The Sid Klein Comment
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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.


SHCOMP ↑4417.849 -40.095
Index TAS
At 02:15 Vol 55,080 Op 4505.635 Hi 4554.343 Lo 4330.697
SHCOMP INDEX
Hide
TAS - Stochastic
Page 1/28
Range 08/01/06 - 01/30/08 Upper Bar Chart Mov. Avgs 200 Currency CNY
Period Daily Lower None Mov. Avg
%K/%D %DS/%DSS %K 14 %D 9 %DS 5 %DSS 3
6000
4000
2000
100
50
0
100
50
0
Sep 29
Dec 29 2006
Mar 30
Jun 29
Sep 28
Dec 28 2007
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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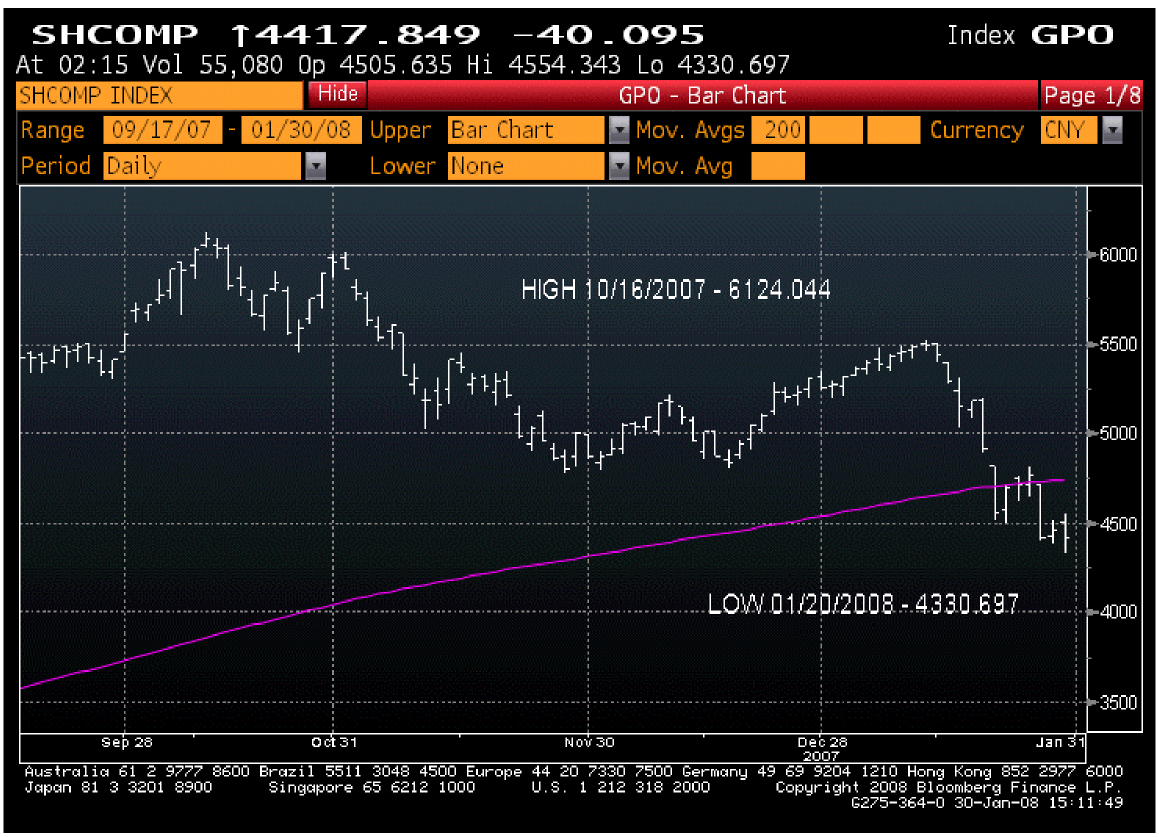
SHCOMP ↑4417.849 -40.095
Index GPO
