

# SHANGHAI



**November 10, 2008**

## **SHANGHAI**

**On September 7, 2008, SKC reported:**

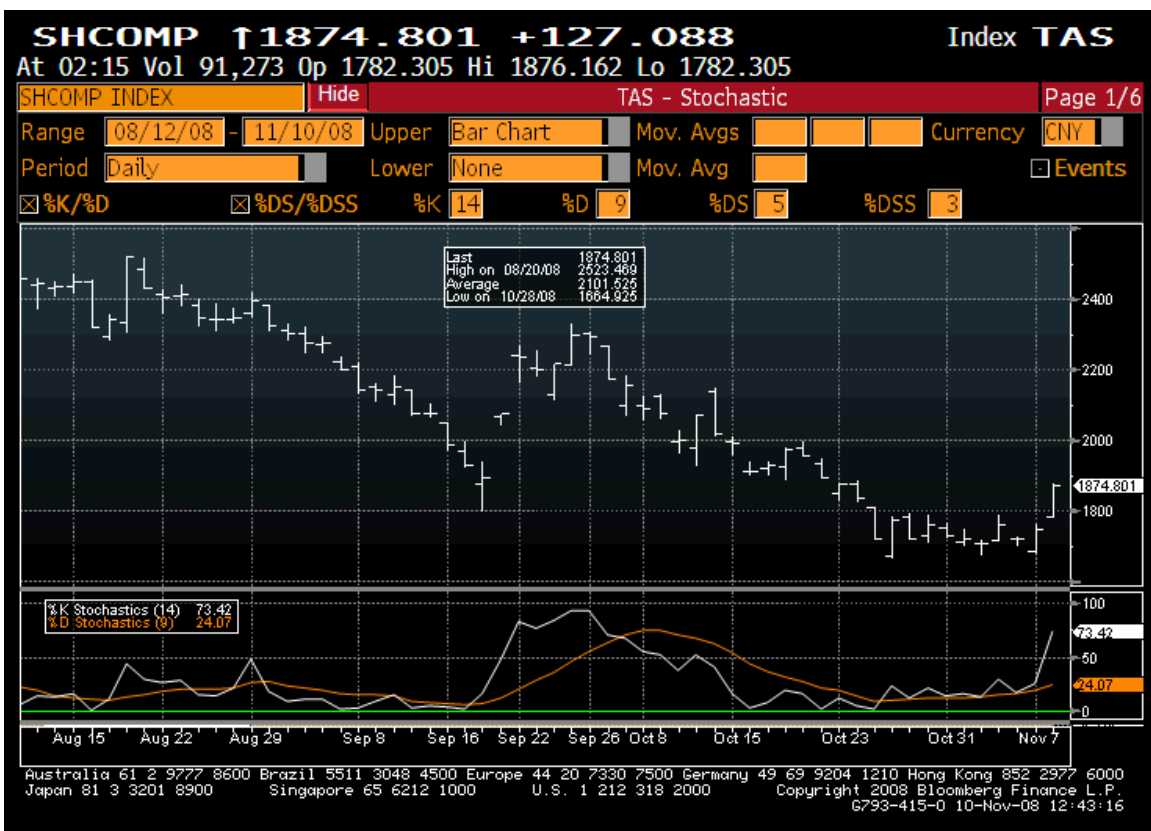
**"This implies a monster rally into 2009, and starting not far from here, in terms of points."**

**From the October 4, 2008 SKC letter:**

**"Last month's September 7, 2008 letter also contemplated a huge rally in Shanghai, with short term potential for another 10% decline to under 2000."**

**"The latter has occurred and China's risk is now clearly to the upside. Take note. Will I be as lucky in China as I was in Japan in the nineties?"**

**The low recorded on Oct 28 was 1664, below the 1800 level I had contemplated for a flush-out bottom. The following 2-year chart provides some perspective, however, as to just how miniscule a difference that in fact is.**



A review of the technical indicators suggests that China may in fact "base around" a little, as funds *need* to show that they didn't own China this year. With China's stimulus package however, and considering the strong outperformance recently against collapsing international indices, it is most wise to consider the SKC excerpts on page 1.

Twelve months ago, China was at the centre of my preferred hedge plays. With outperformance as the buzzword for any fund manager, take note of this oft-stated view of these recent few months:

**Strategy:**

**Trend changes in inter-market relationships are underway that will have determined 2009's performance** and, rather invisibly to most managers since they are not single markets that are being looked at but, rather, the relationships between them.

Like other hedge plays referenced since September, those outperformance investments pertaining to China are also most timely, now!

**Sid Klein**

**LEGAL NOTICE:** This market letter is the work product and intellectual property of Mr. Sidney Klein. It arises out of his training and profession as an international expert on financial equities. It is a private correspondence from Mr. Klein to his subscribers. Any person who copies or otherwise disseminates this letter becomes subject to international criminal and/or civil prosecution under the Universal Copyright Convention and the Berne Convention for the Protection of Literary and Artistic Works. Nearly all countries in the world have signed both of these Conventions and have pledged to enforce them through their own legal systems. In addition, Interpol may be called upon to assist in the international enforcement of these Conventions through its processes of arrest and extradition. If you are the *recipient* of a copy of this market letter, whether through the internet or by facsimile, you should immediately report to Mr. Klein the name of the person or entity who sent it to you. Send your email to [sidklein@sidklein.com](mailto:sidklein@sidklein.com).

**DISCLAIMER:** This market letter is intended to assist in the dissemination of information to private subscribers. The information contained herein represents Mr. Klein's best efforts in good faith to advance knowledge to his clientele, but there can be no implied guarantee as to its accuracy or completeness. The information is given as of the date appearing on this

**market letter, and Mr. Klein assumes no obligation to update the information or advise on further developments relating to the information provided herein. No solicitation to buy or sell securities is intended, and none should be inferred. Investments are inherently risky, but investment risk itself is a function of individual preferences. Thus any opinions, recommendations, or judgments expressed in this market letter are of necessity abstract and general. They must be modified, accepted, or rejected by individual subscriber/investors whose risk averseness cannot be known to Mr. Klein.**