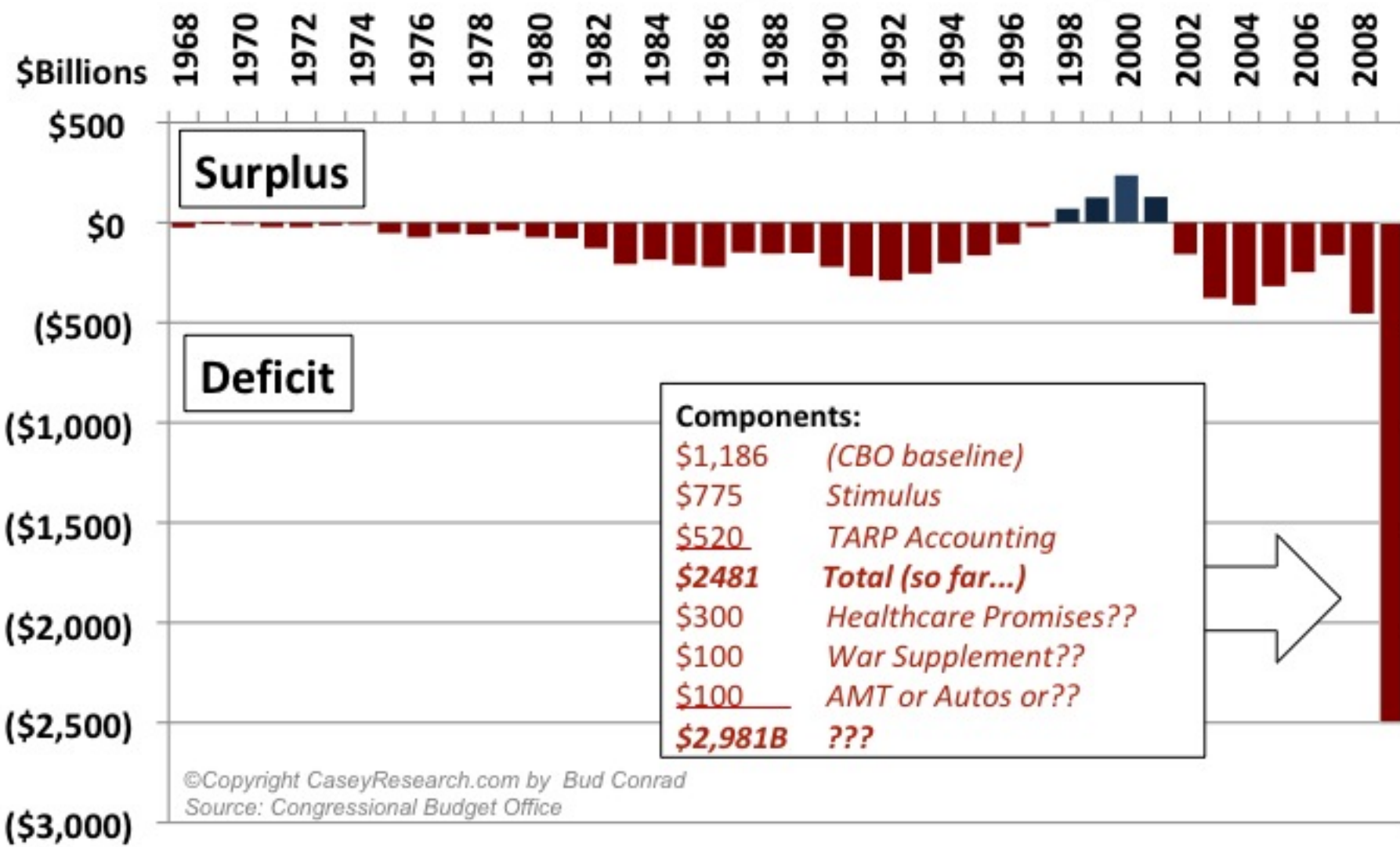
*Figures for 2009 and 2010 are budgeted, not historical.

**Figures for 2011 and 2012 are (under)estimated.

© 2009 *The Humble Libertarian*
<http://www.humblelibertarian.com>

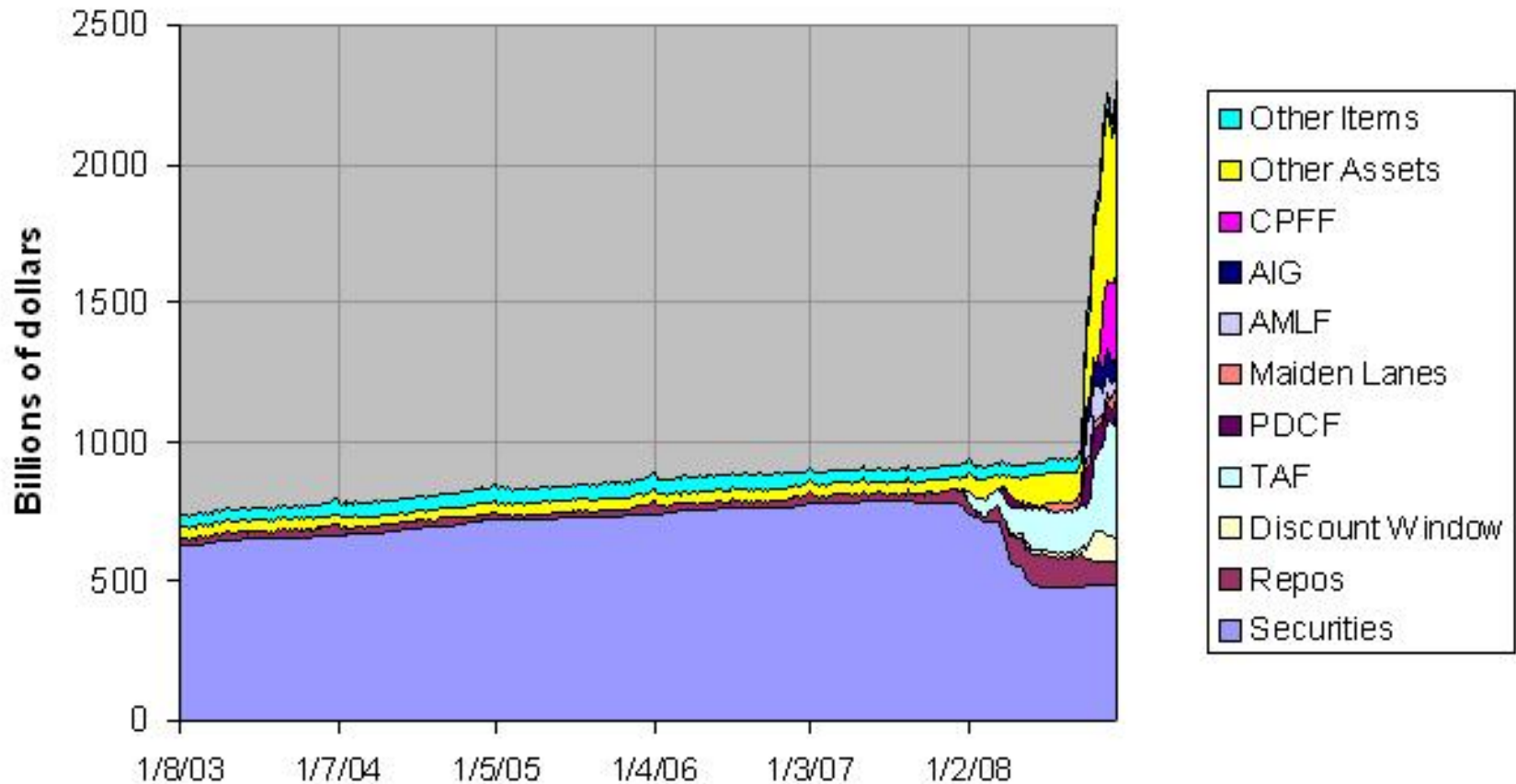
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Federal Deficit Borrowing Could Reach \$2.5 T

