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INVESTING

## Commodity bull takes bearish view of U.S. economy

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TORONTO -- Move over Alan Greenspan.

Globe-trotting commodities bull and China booster Jim Rogers is a lot more confident about the U.S. economy being headed down for the count than the former U.S. Federal Reserve Board chairman, who said earlier this week that there is a "one-third probability" it could fall into recession by the end of 2007.

"I think the U.S. is probably in recession now or will be later in the year," Mr. Rogers, creator of the Rogers international commodities index, said yesterday.

"We know that automobiles are in worse than a recession. We know that housing is in worse than a recession. We know that subprime lending is in worse than a recession. We know that the traditional measure is two percent declining GDP. We're certainly going to have that, although whether the government acknowledges it or not, we know. They lie about these things."

### Print Edition - Section Front



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Mr. Rogers was in Toronto to speak to an investor conference mounted by QWest Energy Investment Management Corp. of Calgary.

U.S. consumer demand has been the key engine of China's soaring growth over the past five years, and, as a result, the Asian nation will suffer from a U.S. recession.

Still, Mr. Rogers said Chinese domestic demand alone will help sustain commodity prices.

"Let's say the Chinese growth rate [falls by] half or 75 per cent, well they're still growing by 2 to 3 per cent . . . and that's still a lot of new bicycle tires somebody's got to produce, a lot more rubber," he said.

Mr. Rogers, who is based in New York, first came to fame as a co-founder with investing legend George Soros of the Quantum Fund. Since 1998, he has largely abandoned equities in favour of commodities, and also has repeatedly argued that the 21st century belongs to China.

A sudden 9-per-cent drop in Chinese stock markets Feb. 28 triggered a rout in global equities, and Mr. Rogers thinks the correction is far from over.

"It's early stages, early stages," he said in an interview. "The market's going to be down this year, at least in Europe and America, although maybe not in Canada."

In fact, Mr. Rogers said Canada's natural resources base and trade and fiscal surpluses make it a good bet for investors.

"Canada is going to be one of the best-performing economies in the world in the next decade or so," he said. "Your currency's going to do better than most peoples' currencies. Your economy is going to do better. Your investment community's going to do much, much better, and my hat's off to you. I just hope you don't blow it."

In response to a question, Mr. Rogers told the conference that he has owned shares since 1998 in one of the companies involved in Canada's oil sands, although he would not identify it.

However, he said that even at full steam, the oil sands will not yield enough production to fend off what he sees as a growing shortage that will at some point drive oil prices above \$100 (U.S.) a barrel.

"I know that unless somebody discovers a lot of oil in a very accessible area very quickly, the surprise will be how high the price of oil stays and how high it ultimately goes," he said, noting that no "elephant" oil fields have been discovered since 1970.

The school of thought that suggests there is, in fact, plenty of oil and that prices are headed down simply has not done its homework, in his view.

"Don't get me wrong, if suddenly war breaks out between China and Taiwan or something, or a major bankruptcy occurs out of the blue . . . then, sure, oil can go to \$40," Mr. Rogers said.

"But if it does, you better buy all the oil you can because oil has to go over \$100, oil has to go much more than that because the world has not discovered any oil for over 40 years."

As for the big push on for ethanol in many countries, most recently the United States, he dismissed it as little more than a boondoggle, arguing it takes too much energy to produce and produces too little power when it is burned. But it still is likely to become big business, because politicians "love" the ethanol story.

"They can buy votes from the farmers, they can buy votes from their contributors who can put up a plant," Mr. Rogers said. "Everybody loves to bash the evil Arabs and say, 'We're producing ethanol here in our own country and we're not buying oil from the Arabs.' So it's going to be huge."

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