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Friday, March 03, 2006

> WORLD MARKET UPDATE — A Canadian Perspective

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Market Highlights

> Google up and down on revenue forecasts

Indication Rates
(as of 9:00 am EST)

BID	ASK
USD	
1.1282	1.1382
CAD	
.8795	.8845

Indication

EUR	1.2038
JPY	116.29
AUD	.7453
NZD	.6667
CHF	.7704
GBP	1.7572

USDX	89.62
OIL	63.41
GOLD	567.10

Google greed continues to grip market

By Michael L Levy

Google

Google shares finally took a deep breath after a relentless drive from the IPO in 2004 of $85 to the extreme frothy high of $475 established January 31st of this year. The meteoric rise of the stock, with just simple pauses along the way as indicated by the chart above, is one of extraordinary shareholder fantasies and greed. Trading at something like 90 times earnings, the current darling of the high tech junkies may now finally be dealing with a dose of reality. The greed that was so inherent in the U.S. market during the dot com boom of the late 90's into 2000 still has its proxy in today's market. To us, Google represents a lot of what is wrong with the U.S. investment mentality which carries on in some circles today, just 5 years after the high tech boom and NASDAQ came tumbling down, taking untold millions of investors with them. There still seems to be this inherent get rich quick attitude among U.S. investors, this pie in the sky dream, instead of Warren Buffet's good old "value investing". Even with just a small warning from Google CFO George Reyes that Google may not be able to maintain the fabulous growth of the past several years on top of earnings earlier in February that came in under analysts estimates, the stock plummeted almost $140 from their record highs and shaved over $40 billion off shareholder value, before recovering to $375 on a lot of backpedaling on future earnings by the company chairman and co-founder Eric Schmidt. Today's value or capitalization of the company is around $110 billion U.S. To say it is still way overvalued by today's standards would be an understatement in our view, but we would let our reader be the judge. (This next exercise will not be a surprise for readers who have attended one of our seminars in the past couple of years). Given a choice, and $110 billion in your pocket, the current value of Google, what would you rather buy? Remember you can buy all of the following, or if you like, all of Google. Your $110 billion would purchase *all* of the Royal Bank of Canada, (including real estate, foreign subsidiaries, brokerage houses, deposits, loans...everything that the Royal owns) for about $55 billion. Then add to that the same thing for TD Bank including *all* their assets for another $41 billion. But that only totals about U.S. $96 billion, so with the leftover $13 or $14 billion dollars you can also purchase just under 640 metric tons of gold, just to make up the total value of about $110 billion. So there you have it, all of the Royal, all of the TD and all that gold, or Google. I know what I would buy but I wonder how many American investors would agree, and that is what I see as one of the endemic problems with the U.S. market.

Michael L. Levy
Executive Vice President, Financial Analyst
editor@customhouse.com

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