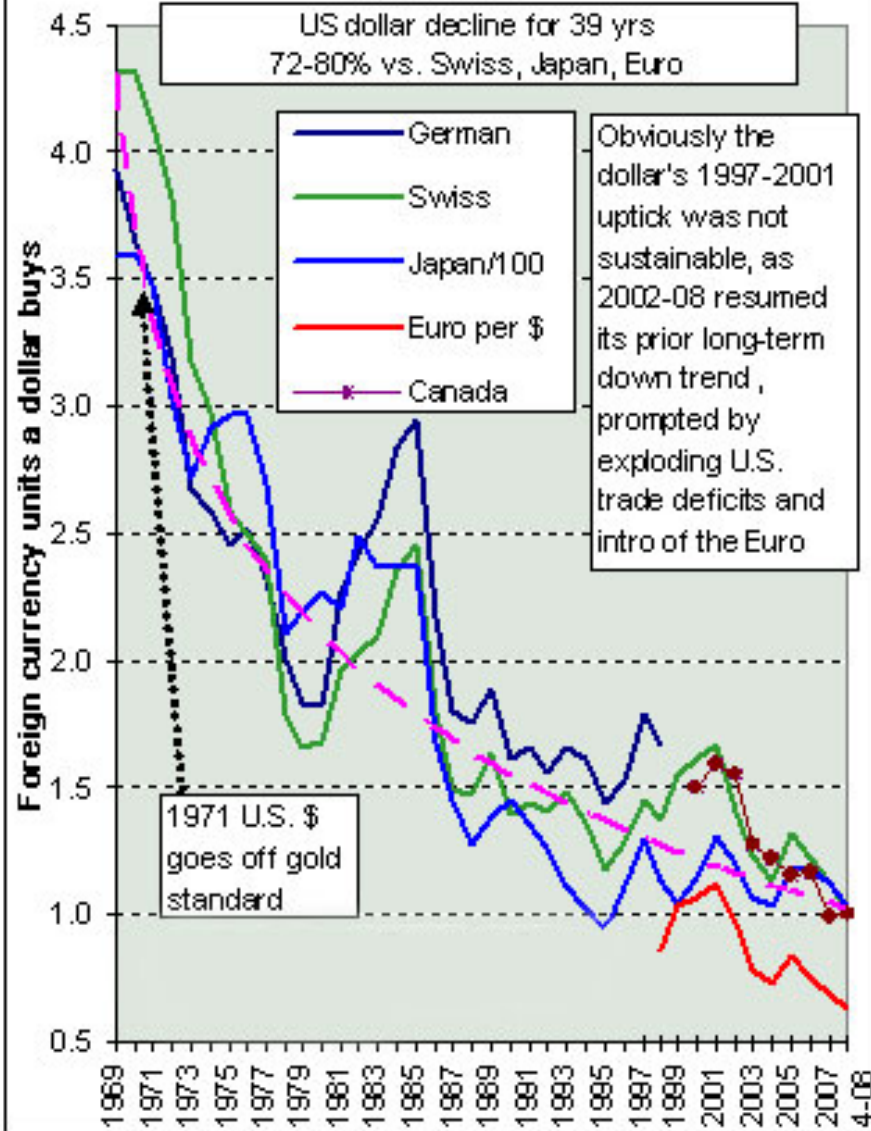


©Copyright CaseyResearch.com by Bud Conrad
 Source: Congressional Budget Office

Federal Reserve Assets

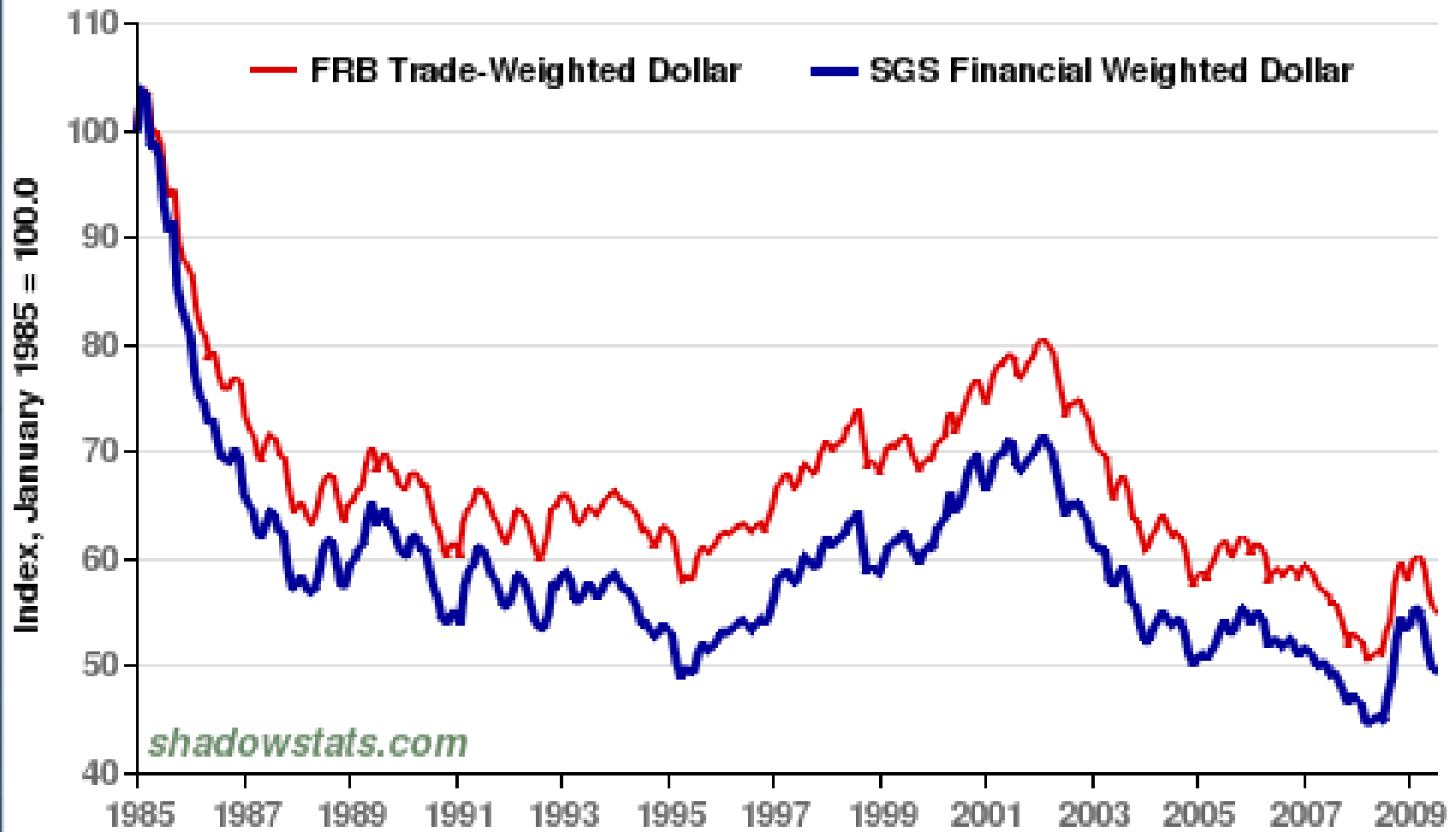


Dollar Foreign Exchange Loss 39 Years



Financial- vs. Trade-Weighted Dollar Indices

Through July 2009 (ShadowStats.com, FRB, BIS)





Why Is The Dollar So Weak?

