

MARKET STOCKS YOU SHOULD OWN WITCH™

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Market Witch is a compendium of theory, context, and information about the equities markets and the factors which affect them. Market Witch offers the broadest and most comprehensive perspective of any financial monthly you can buy. We focus upon what occurs in our culture, and others, that affects the equities markets, how we profit from it, and how you can, too.

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AMERICA'S MOST DANGEROUS YEAR

Beyond the Commodities Supercycle:
Back to Tech? Investment Banks??
Is Cash King Again?

MW MAGIC! THE STRONG BUY LISTS

There are so many signs, signals and omens around us that you must start somewhere simple: eggs are \$2.09 a dozen. Six months ago they were 99 cents.

We're in a Weimar Republic economy.

We'll preview 2008 on the Market Witch Website starting January 6th.

In the January 1st 2007 *Market Witch* we characterized then-oncoming 2007 as "the dollar's most dangerous year."

Our website '[preview of 2007](#)' predictions were so accurate we're leaving them up for an extra week. We postulated that the dollar would fall dramatically against gold, the Euro, and other currencies, the Canadian dollar and the Brazilian real, the currency of a much smaller but much stronger economy than our own, and that the commodities price runup would gain broad recognition and fortunes would be made in the mining

companies. As gold finds a floor at \$825 and the Euro finds one at near \$1.50, all this has come to pass. Now much more is at stake.

Welcome to 2008. US home foreclosures shot up to an all-time high in Q3, the current rate is around 0.79, which means that nearly 1% of all existing US homes with mortgages are in foreclosure. The delinquency rate for house payments climbed to 5.59%, another all-time high. Almost 5% of subprime adjustable-rate mortgages are in foreclosure. A record 18% of ALL house payments in the US are late.

The recent fed rate cut of a quarter point to 4.25% *is not NEARLY enough* to ensure a rebound in the economy (rate should have been moved down to 3.75% by June of 07) and not high enough to stop the dollar from further losses against Euro, gold, Real, Aussie dollar, UK pound etc. But just enough to ENSURE stagflation and \$1100 gold. Bernanke further trashed the US economy.

Want to fix the US economy? Think about abolishing the Federal Reserve.

But: can you BLAME the Fed? What THEY see is 99 cents a dozen eggs in June of 2007 and \$2.09 eggs in December. The point is: the Fed cant fix this.

Meanwhile, house prices are still falling. And have been for a year. *THAT MEANS THE TAX BASE FROM REAL ESTATE TAXES IS FALLING TOO.* A fall of 15% for US homes would equal the devaluation of American real estate which occurred during the first Great Depression in the 1930s. We expect this fall to top 15% easily.

Who's to blame for it all? Well, everybody: the home buyers and speculators who assumed continuing rising home prices would outrun the debt.

The bankers are to blame, who CORRECTLY postulated: you fools have small income, bad credit, no savings, and no money for a down payment, but don't worry, this is AMERICA! and the government will step in and get you off the hook!

The SEC is to blame, and the banking regulatory agencies, which have turned a blind eye and given banks carte blanche to rip off consumers.

Wall Street is to blame, the brokerage houses which manipulated near worthless collateralized mortgage obligations into packaged bonds, used them as collateral to create more paper money, then sold them to the Europeans, the Arabs, and the Chinese, all of whom now correctly assume that the US dollar is garbage.

This is why we at *Market Witch* have been pushing gold ETFs and gold stocks since mid 2006. Early last month (December 07) Ben Stein's article "The Long and the Short of it at Goldman Sachs" (go to Google and read it but understand that the financial community knew about all these problems by March of 07) correctly explained that manipulations of the credit-enlarging aspects of the subprime housing market notes were going on at Goldman Sachs, that then head of GS Henry Paulson knew about it, was very good at it, that GS was selling these bonds to global suckers at the same time it was shorting them and making a fortune doing so, and that Henry Paulson is now Secretary of the Treasury and SHOULDN'T be.

Ben Stein was royally thrashed for saying all this, but he was deadly accurate. But it's only a small part of the picture.

Shortly after, presidential candidate Hillary Clinton blamed Wall Street for the 'reckless lending' practices that led to this mess She's right too. But it's only a tiny part of the picture.

