

# The Obvious, The Unobvious, The Ugly



September 7, 2009

**SHANGHAI\*\*** (see end of this letter)

This market has been leading on the way down as well as up. However, for those lamenting having been unprepared to take advantage of the easiest of equity outperformance (long/short) plays out there, this very recently smashed market **might** well recover these most recent losses all the way (while it may be a wild consideration).

At the lows, I wrote that "anything under 2000" was a buy and that one could look for the 3000 - 4000 area as a target on the way up.

10-year monthly and 2-year daily charts follow. Since pictures can stand in for hundreds of words, I'll allow these charts to express the vindication of prior forecasts, as the Shanghai predictably doubled from bottom-to-top.



## **ASSET ALLOCATION**

Same old same old, regarding liquid assets (and why wouldn't everything be liquid, hmmm?):

50% gold: (Forget 40% gold + 10% silver as an alternative; more on that in the future.\*\*)

25% Yen, the paper I hailed at its low as the best fiat currency in the world for capital gains.

25% Swiss Franc.

\*\* - I have often warned that the powerhouse to trust is India, not China. Simply, the latter has millennia of capitalist history, while being non-violent and superior on the level of humaneness. The key, I always cautioned, is a society with democracy and legal system that provides the infrastructure for settling contracts.

A prosperous week to all,

Sid Klein

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