M2 Logarithmic Chart

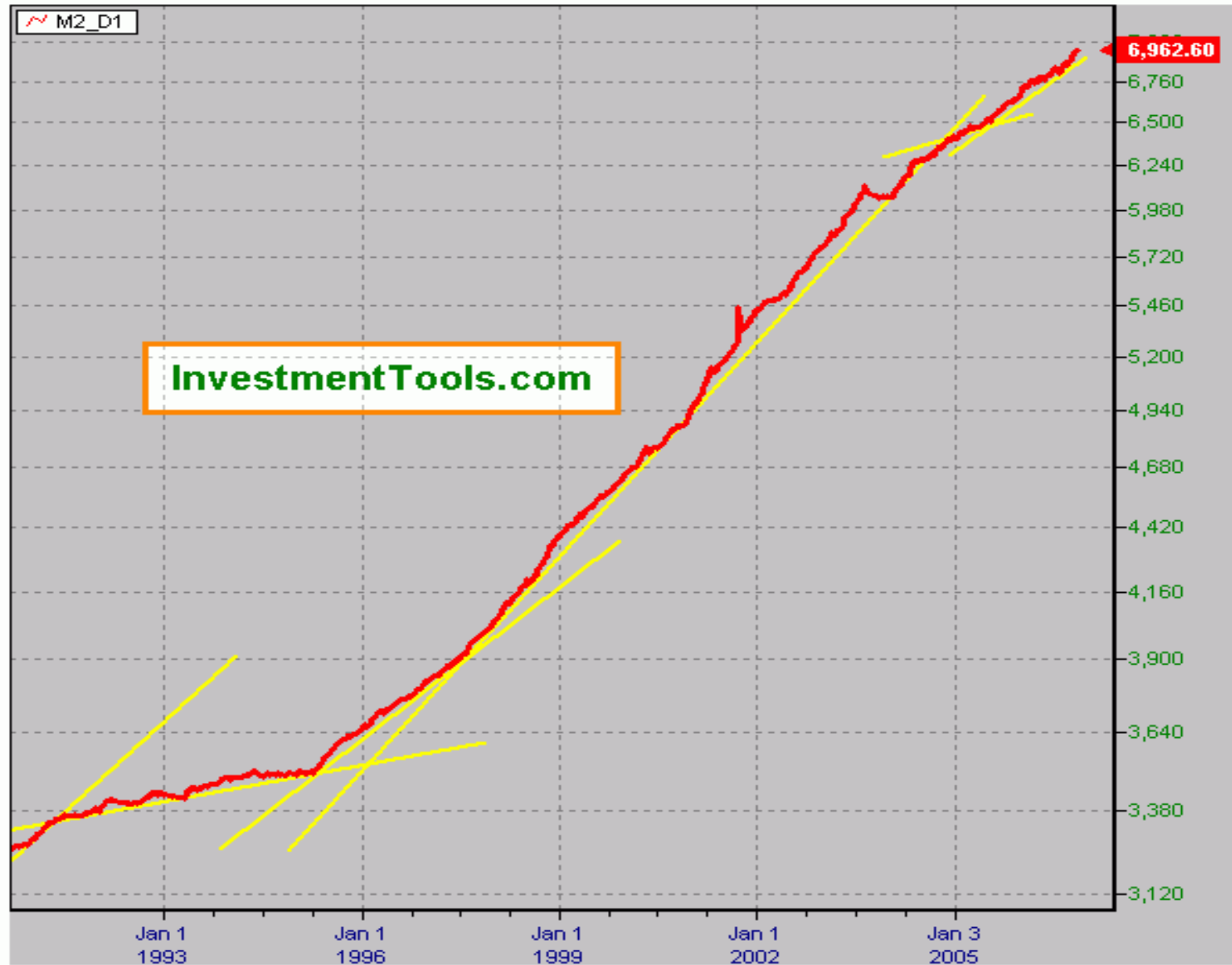
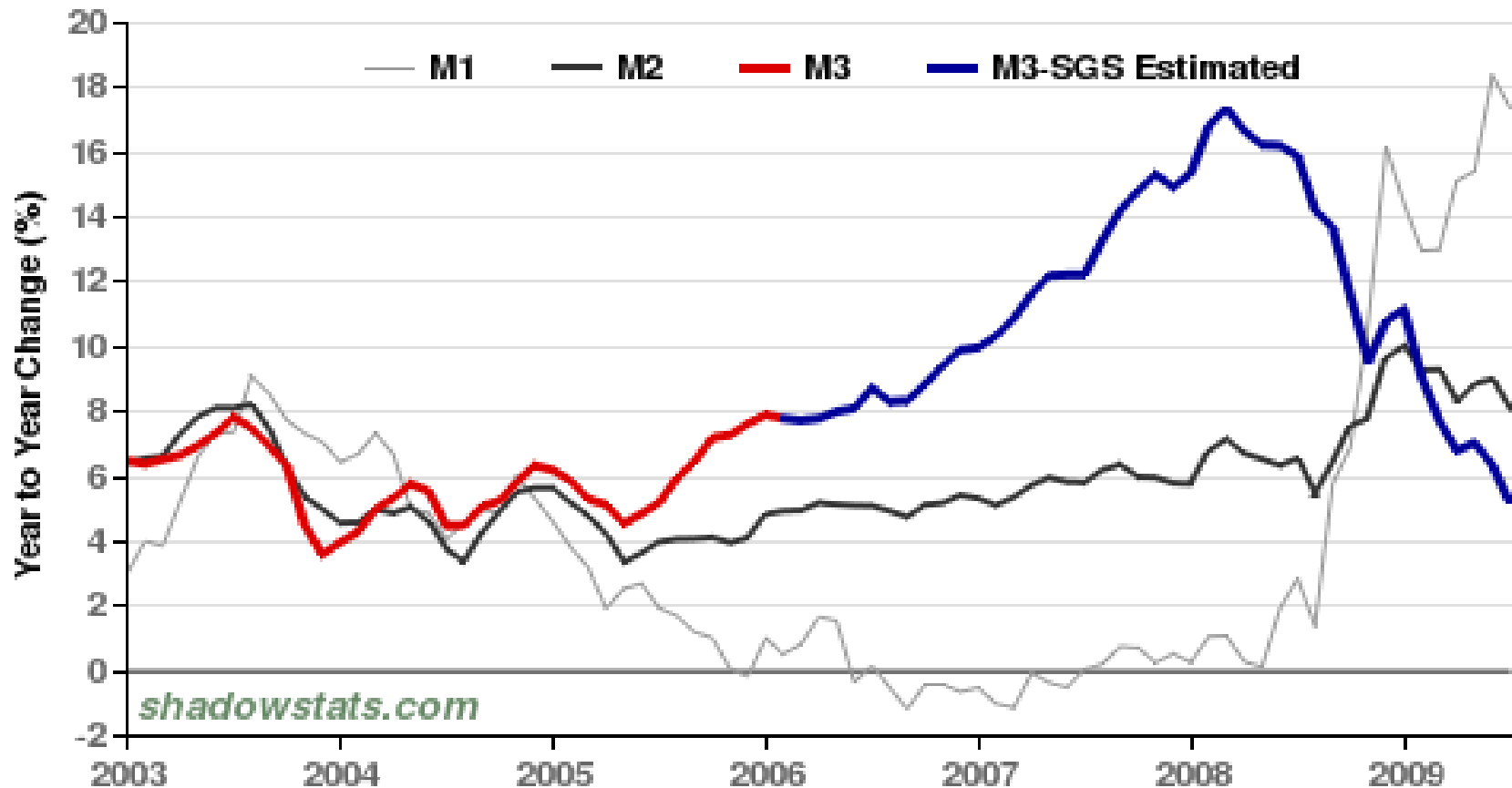


Chart created with NeoTicker EOD © TickQuest, Inc. 1998-2004

Annual U.S. Money Supply Growth - SGS M-3 Continuation Monthly Average through July 2009 (ShadowStats.com, FRB)



shadowstats.com

Why Print Money?

- Stimulates the financial markets
- Stimulates the economy
- Lowers the value of the \$\$\$
- “We have a strong dollar policy.”
 - Every U.S. Treasury Secretary

SO HOW IS THAT WORKING?

