

JAPAN ASIA INVESTMENTS

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

RIGHT ON SCHEDULE, MR. BUSH

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SPECIAL NOTE: This past Monday's ROBTv (Report on Business) interview is available on the homepage of www.sidklein.com. Regarding both Japan and New York, SKWC will resume more in-depth coverage of economic and stock market matters next week. The style of SKWC (and SKDF before it) has been to write much to prepare readers for trend change and then simply update and report as events unfold as forecast. Everything is unfolding as forecast.

TOKYO:

A week ago, the big news was that the 10-year bond auction was a bust. The foreign idiot (as he has come to be affectionately known in these pages over the years) freaked out and has had nothing else to comment about since.

Last week's letter focused on the fact that Japanese retailers have gone splurging on foreign bonds in search of yield, as has often been the case through the years **after** a Yen low. The view here was that dividends being higher than interest coupons was and is merely a recipe for big stock gains next year, rather than anything negative (bonds aren't bad but, rather, stocks are good). As well, for those who care, isn't the Yen still well off its lows? Well, I did my part. I responded right away (reviewing last week's more detailed commentary on the topic may prove interesting with a week gone by).

Here's another thought: The Western press has freaked out about the Bank of Japan and the Ministry of Finance but, at the end of the day, inescapable truths remain. The Nikkei hasn't really gone anywhere recently, Domestic Demand Oriented Value Stocks (**DDOVS**) are strong and Japanese equities have taken off some more versus US shares.....**that are the ones collapsing!**

Would the media agree on these truths to be so?

In any event, the world is demanding **DOMESTIC DEMAND** stimulus measures on a major scale of the Japanese government. May we reasonably conclude that this would be positive for **DDOVS**?

NEW YORK:

The August 25th letter wrote:

“Regarding the near term, the topping process is completing as the Dow now prepares to *CRASH*. An enormous spike downward, particularly for September, may commence at any time. The Dow could lose 30% fast!

“Last week, **SKWC** wrote: “Remember, **SKWC** has warned that inevitable economic and market CRASHES will bring out those who wish to divert the public’s attention to matters of war.”

“The rollover into meltdown is free to commence at any time.”

Since the above excerpt from the August 25 letter, right from the recent highs under 9,000, SKWC has reiterated throughout September the forecast for a collapse “...into the 6,000’s for early October”. Well, well. International secular peaks, cyclical peaks and intermediate term peaks. You are reading the most prescient and accurate service in the world, the first service to write about the “Wag the Dog” effect of which I am aware (see February 23, 2002 comment). *Please take special note of the 2nd quoted paragraph above!*

Polls in the US indicate that the stock market slide is being blamed on a melting pot of all the negatives out there, without discernment between economic, corporate or military factors. Has the public’s attention been successfully diverted from all that which has profited and profits the very ruling class that determines military matters? When the Dow smashed nearly 300 points yesterday, wasn’t everyone’s thought about the bombing of Iraq? I wonder if time cycles would have been different had there not been US elections slated for this November or, for that matter, if there would have been bombs falling just now.

DOLLAR:

Let us hypothesize for a moment. Let’s say the Yen retraced all of this year’s gains and double-bottomed. Risking the appearance of petulance, SKWC would still claim that a major low was seen as part of a major Dollar bear market (gold bull market). I don’t believe the Yen will get close to that low but there are those who fret about it. So, I wanted to offer some perspective and say: The Yen is very under valued (real yields, balance of payments, economic turnaround, etc.) and, whatever type of bottoming formation the currency would choose, in terms of strategic investing (allocation), it would not make any difference.

GOLD:

Widely followed online writers have picked up on the theme that micro-caps may indeed be a better way to play gold than the larger, stodgier names. \$305 basis the metal was, in fact, an excellent entry zone for buying those smaller stocks that had pulled back to the desired buy points (generally speaking, 50% corrections). As August letters wrote, given the discounting effect for which stocks are known, individual buy points were more important than waiting for the last penny of decline in gold itself, lest one continue to risk missing being out of or whipsawed by one of the greatest secular bull markets unfolding of all-time.

Sid Klein

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