Other people blame George Bush, who has now put a 5- year rate cap and strict foreclosure parameters on many variable and sub-prime mortgage notes especially those with 'teaser' starter rates in an effort to help people keep their property. That's fine, but it's a band-aid on a gunshot wound from a .44 magnum. Fact is, there AREN'T jobs available for the masses that will sustain a middle-class lifestyle. And helping people to avoid foreclosure won't save the US dollar, which George Bush has unwittingly done his damndest to destroy with full-speed ahead deficit spending. Bush now urges the banks and brokerages to come clean, but it's too late.

And: you can shield all the people from all the foreclosures you wish, but a \$60-billion-dollar-a-month trade deficit means worthless dollars loaned, worthless dollars paid back with interest. A Ponzi scheme. Who's holding the bag? The Chinese are. The Europeans are. And we are.

And the Fed. Everybody now blames the Federal Reserve. Bernanke didn't act fast enough, the argument goes, to lower fed rates last summer, and now a global credit contraction is his fault.

Listen: the Fed is checkmated. The Fed rate should now be 3.0%. But the dollar is in such poor condition that lowering the Fed rates, to make easy credit available, to aid construction, the manufacturing community and venture capitalization, merely adds tons more faux green paper to that sea of worthless paper money already out there.

Lower rates to 3.0% and: gold rises, the Euro rises, and the folks overseas who buy our credit notes grow ever more leery of our money and ever more apt to switch to another currency as a global standard. Or to gold.

Raise rates to 6% to strengthen the dollar, encourage global faith in it, and encourage US citizens to save rather than spend, and the Dow falls to 7900 and the US economy, which is supported to the tune of around 70% by consumer spending, tanks into Depression as products grow dust on retail shelves.

Americans have become addicted to deficit spending and to the creation, out of thin air, of nearly-unlimited amounts of credit. It doesn't *matter* if my credit card's maxxed out at 18% because *the money's not worth anything anyway and besides we can always borrow more because the house is appreciating \$30,000 a year.*

It is a recipe for catastrophe. That cake's in the oven. And the timer just went off.

Welcome to 2008. We can support all this with much more cogent data, economic philosophy, and history. And we probably will, in little bits and small doses, all year. By the end of the year, our *Market*

Witch readers should be more prosperous than now, and have a clear sense of how credit markets work *and why they MUST, to work globally NOW, as they worked “globally” two or three thousand years ago when the Mediterranean-basin community WAS the world, be BACKED with something tangible.*

Two quick points:

(1) for all their supposed/reported corruption in selling sub-prime real estate bonds they KNEW were worthless garbage to unsuspecting victims who themselves refused to do their due diligence, Goldman Sachs owns nearly \$3 billion dollars worth of real estate in metro Berlin. No fools, they. Goldman Sachs wizards, for all their somewhat questionable morals in playing this credit game for profit, know to back their own money *with something tangible.*

(2) we receive query letters and cold calls from commercial banks *every week* offering to loan *Market Witch* a quarter of a million dollars *or more*, sight unseen. *Who ARE these people?* Well, for starters, they are people who are only thinking about their commissions on that loan. If the dollars were actually *worth* anything, as they were in 1934 or 1952, we'd take the money and skip out to the Solomon Islands or somewhere, and never be heard from again. As it is, things are too interesting here and now to leave.

Meanwhile: the cutting edge of financial theory right now- its all over the front pages of *The Economist*, for example- is this: since August 07, central banks have been pouring “credit” (ie more unbacked paper) into financial markets in Asia the US and Europe in hopes of containing a credit contraction that is threatening the stability and flows of capital in global commerce and finance, and it is not working. Therefore the current credit contraction is the beginning of the end of credit-based capital markets as we know them.

What's really happening: we are in the early stages of a retrenchment and transition of the global credit machine from one backed with worthless paper to one that is payable in gold or silver to the bearer on demand.

Such was the case in Marco Polo's day, it was the case only a few decades ago right here in the United States of America, and it is about to become the case again. We are seeing the return of gold as the global reserve currency.

An additional chunk of the fallout from the willful debasement of America's once-proud dollar, which REALLY WAS once backed by “the full faith and honor of the US govt” is that the US has become the world's bargain basement, and the US its very self is auctioning off the furniture in its house to buy food to put on the table. A few weeks ago the Abu Dhabi Investment Authority, that country's state-run national bank/venture capital arm, put up \$7.9 billion to buy 4.9% of Citigroup. This move, hailed as a 7th hour ‘saving gesture’ in the face of the “credit crunch” and Citigroup's HUGE losses in subprime loans (and which took down the company's CEO, as well it should have) by Abu Dhabi was roundly applauded and the Dow went up. Morgan Stanley similarly sold 10% of the co to China for \$5 billion. Merrill Lynch is selling itself to raise money. We will see much more of this in 2008 as the US is literally auctioned off.