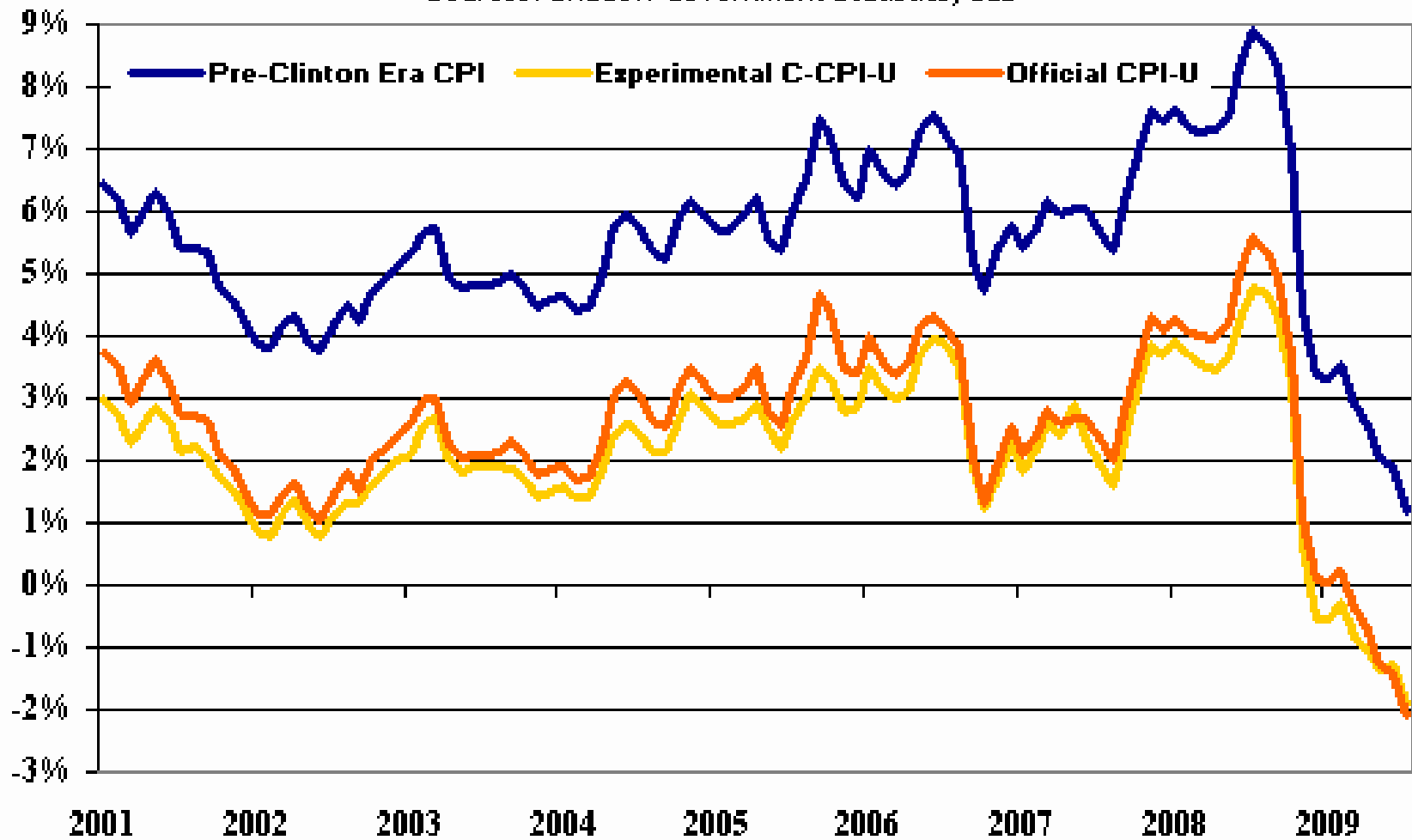
Why Erode The Dollar?

- **Shrinks government debt load**
- **Shrinks value of foreign debt holdings**
- **Shrinks consumer debt load**
 - Fixed real estate debt
 - Credit card debt with rate caps
- **Shrinks unfunded liabilities**
 - Social Security \$1,200 a month
 - Keep jiggering with CPI

ALTERNATE CPI MEASURES

YEAR-TO-YEAR CHANGE, NOT SEASONALLY ADJUSTED. To July 2009

Sources: Shadow Government Statistics, BLS



Long-Term Outlook

- The dollar will keep declining
- At some point, the rate of decline may accelerate out of the Fed's control
- All assets priced in dollars will go up in nominal value
 - Commodities
 - Stocks
 - Real Estate
- Fixed rate debt will collapse in real value (bonds, mortgages)

The Short-Term Outlook

- Fed is done cutting rates (the price of money)
- Fed will continue printing \$ (the amount of money)
- Dollar flat to DOWN
- Gold flat to UP
- Stocks up to 1060, 1160, 1250 turn points



**Will There Be One
More Big Drop Before
This Market Takes Off
For Record Highs?**

THE BEAR WORRIES:

- Endless housing slowdown**
with falling prices
- More foreclosures**
- Squeezed consumers**
- No more Fed cuts**
- Falling profit margins**
- Hurricane season / Oil**
- Geopolitical risks**