At 02:15 Vol 55,080 Op 4505.635 Hi 4554.343 Lo 4330.697
SHCOMP INDEX
Hide
GPO - Bar Chart
Page 1/8
Range 09/17/07 - 01/30/08 Upper Bar Chart Mov. Avgs 200 Currency CNY
Period Daily Lower None Mov. Avg
HIGH 10/16/2007 - 6124.044
LOW 01/20/2008 - 4330.697
6000
5500
5000
4500
4000
3500
Sep 28
Oct 31
Nov 30
Dec 28 2007
Jan 31
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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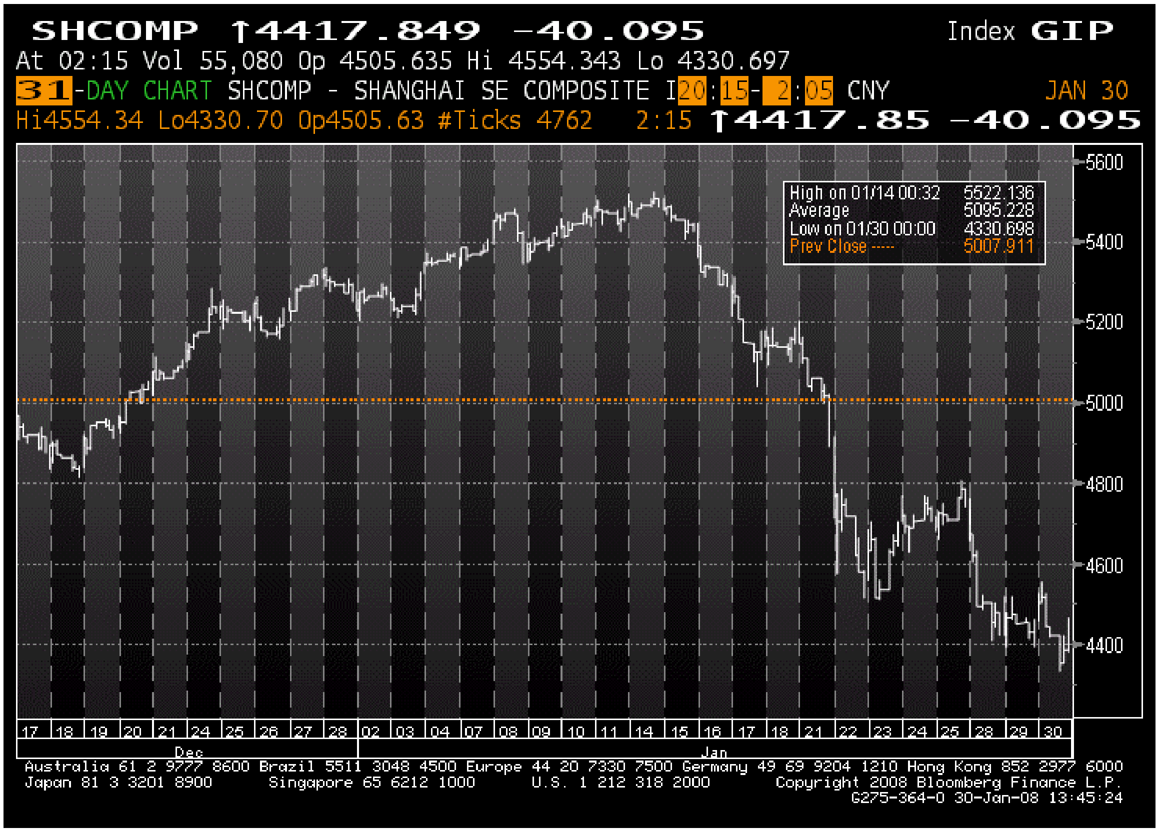
The market has already fallen 29.3%, top-to-bottom, as you can see from the second chart on page 2. The first chart on page 2 gives a 1.5-year perspective of the Shanghai.



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