The Sid Klein Comment 1001 BOUL. DE MAISONNEUVE O., BUREAU 950, MONTREAL, CANADA H3A 3C8 TEL: (514) 939-2221 FAX: (309) 417-0942 e-mail: sidklein@sidklein.com

www.sidklein.com

CHANGING RELATIONSHIPS...& EXTREMES



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NEW YORK:

TECHNICAL:

The bulls have their "Mission Accomplished."

In the world of technical analysis, a new high that is considered to be countertrend suffers the most violent of reversals, since it musters up peak bullish enthusiasm at a point that is actually at a more advanced stage of the bear market in question. This bear market in the Dow began in 2000 and this post-2002 rally is therefore countertrend, as the Nasdaq and S&P among others cannot possibly confirm.

This is a bear market. That's the basic thesis to not lose sight of. If this month closes negative, the bearish theme remains intact for the intermediate term as well. This is a daily thing. Remember, albeit a new high in the Dow, it is countertrend nonetheless.

Strategy:

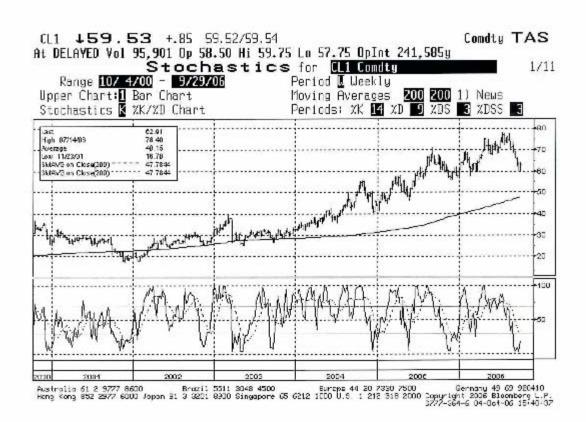
Our only New York positions are expiring puts from eighteen-months ago (December 2006), and long term Dow puts again. No regrets. In foreign currencies, the decade's performance in the Dow has been the worst of any of other reasonable global alternatives. Priced in gold, the Dow fell to about 6,500, and SKC's performance in gold since January 2002 has been without parallel. Our various songs remain the same.

OIL:

It helps for election-time purposes to have lower oil prices, but then the unmitigated greed that has dominated this period will again exact a price. My assumption for oil remains that there is a final large (wave-5) move up, as a final money grab ensues. But with the Democratic Party victories comes possible impeachment, unless Cheney is feared to be an embarrassing alternative. Imminently, the market will be factoring in and then panicking about both political as well as economic uncertainty.

Strategy:

In any event, oil tanked the morning after the most recent report was transmitted. The strategy remains the same unless oil touches \$57, or closes the week below \$58 (please see chart below).



PRECIOUS METALS & DOLLAR:

For trading positions, I turned bullish almost immediately after gold hit \$550 and turned bearish almost right at the countertrend peak "just under \$700", as forecast. Thereafter, I turned bullish again at \$605, choosing not to wait to see if the metal would indeed revisit \$550.

Well, "more fully re-test" has occurred and it must be taken advantage of. At \$280, many didn't believe. Then several occasions existed between that level and \$400. Then 500. And for all the opportunities, we did see \$700, and we will again, and \$800, and \$1000, and so on. I avoid discussing my long-term numbers because I find that that only distracts investors from what's being projected for this cycle or the intermediate term.

Bottom line: 100% long gold. That's always the case in the "bond" portfolio, but this is true for trading accounts now, as well.

Sid Klein

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