Does no one SEE that we are selling off our birthright, our country, our national heritage to foreign interests?

Now back to that cake that's coming out of the oven.

The icing on the cake is that WE are in a CRITICAL USA presidential election year and have NO viable potential leadership no one on the horizon capable of dealing with all of this, or of steering the US successfully through it.

Hillary is willing to do or say ANYTHING to get elected. It is God's Own Guess what she actually believes. A theory being put forward is that to elect Hillary is in effect to get Bill Clinton back as President, and enjoy a prosperous economy a la the 90s. Whether this will actually work in 2010 is one for the bookies.

Obama is a smart kid and may become America's new Philosopher King but he does not have enough mileage to lead. Fred Thompson is not smart enough. Guiliani is not only too dumb but also too corrupt and has too many ex-wives. Mike Huckabee is an Arkansas Baptist creationist preacher who believes the world was created in six days and has advocated quarantining HIV-positive gays in isolation camps.

Even more horrible, EVERY SINGLE ONE OF THESE PEOPLE IS TOTALLY-SELF-INVOLVED.

NONE OF THESE CANDIDATES SPEAKS TO THE AMERICAN PEOPLE. Only to the MIRROR.

Why are NO candidates asking the American people what THEY think is important?

Just as urgent an issue and maybe even more so: we are presented with no maps, no platforms, no one with a vision for the future, no one with strength, courage integrity, experience, and BRAINS.

Many people in many fields believe the US is on the verge of social and economic collapse or on the verge of a Boston Tea Party-style populist rise-up. Can a 3rd party Outlaw candidate hope for election?

As the wise child of a close friend of ours says, "Maybe yes and maybe no."

Is it actually possible that a 'popstar/politician' ticket could be cobbled together? Barack Obama and Oprah Winfrey, for example? It's no more implausible than Ronald Reagan and Arnold Schwarzenegger becoming governors of California, and this year it is more likely than ever, because Americans are in no mood for 'business as usual' in Washington.

A battle also is brewing in the United States over the control by evangelicals of the federal govt and the issue of separation of church and state as our nation's founding fathers intended.

If this battle is not fought and won by the opponents of the members of the evangelical "forty-acre churches," by the people evangelicals call "secular," you can kiss democracy, as it was intended by Jefferson Franklin Adams Washington et al, goodbye in the United States and say hello to an ecclesiastic state, not terribly different from what we Americans so oppose in Saudi Arabia Iraq Iran and the rest of Islam.

Do we *really* want to live in a theocracy not terribly different from Iran's? Egypt's? Syria's?

Much depends upon just who can step up to the presidential plate and is capable of hitting the ball.
Welcome to our country's most dangerous year.

Just for fun, YOU run! What would YOUR platform be?

Is there a conservative adventurous energetic wise adventurous man or woman out there who would like to change the tax base, deport illegals, close the borders, fix the economy and redefine America's place in the world? Stand up, please.

Is there as socially-conscious economically-savvy man or woman out there who can break Big Oil's death grip on the economy, smash the health insurance mafia/ health care cartel and restore America's manufacturing base provide affordable education to the smart kids who are America's future, and return dignity and living wages to the lives of ordinary Americans? Raise your hand!

As we begin 2008: the USA's national debt is reportedly growing at the rate of more than one million dollars per minute. The fed cannot repair this by raising interest rates and it cannot do so by lowering them. Deficit spending must be addressed, and America must return to being a "savings-based" economy. What's king? For a short while it may be "cash"...the dollar. In the long view, it's not the dollar but gold.

Should you be in Tech stocks? Beyond a very few reputable, remarkable, stable, and growing ones that we are listing, you should not be in the Nasdaq AT ALL going into 2008. The more you depend on- and pin your hopes on- consumer technology, the more vulnerable you are. The answer is NOT Oracle shares. America's issue will soon not be database control, but cash flow.

You should be in mining and resources stocks, the companies that provide the world's gold silver copper iron ore petroleum, aluminum nickel molybdenum palladium uranium and the rest. You should be in steel companies. You should be in heavy construction/ mechanical engineering stocks like Deere and Danaher and UTX. You should be in a FEW tech/IT companies, and the fact that there are SO few is a major concern to us. A part of your holdings should be in gold. You don't need to have gold in a box in your house, you DO need to own shares of key gold mining companies and shares of ETFs which hold gold.

