

China Crash



January 30, 2008

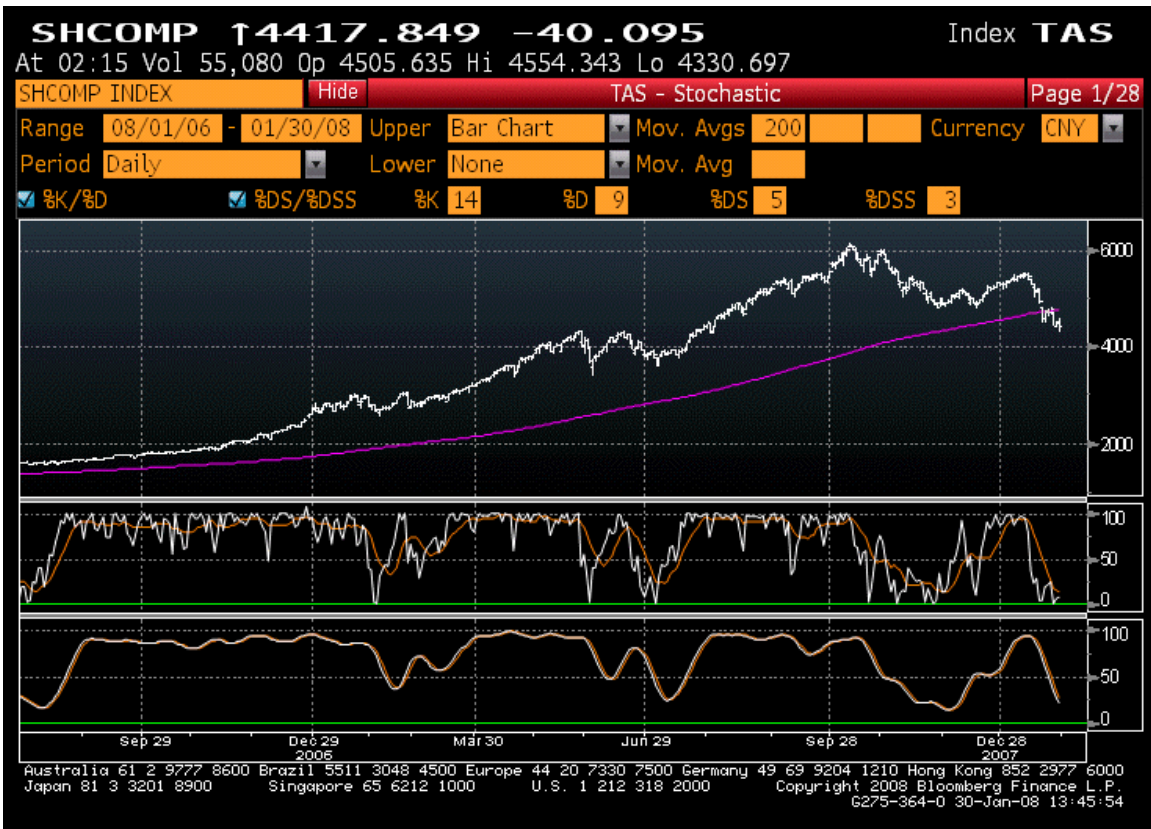
CHINA

Shanghai:

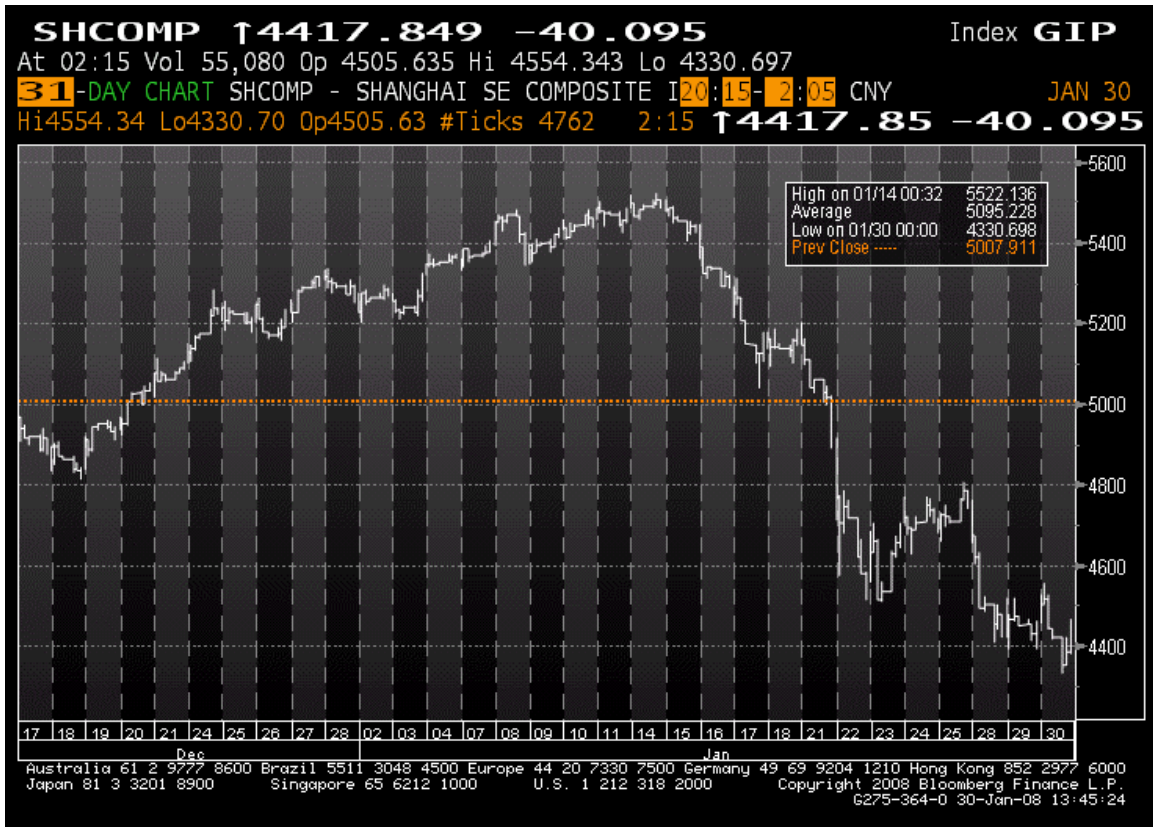
Please review the December and January reports to appreciate the significant profit, strategic asset (re-)allocation, hedging and extreme profit opportunities represented by the already-materializing China crash.

On Monday, the Shanghai dropped **7.2%** on the news that the economy would grow less than **11%**, which, it was reported, amounts to being the same as a recession (do you believe such reporting?!).

In other words, like the Nikkei at the beginning of January 1990, extreme overvaluation had created a bubble from which a crash was inevitable. It merely (?) required better timing than what John Templeton and Alan Greenspan could provide.



The market has already fallen 29.3%, top-to-bottom, as you can see from the second chart on page 2. The first chart on page 2 gives a 1.5-year perspective of the Shanghai.



My attention turned to how to devise a vehicle that achieved profiting from two forecasted market calls at once, while buying a China put for next to nothing, all the while owning 2 years of time, or so. The belief was that such a scenario would profit 500% - 1500% over the time frame, particularly given the obvious trading opportunities that present themselves over such an incredibly lengthy period of time, if one wished to avail themselves of such trading opportunities.

The warrants' prices have exploded within a month, as the Shanghai has crashed, while negligible yearend premiums have skyrocketed.

Good fortune to all,

Sid Klein

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