**The Bears Are Probably
Right About ALL Those
Fundamental Problems.**

**They Are Only Wrong
About One Thing--**

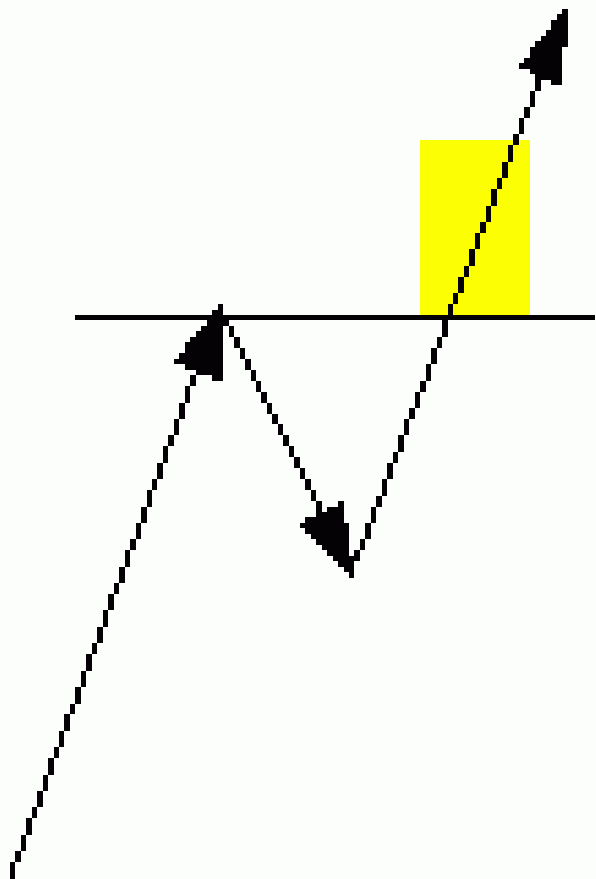


**The Market Is
Going Up Anyway
(for now...)**

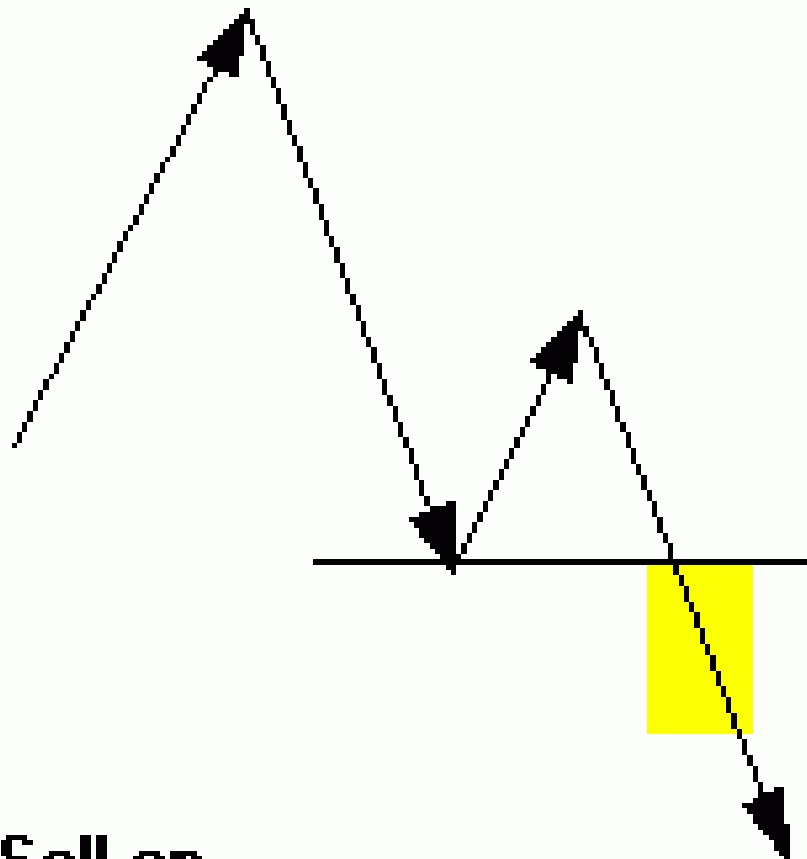


**Let The Market Tell You
What To Do!**