COMPASS POINTS

-THE LATEST THING TO BE 'MONETIZED' IN THE USA (AS HAVE MEDICINE, LAW, HIGHER EDUCATION, THE 'HEALTH CARE' (HEALTH INSURANCE) INDUSTRY, CONSUMER CREDIT CARDS, PHARMACEUTICALS, THE SPORTS OF HUNTING AND FISHING, THE MOTEL" INDUSTRY" (is a night in a Marriott® or a Holiday Inn® worth \$139 plus tax?) and AUTOMOBILES (is a CAR really WORTH \$35,000?): COLLEGE FOOTBALL. Any number of college/ university athletic programs have annual budgets in the 10s of millions of dollars, several have budgets approaching \$100 million, a few have annual budgets OVER a hundred million. It is all about the ticket sales, it is all about the eyeballs (the market share viewer ratings which determine how much can be charged for a 30-second ad) it is all about the money. The players themselves enjoy perks and benefits which would astonish the first

string players of a generation ago.

-FLY THE PRIVATE SKIES: For about two years- ever since ordinary travelers had to begin taking off their shoes- a popular alternative to the horrors of 21st century public air terminals has been (a) flying into much smaller much more regional airports 50-100 miles from the prime destination and (b) private air travel: simply chartering a small jet, which usually can be had by the hour, and splitting the cost between the 12-15 passengers who all wish to arrive at the same destination without having to deal with crowds, dirty feet, and homeland security. As 2008 dawns, this practice is giving way to a more organized version: group ownership or group leasing of an aircraft, with pilot, a phenomenon much similar to time-sharing for luxury condos in tourist-destination locations like Vail Santa Barbara or Ibiza.

The SLUM INDEX: Life with America's Working Poor

-Ritchie Bros Auctioneers (RBA) world's largest purveyors of 2ndhand ag and industrial equipment. Need a used tractor? A dumptruck? A bulldozer?

-Cash America (CSH) the nation's largest pawn shop chain, 2853 stores in 36 states; also check-cashing and cash advance services.

-Darden Restaurants Inc (DRI) Olive Garden® and Red Lobster®) restaurants, working class special occasions, blue-collar poverty-level America luxury. Tasty food, good management, P/E 28

-Anheuser-Busch (BUD) Bud Lite® etc, being challenged from all sides by brewers big and small

-Krispy-Kreme (KKD) American white-trash food but considered a luxury treat abroad, KKD, once a high flyer having moved far beyond its Southern funky roots to become America's darling, now has a market cap of \$217 million, \$87 million in debt, could be purchased for next to nothing: someone will buy and make a global killing

-HSBC Holdings (HBC) (global banking) (owns USA's Household Finance, high-interest loans to the poor)

-EZ Corp (EZPW) 416 EZPawn® and EZMONEY® locations, \$582 million market cap, 41 million shares out, zero debt, 10%+ profit margin

-Family Dollar (FDO) most low-rent of all American retail chain stores; bargain general merchandise at 6300 stores in 44 states

-Corrections Corp of America (CXW) private-enterprise prisons (see also Geo Group (GEO) and CRN)

-Big Lots (BIG) close-out merchandise: lawn ornaments food clothing tools etc etc, \$3.4 billion market cap, zero debt

- Pantry (PTRY) 638 *Thelma and Louise* style café/convenience stores plus house-brand gasoline
- Public Storage (PSA) a self-storage REIT, it's where America puts its stuff when there's a divorce or a foreclosure
- LKQ Corp (LKQX) America's largest purveyor of recycled collision-salvage car parts
- Scientific Games Inc (SGMS) lottery systems and equipment
- CarMax (KMX) used, wholesale used fleet cars
- ConAgra (CAG) brand-name basic foods including Eggbeaters® Healthy Choice® LaChoy® Swiss Miss® etc, sales in North America Europe & Asia, STRONG BUY
- Kroger (KR) America's grocery store: 2500 supermarkets 750 convenience stores 650 supermarket/fuel centers
- Autozone (AZO) P/E 13.8 EPS \$8.85 3933 car parts stores in US and Puerto Rico, 123 in Mexico

Notes: We hear many stories now about issues like parents who won't let their kids play outdoors now because if the child falls from a tree etc and breaks a wrist, there's no money to pay the medical bill. As more and more Americans fall from Middle Class economic status into the clutches of economic desperation, companies like Dollar General, Big Lots, and even Wal-Mart will enjoy an entire new group of customers pleased to be finding bargain cheese, socks, dog food and ramen noodles. Can a five-year mortgage rate freeze save a consumerism that is based on spending money from home equity loans?

