The Sid Klein Comment

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Shanghai, Nikkei, Dow Jones, Precious Metals Explosions in 2009



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<u>JAPAN</u>

The 10-year weekly and 2-year daily charts of the Nikkei follow on pages 2 and 3, respectively. As we can see from their respective stochastic, the 200-week and 200-day moving averages are 4000 - 6000 points above the market!

Other Japanese indices have not confirmed the new multi-year lows in this index which has greater weights in the exporters and banks than do the others. While I will not revisit the fundamentals which I explored at greater length in the November 9, 2008 report, I can add that such non-confirmation is in sync with what those commentaries and analyses expressed.

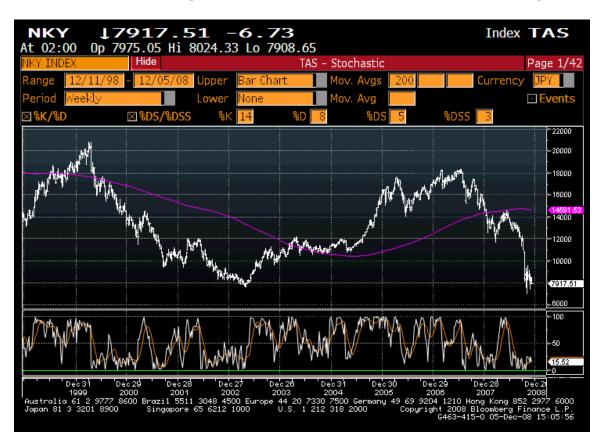
The public is a buyer after countless years out of the market and the "foreign idiot", who comprised the bulk of trade without Japanese participation during the bull phase, is now out of the market while the Japanese are buying, due to problems at home.

The game, as I always wrote, is the currency. The greater proof is the underperformance of the large-caps and the fact that the Yen's strength is causing the Japanese investor to repatriate and buy the stocks they know: the domestic-driven shares.

Driven by US banks (see below), there is going to be an explosion in stocks and the distance from the moving averages discussed above implies that the Nikkei should erupt several thousand points in 2009. Whatever 2008 was, 2009 will have nothing in common, now that the hedge funds have utterly screwed themselves.

They are going to chase like madmen, having had no foresight over this past year.

While SKC readers sidestepped the carnage, the vast majority of investors allowed themselves to be run over by their own greed and vanity and will, by those same demons, be chasing a rally they that will only believe once it is too late. And then SKC will again be ahead of curve – with bearish forewarnings.



Please scroll down.



SHANGHAI

On September 7, 2008, SKC reported:

"This implies a monster rally into 2009, and starting not far from here, in terms of points."

And 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 2-year daily chart, which follows the 10-year weekly graph on the next page, clearly shows the explosive potential for this highly favoured market, which I forecast would outperform the other world indices before these recent final debacles began. With the stimulus package announced as fodder for the bulls, this index will surely lead, as others skyrocket, each with their own stories, but always and ultimately, a liquidity story. 2009 is a reversion to liquidity.



My 2008 short of the year, is my 2009 darling.



ASSET ALLOCATION

There is no change from the November 9, 2008 monthly report.

Sid Klein

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