The Sid Klein Comment
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SHANGHAI

Japan Asia Investments Canada

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.


SHCOMP ↑1874.801 +127.088
Index TAS
At 02:15 Vol 91,273 Op 1782.305 Hi 1876.162 Lo 1782.305
SHCOMP INDEX
Hide
TAS - Stochastic
Page 1/37
Range 11/10/06 - 11/10/08
Upper Bar Chart
Mov. Avgs 200
Currency CNY
Period Daily
Lower None
Mov. Avg
Events
%K/%D
%DS/%DSS
%K 14
%D 9
%DS 5
%DSS 3
Dec 29 2006
Mar 30
Jun 29
Sep 28
Dec 28 2007
Mar 31
Jun 30
Sep 26
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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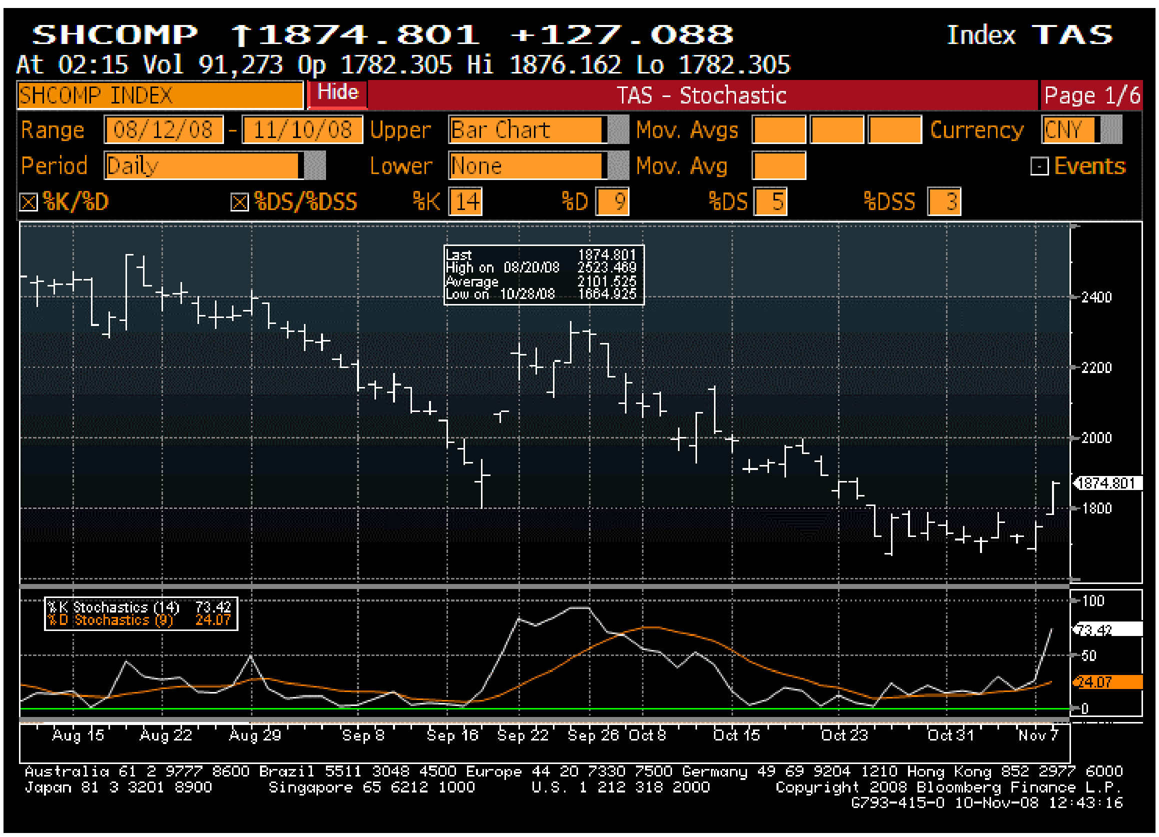
SHCOMP ↑1874.801 +127.088
Index TAS
At 02:15 Vol 91,273 Op 1782.305 Hi 1876.162 Lo 1782.305
SHCOMP INDEX
Hide
TAS - Stochastic
Page 1/6
Range 08/12/08 - 11/10/08
Upper Bar Chart
Mov. Avgs
Currency CNY
Period Daily
Lower None
Mov. Avg
Events
%K/%D
%DS/%DSS
%K 14
%D 9
%DS 5
%DSS 3
Last 1874.801
High on 08/20/08 2523.469
Average 2101.525
Low on 10/28/08 1664.925
%K Stochastics (14) 73.42
%D Stochastics (9) 24.07
Aug 15
Aug 22
Aug 29
Sep 8
Sep 16
Sep 22
Sep 26
Oct 8
Oct 15
Oct 23
Oct 31
Nov 7
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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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

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