The FLUFF INDEX

Companies that Service the Rich

- Tiffany & Co (TIF) (jewelry, status objects)
- Harry Winston Diamond Corp (HWD) (formerly Aber Diamonds)(also contract diamond supplier to Tiffany)
- Claymore Global Luxury ETF (ROB) luxury co basket
- Estee Lauder (EL)
- Blue Nile (NILE) Online diamond dealer has achieved success retailing to soon-to-be-marrieds, co's success has forced MANY small retail jewelry stores out of business. In 8 years, NILE has acquired name recognition and "trust" factor of a major brand. 70% of customers are men. Jewelry is a \$61 billion annual US market. Largest diamond retailer in USA is Costco (COST)

- CBRL Group (CBRL) when America's wealthy travel the Interstate they stop for French onion soup at Cracker Barrel® restaurants. Solid management, strong stock buyback, huge point-of-purchase supplementary product line
- Limited Brands (LTD) Victoria's Secret® adult erotic funwear, upscale luggage and sportswear, exotic bathroom products, billionaire founder Les Wexner is reinventing the co once again
- Royal Caribbean (RCL) (cruise ships)
- Carnival (CCL) (cruise ships)
- Marriott International (MAR) highest cash flow of any US-based hotel chain
- Krispy Kreme (KKD) co market cap of 217 million puts KKD on auction block. Expect a non-US conglom to buy and globalize
- Cadbury Schweppes (CSG) confectionery & beverages worldwide
- International Speedway Corp (ISCA) NASCAR tracks and licensed retail products; NASCAR, like the Kentucky Derby is now high-status chic...what was once "stock car racing" has become one of America's most lucrative sports and entertainment components
- Apple (AAPL) world's greatest high-status high-tech toys: \$3000 laptops, new era 'cell phones'
- Christian Dior (DIOR.PA) (high-fashion clothing & accessories etc)
- Gucci Group (GUCG.PK) global luxury personal products
- Bulgari (BULG.MI) (jewelry)
- Industria de Deseno Textil SA (Inditex) ITX.MC) (owners of Zara® stores)
- Ducati Motor Holdings (DMHYY.PK) Italian V-Twin motorcycles, the Ferrari of two-wheelers, hopes to be purchased by Harley-Davidson
- Crocs (CROX) brilliantly-colored and silly but comfortable *fashionista* shoes and other wearables, \$3.57 billion market cap, 40 million shares out, zero debt, 2:1 split June 07, products now have peaked in US and on the wane but still have strong presence in Europe and global.
- Coach (COH) luxury leather goods & accessories
- Brown Forman (BF-A, BF-B) founded 1870, 35 brands of wines and spirits sold in 135 countries, including 10 million *cases* of Jack Daniels® sold in 2006. \$8.61 billion market cap, \$1.18 billion in debt, \$369

million in cash, 123 million shares out, founding family owns 70% of the company

-Diageo (DEO) world's largest producer of alcoholic beverages (Johnnie Walker® Smirnoff® Guinness® etc etc)

-L'Oreal (OREP.PA) (hair and body products)

-Whole Foods Markets (WFMI) in for trouble in a bargain-basement US economy

-LVMH Moet Hennessy Louis Vuitton (Euronext 0000121014)

-BMW (324410EX, BMW:BER, BAMGF.PK) BMW, Rolls Royce and Mini autos, Husqvarna and BMW motorcycles, 602 million shares out, P/E 9.56, 3Q profits up 78%, STRONG BUY

-Porsche (PSEPF.PK) world's best car company, shares 3 years ago were \$870, now they're \$2298.91, up \$500 in 3 months, STRONG BUY

-Daimler (DAI) parentco of Mercedes Benz, now regaining its global elitefleet sedan kingship: a tiny 21st-century economy car, the Mercedes-Benz Smart® will debut in the US soon

-Church & Dwight (CHD) Trojan® condoms, 65% of the US market

-Victoria's Secret (LTD Brands)

-Fortune Brands (FO) global upscale products (Moen® faucets, Jim Beam® bourbon, Master® locks Titleist® golf balls etc. etc. 152.71 million shares out, P/E 16

-Ferrari (subsidiary of Fiat (FIA) 5,658 Ferraris produced in 2006, up 5% from 2005. Ferrari set an all-time USA sales record this year.

