The Sid Klein Comment
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Nikkei: Perfect
Gold/Silver: Perfect
Yen: Perfect
Dow: Minor New High Achieved

Japan Asia Investments Canada

October 07, 2007

PRECIOUS METALS

On July 7, with gold at $646.59, I reprinted the comment I had written when I had advised those so inclined to reduce gold to a 50% position, while looking to err on the side of being fully invested as soon as possible: "This was based on the idea that the metal could drop to as low as $600 or, and more likely, trade net sideways…"

This reprint was from when I had advised reducing to 50% long and only for those who had wished to play the intermediate term. Since January 2002, I have played each intermediate move perfectly, but with the warning that the entire period that would follow the achievement of $500 would no longer merit such activity, due to the extreme upside risk. Therefore, in deference for the possibility of sideways activity, I advised true gold holders to ignore any correction

<u>and remain 100% long</u>.

Then, on <u>August 5</u>, I reported: "I see $660 - $670 as the bottoming area for gold. While the contemplated flush out toward $605 is always possible, my preferred scenario since the intermediate peak was made appears to be playing out and completing, namely, a net sideways action that trades around $650, so that sellers can put gold and silver into the strong hands of governments and other major long term players."

Since then, gold has broken out to $742. An unblemished 5-year track record remains intact. Gold represents 50% of all liquid wealth (and I generally don't believe in Western fixed assets), 40% plus 10% for silver. Gold can be held on 50% margining to maximize return, while not engaging in the leverage and risk of futures contracts. Margin would merely be a way of capitalizing on the obvious and low-risk bull market (gold and silver are not going to be cut in half!).

As per the quote immediately above, the daily chart immediately below reflects the strong retracement, pattern, and conventional support levels at which gold held (moving average, etc.). Meanwhile, the pursuant weekly chart on page 9 reflects a powerful, smooth and easy pattern that is consistent with a massive secular bull market, which is what this is. Amazingly, also as forecast, it is equally amazing how investors find ways of screwing themselves up along the way.

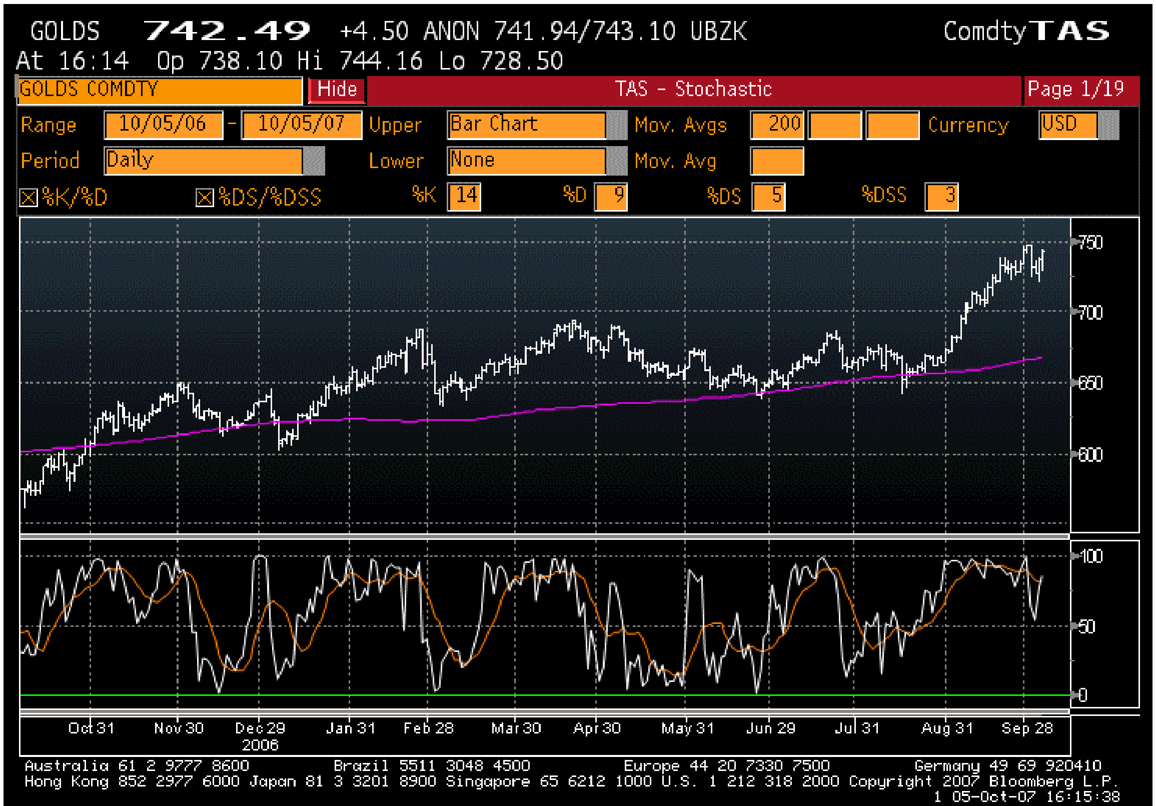
Conversely, the following 31-day chart on page-19 shows a completing short-term pattern. Whether it does manifest a slight correction is immaterial.