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**Down pattern sets in after a
bounce, and a new low**



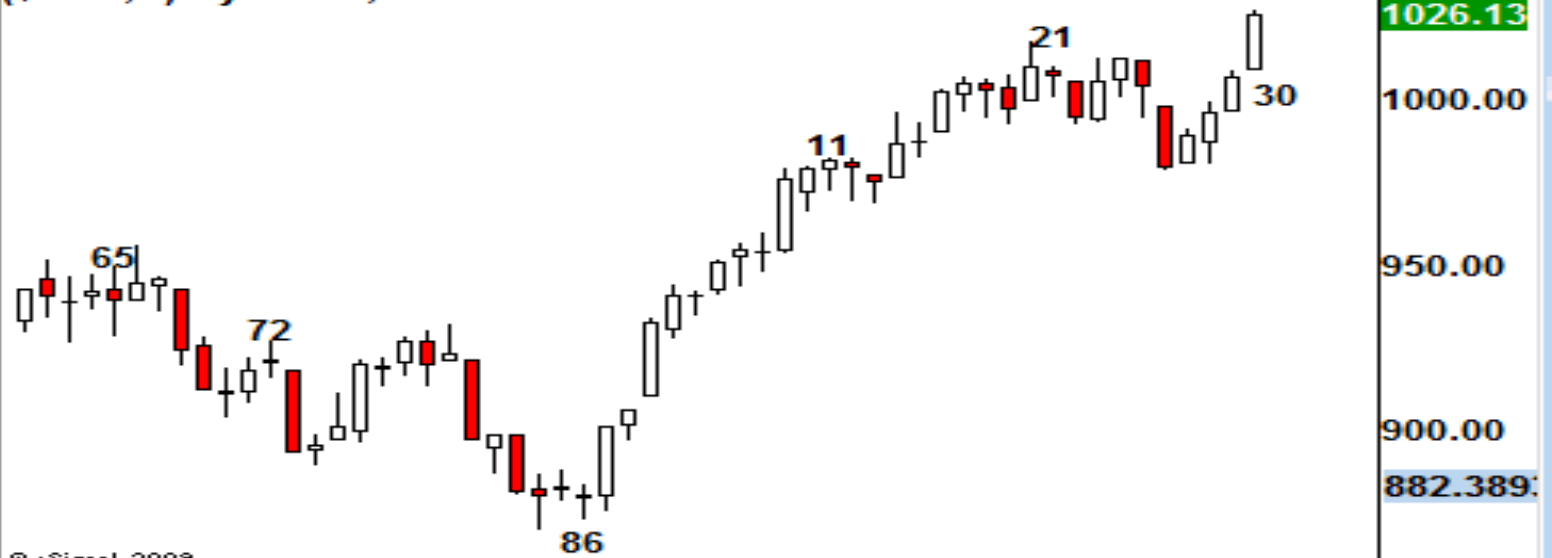
**Sell on
breakdown**

SSPX,D - AdvCh

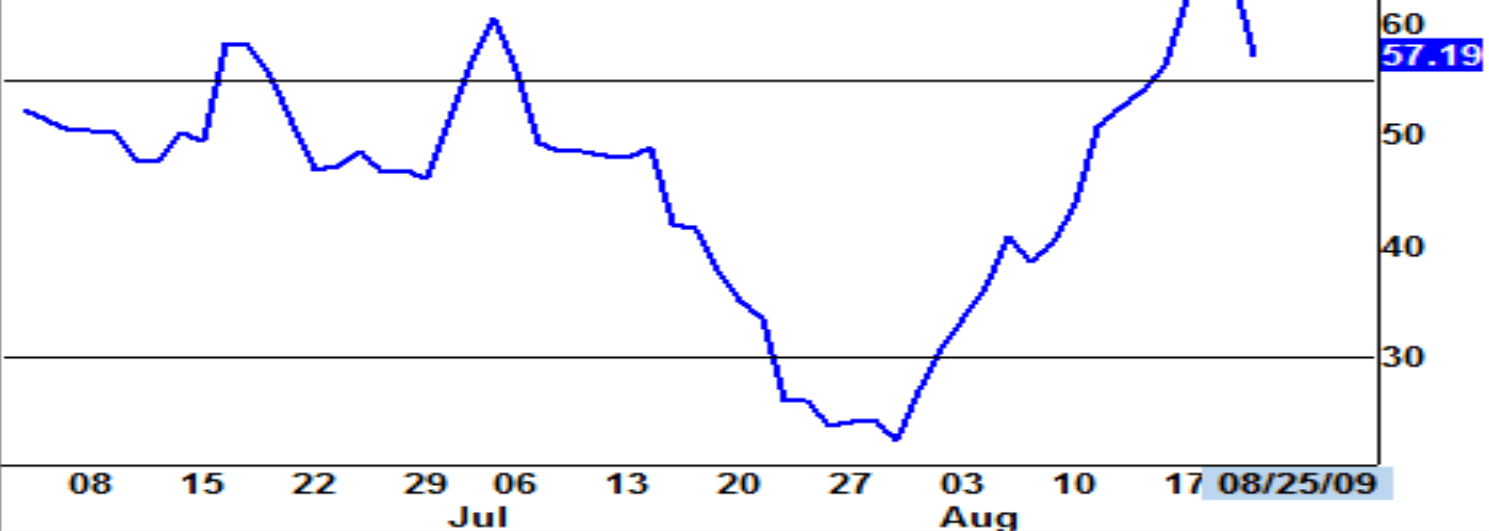
S IX [Icons] [Icons] [Icons]

