

29 12 2009 Previsioni poco ottimistiche per il 2010 da parte di un Top Money Manager Hedge Fund

Sprott Says S&P 500 Index Will Plunge Below March Low

The Standard & Poor's 500 Index will collapse below its March lows as an expected rebound in economic growth fails to materialize, according to hedge fund manager [Eric Sprott](#).

The Toronto-based money manager, whose [Sprott Hedge Fund](#) returned about 496 percent in the past nine years as the S&P 500 lost 32 percent in Canadian dollar terms, said the index's 66 percent rally since March 9 reflects investors misinterpreting economic data. He's predicting the gauge will fall 40 percent to below 676.53, the 12-year low reached on March 9.

"We're in a bear market that will last 15 or 20 years, and we've had nine of them," Sprott, chief executive officer of Sprott Asset Management LP, which oversees C\$4.3 billion (\$4.09 billion), said in an interview Dec. 18.

Investors in Sprott's funds have been rewarded by his holdings in gold, which has climbed 48 percent since the S&P 500 peaked in October 2007. The stock has since fallen 28 percent and declined 0.1 percent to 1,126.20 today for its first loss in seven sessions.

Sprott said the Federal Reserve has kept bond yields and interest rates artificially low through its program to buy agency debt and mortgage-backed securities. The central bank expects the securities purchase program to finish by the end of March.

Expiration of the program would reduce demand for fixed-income securities, forcing up bond yields and interest rates and hurting economic growth, Sprott said.

Loss of Faith

Should the Fed renew the programs while the U.S. government continues to run record deficits, investors will lose faith in the U.S. currency, he said.

"If they announce another quantitative easing, trust me, the gold price will go up another 50 bucks that day," he said. Gold futures fell 0.9 percent today to \$1,098.10 an ounce in New York.

Sprott has been bullish in gold and [gold stocks](#), which are used as a hedge against inflation, since at least 2001, when the precious metal was trading below \$300 an ounce.

Gold futures have slipped 7.2 percent this month in New York as the U.S. dollar has rebounded on data that signaled a recovery in the U.S. economy.

American payrolls fell by 11,000 in November, the fewest since the recession began, while retail sales gained 1.3 percent, twice the rate forecast in a survey of economists by Bloomberg, according to government reports released this month.

Unjustified Optimism

Sprott says investors have been too eager to see the data as signs of recovery. While the S&P 500 added 0.6 percent on the day of the employment report, a 23rd consecutive month of payroll contraction was no reason for optimism, he said.

"We don't have employment gains," he said. "We have less of a decline. That's a sign of weakness. The data is weak."

Sprott said gold is the only asset about which he remains positive in the short term. His C\$1.42 billion [Sprott Canadian Equity Fund](#) -- which is up 23 percent in five months -- has 34 percent of its portfolio in mining stocks and another 39 percent in bullion as of Nov. 30.

He said though he has no target price for the metal he doesn't think it has reached a ceiling after quadrupling over the past eight years.

"If you get into this thing where you've got to keep printing more and more and more, who knows about the price of gold?" he said. "It will be the new currency in due course."

Growth Potential

Within the mining industry, Sprott prefers companies with smaller market capitalization, which he said have greater potential to grow.

Since last year, Sprott's firm has become the biggest shareholder of [Avion Gold Corp.](#), which mines in Africa, and [East Asia Minerals Corp.](#), which explores in Indonesia. Avion is undervalued for its projected 2010 production, he said. According to a Dec. 16 note from analyst [Eric Zaunscherb](#) of Canaccord Financial Inc., Avion was trading at 2.9 times its estimated 2010 earnings, compared with a multiple of 10.5 for its peers.

Regarding East Asia Minerals, Sprott said, "I just get the feeling that these guys could find a multi-double-digit-million- ounce property."

East Asia completed a 2,000-meter, 14-hole drilling program at its largest Indonesian property that Canaccord analyst [Wendell Zerb](#) called "encouraging" and indicative of a large zone of gold mineralization. Over the next two quarters, East Asia is to drill 45 more holes at the site and begin drilling in four more locations in the country, Zerb said.

Outside of the gold industry, Sprott owns shares of [Wavefront Technology Solutions Inc.](#), a TSX Venture Exchange- listed company whose products are meant to increase oilfield production. Its technology could be used on at least two-thirds of the world's oil wells, he said.

Sprott, 65, founded his current firm in 2001 after divesting Sprott Securities, now Cormark Securities Inc., to its employees.