From the <u>July 7</u> letter: "An analysis of the second chart on page 10, which is the 1-year daily silver chart, along with the long term weekly chart below reflect a safe entry at $10, for which many will wait…"

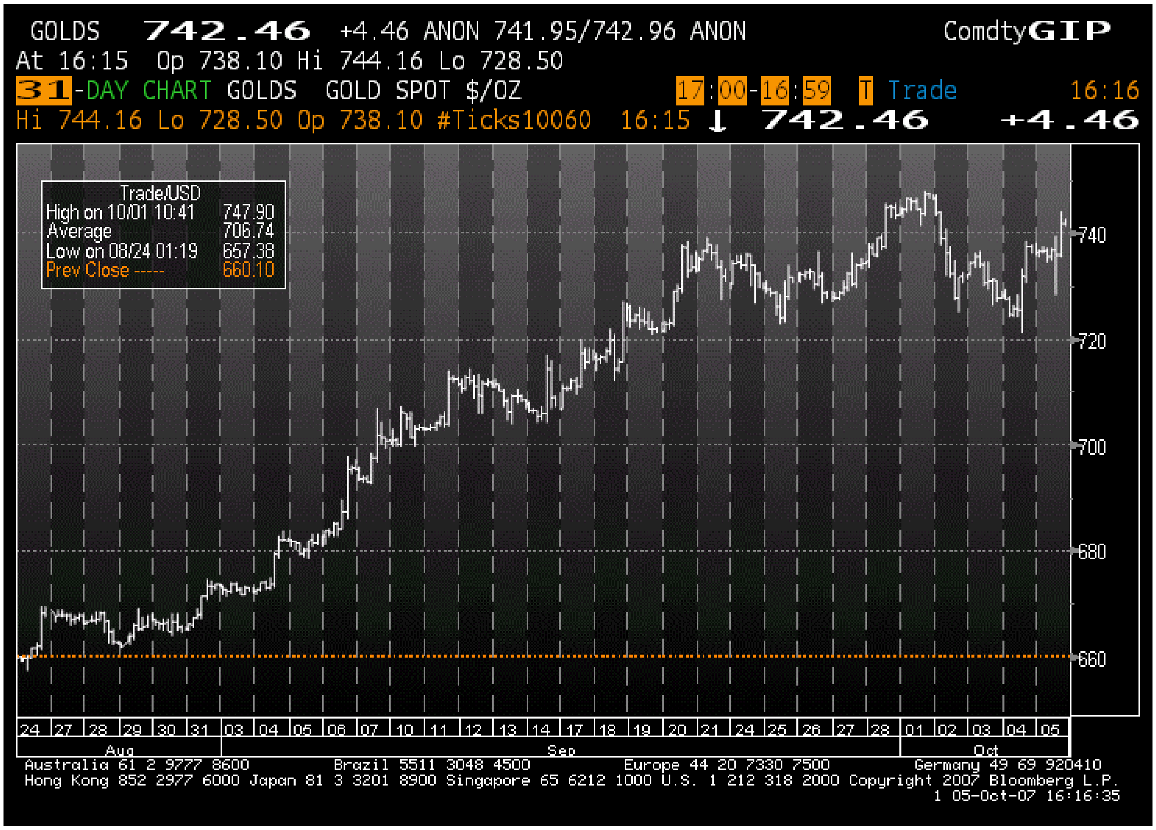
"…The unsuspecting will miss it at $11."

From the <u>September 6</u> report: "The daily silver chart below (2nd chart) illustrates the spike down to $11, while both the weekly AND daily charts reflect the great strength of the respective stochastic, which also represents the strength of a

variety of momentum indicators, in fact."



I have recommended using buy points in silver to go <u>200%</u> long. While $11 has already been seen, $14 appears to offer resistance, and at a time when indicators support a correction. Forget ever seeing $11 again, but a little retracement may afford the previously nervous an opportunity to earn from silver what is so easily being afforded us.



Please scroll down.

Strategy, Conclusion & Asset Allocation:

From the August 5 report: "Gold and silver should be held 100% long, since drops would likely hold above $640 and $12.40, respectively."

The weekly silver chart on page 12 shows the metal hitting up against short-term resistance, which is consistent with gold pattern. Meanwhile, the weekly stochastic seen there reflects a stochastic correction that may be said to have been completed with the forecasted completed spike down to $11. All taken together, silver may be warming up for a minor pullback that sets the stage for an eruption toward $20. Yes, 200% long sounds right, to bag the returns that represent this year's investment goals.

Whether gold moves in lockstep is immaterial. The asset allocation remains unaffected.

100% Long Yen assets and Yen-denominated domestic stocks, within equity allocations. The Swiss Franc has been the best performer among the real paper currencies, while gold has done the best. The Yen and the Franc each, comprise 25% of the wealth asset mix, the latter for capital gains in what I perceive to be Asia's de facto bloc currency, as I have written for nearly 10 years. Gold = 50% (or 40% + 10% for silver).

Happy Thanksgiving, Canada,

Sid Klein