Other Intervals 1 5 60 150 Daily W

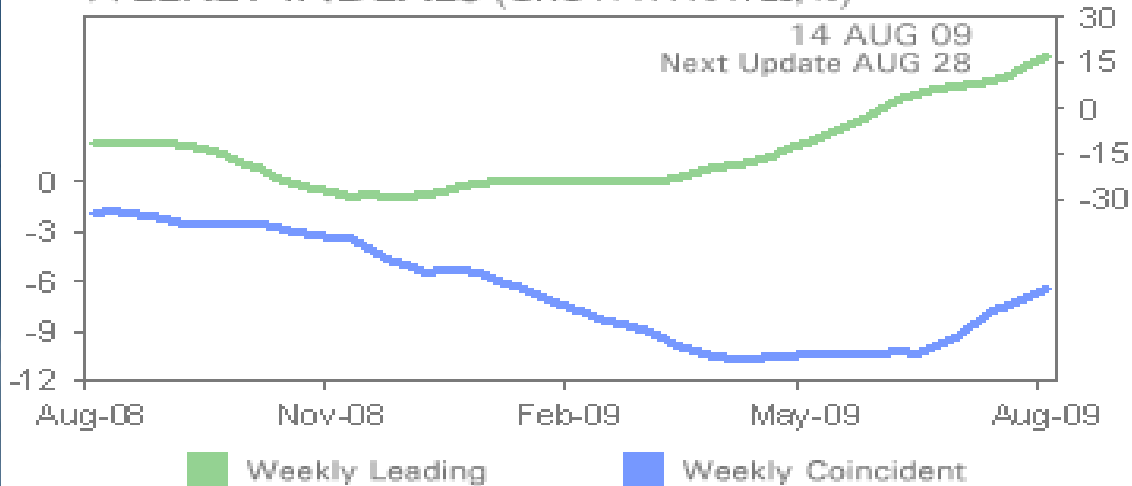
(\$SPX,D) Dynamic,0:00-24:00



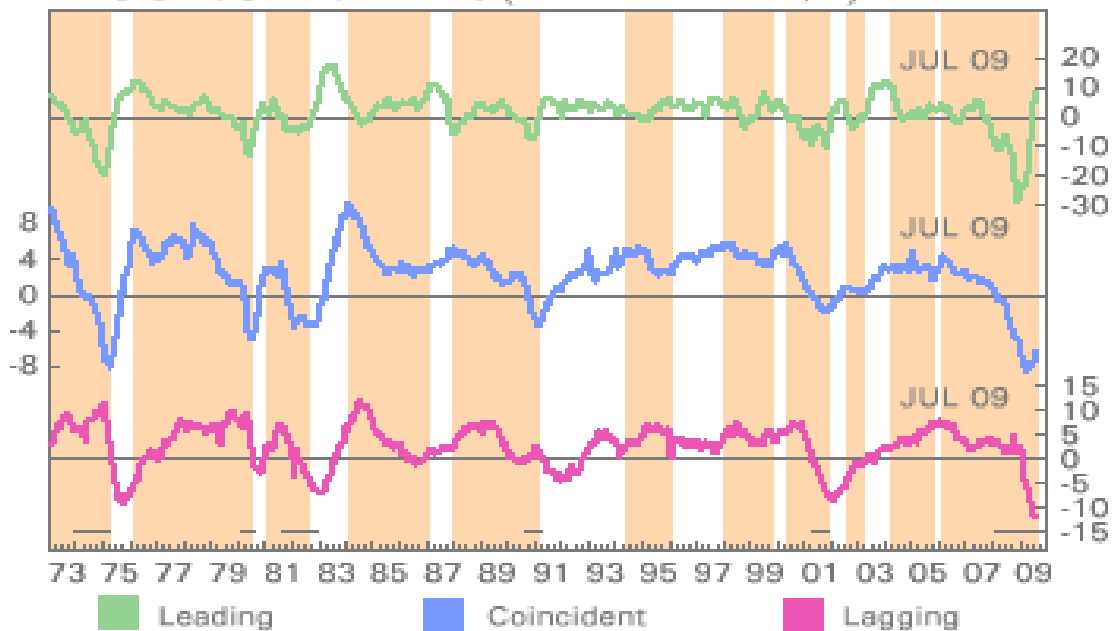
Fractal Dimension



WEEKLY INDEXES (GROWTH RATES, %)



MONTHLY LEADING, COINCIDENT AND LAGGING INDEXES (GROWTH RATES, %)





Where Does This End?

Major Deflationary Forces

1. **Demographics – Baby Boomers retire**
2. **Generational Economics**
Credit cycle – 20% down, high FICO scores
3. **Technology**

But Bernanke Is a Deflation Fighter

**“We made a mistake.
We won’t do that
again.”**

**“We can drop money
from helicopters if we
have to.”**

- 
- **WRONG GUY**
 - **WRONG PLACE**
 - **WRONG TIME**

German Stock Market

- **January 1919 - 99**
- **January 1920 - 166**
- **+67% in one year**
- **On up to January 1925 top**

German Stock Market

- January 1919 - 99
- January 1920 - 166
- +67% in one year
- On up to January 1925 top
- **26,890,000**

December 14, 2006:

**United States Mint Moves to Limit
Exportation & Melting of Penny &
Nickel Coins**

**You may only take \$5 worth of these
coins
out of the country**

Where Do We End Up – 2027?

- **Social Security \$1,200 a month buys 20 lattes at Starbucks**
- **Average suburban house**
 - 1970: \$30,000 rancher
 - 2005: \$500,000 rancher
 - 2027: \$30,000,000 rancher
- **Dow 100,000**
- **Gold \$10,000 an oz (10-to-1)**
- **Silver \$250 an oz (48-to-1)**

What To Do?

- **Trade your dollars for real assets**
 - Oil, gold, silver, forests (ETFs OK)
 - Real estate financed with fixed rates
 - Commercial real estate, no leases
 - U.S. growth stocks that sell overseas
- **Hold cash in Canadian or Australian \$\$ CDs – FDIC (www.EverBank.com or 800.926.4922)**
- **Be sure you can raise your prices monthly, weekly, daily**

What **NOT** To Do?

- CASH IS TRASH
- BONDS ARE CERTIFICATES OF CONFISCATION
- US TREASURIES ARE THE BIGGEST BUBBLE IN HISTORY

What **NOT** To Do?

- **Don't** finance real estate or other assets with adjustable rate debt (especially with no cap)
- **Don't** hold cash in dollars
- **Don't** hold bonds, mortgages, other fixed rate debt – “certificates of confiscation”
- **Don't** count on Social Security or any fixed retirement payment to see you through

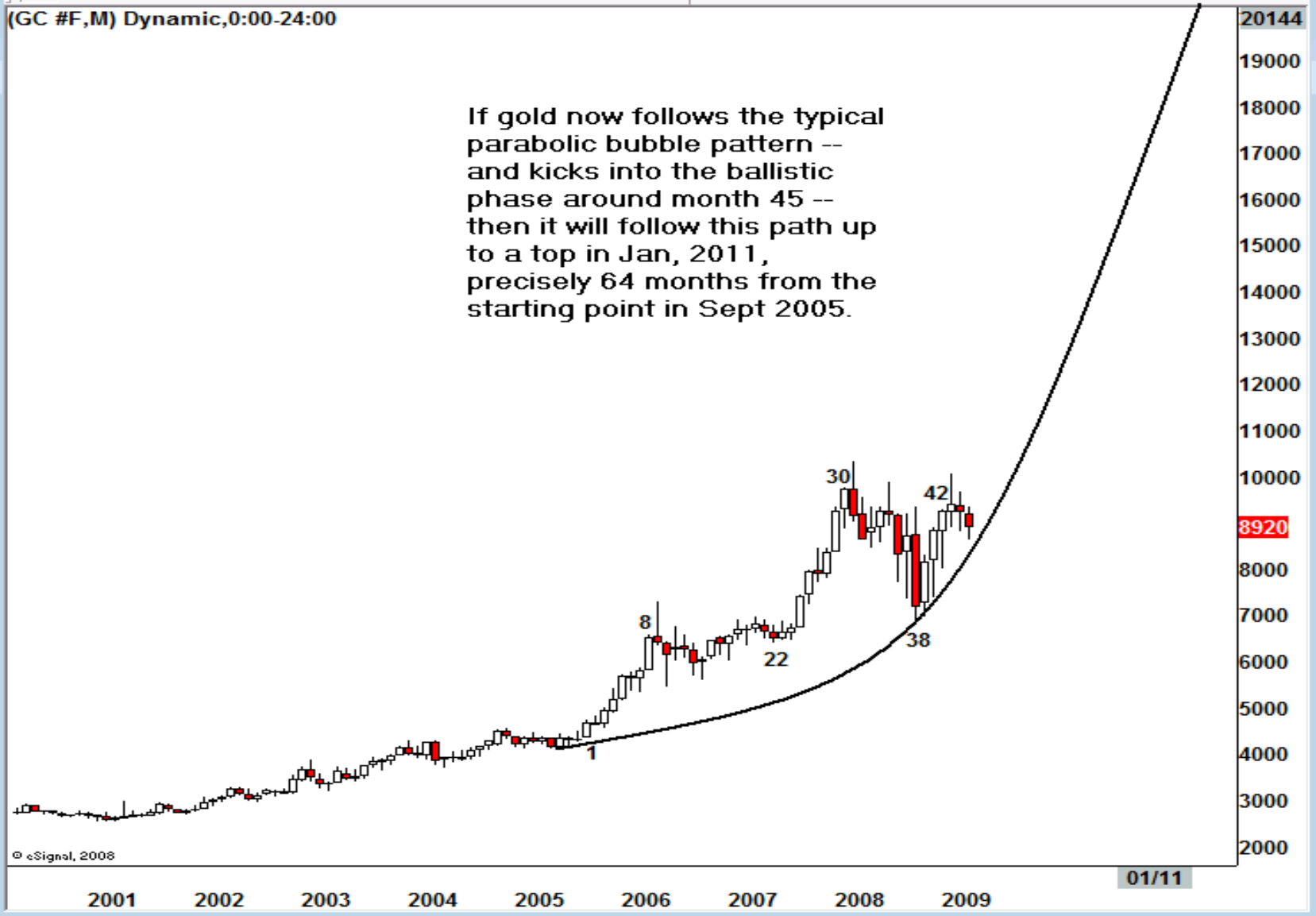
What To Buy Right Now?



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(GC #F,M) Dynamic,0:00-24:00

If gold now follows the typical parabolic bubble pattern -- and kicks into the ballistic phase around month 45 -- then it will follow this path up to a top in Jan, 2011, precisely 64 months from the starting point in Sept 2005.



What To Buy Right Now?

1.	GLD	<	\$ 92	\$ 132+
2.	SLV	>	\$ 13	\$ 20
3.	PZG	>	\$ 2	\$ 15

1.	BCRX	>	\$ 9	\$ 30
2.	ARNA	>	\$ 5	\$ 20+
3.	MELA	>	\$ 8	\$ 17
4.	ROCM	>	\$ 20	\$ 40

1.	AKAM	<	\$ 20	\$ 60
2.	HLIT	<	\$ 10	\$ 20
3.	QUIK	<	\$ 4	\$ 8

What To Buy Right Now?

- **STP** < \$ 16 \$ 40
- **HTM** < \$ 3 \$ 6

- **ALVR** < \$ 7 \$ 17
- **TWER** < \$ 6 \$ 16

\$2,000 Into \$1,080,000 In Four Sequential Trades By February 26, 2010

- **Risks:**
- **Hard to pick four in row**
- **Stocks have to still be attractive buys when it is their “turn”**
- **May not be enough market cap at the end to absorb the investment**

But you offset these risks by only investing \$2,000

\$2,000 Into \$1,080,000 In Four Sequential Trades By February 26, 2010

- Stock #1 – 2X to 3X from today (FDA)
 - Stock #2 – 5X to 6X (clinical trial)
 - Stock #3 – 3X (FDA approval)
 - Stock #4 – 8X to 10X (gov't filing)
-
- $2 \times 5 \times 3 \times 8 = 240X = \$ 480,000$
 - $3 \times 6 \times 3 \times 10 = 540X = \$1,080,000$



Thank You!

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