-Berkshire Hathaway (BRK-A & BRK-B) (private air travel)

-A private one we're bitter about: IKEA. Inter Ikea Systems BV of Sweden. 250 furniture/home furnishings stores in 34 countries, \$22.2 billion in annual sales, owned by Dutch private foundation Stichting Ingka, which would add much MORE money to its foundation holdings by taking IKEA public.

Notes: Americans who like to “pretend to” be rich and who like to find comfort in the dynamic “I may not be rich but I can certainly afford this little piece of it” and “I can pretend I am rich for an hour, a day, an afternoon” will increasingly, in 2008, find it difficult to find the dollars necessary to play this emotional game, and to scratch this itch for luxury. This lack of discretionary ‘play’ money and ‘make myself feel better’ dollars will affect many American retailers this year. But Companies which service the “real” rich (like Porsche, BMW, Nikon, Harry Winston) will be unaffected.

COMMODITIES

- Uranium: Fair Value 136, currently 90 and falling
- Copper: Fair Value 4.38 currently 3.14
- Silver: Fair Value 17.71, currently 13.99
- Gold: Fair Value 2348, currently 828
- Aluminum: Fair Value is 2.38 currently 1.07 most undervalued except for gold
- Zinc: Fair Value is 1.68, currently 1.05
- Nickel: Fair Value 17.99 currently 12.28 wildly undervalued
- Palladium: Fair Value 328, currently 346
- Platinum: Fair Value 1628, currently 1518 new record high of 1551
- Oil: Fair Value 66 currently 92 \$80 \$100 *oil puts travel out of reach for most Americans. Look for America's domestic travel and tourist industry to falter in 08, supported mostly by foreign visitors*
- Corn: Fair Value 4.36 currently 4.14 (jan) (US ethanol crop) US corn ethanol biz is an ag/govt boondoggle, will be eclipsed by global ethanol
- Soybeans: Fair Value 8.31 currently 11.04 (Japanese protein, US biodiesel)
- Wheat: Fair Value 6.88 currently 10.00plus, a record high
- Sugar Fair Value 8.80 currently 10.29 heading up
- Ethanol: (US) Fair Value 2.21 currently 1.979 USA's Big Oil is absolutely committed to destroying the nascent US ethanol industry
- Gasoline Fair Value 1.61 currently 2.18 wholesale, 3.09 av. at pump
- Euro: Fair Value \$1.71, currently \$1.44, but ECB's December issuance of 500 billion Euros in 'credit liquidity' (ie money created from air) soon will put the Euro in the same quicksand US dollar is in
- Canadian Dollar: Fair Value \$1.51, currently \$.98, UP 24% AGAINST THE US DOLLAR since Jan 2006
- Brazilian Real: Fair Value \$0.78, currently \$0.56 (Brazil's currency is up 10.6% against the dollar in a

year)

-Harley Davidson new and used motorcycles: Fair Value \$10,121 currently \$14,228, used Harleys are rampant, new ones aren't selling, \$100 oil means fewer Big Boy Toys

-Eggs: Fair Value retail \$0.88 doz, currently \$2.11, up from 99 cents in June 07

-iPhone, 8 GB, Fair Value \$308, currently \$399

-Camel cigarettes: Fair Value \$2.18 currently \$4.32. American tobacco use is being crushed by legislation but 1/3 of all adults worldwide smoke

-Price of US single-family homes: down 4.5% 3rd Q, sharpest drop since Standard and Poor began a national housing index in 1987, and including a 1.7% drop in last 90 days; a 15% drop would match real estate collapse in the 1930s Depression

-Floor support for the Dow Jones is 12108

-Floor support for the S&P 500 is 1378

-Floor support for the NASDAQ is 2032

Notes: The CRB Index (commodity prices) hit a new high last month. As word spreads that gold is the New Universal Global Money, \$850 gold will soon seem low. We will see \$900 daily benchmark gold in mid 2008, with spikes to near 1100. A historic relationship of about 12:1 between the spot price of gold and the spot price of silver means we may see silver rise dramatically- possibly up into the \$50 range. Metals prices are currently lower, but view it as a 'liquidity' panic, not a trend. We are currently at a waystation, a flatspot rest stop in the continuing saga of the global "commodities supercycle" which we think will last for another 20-25 years. A hint at what lies ahead in 2008:

-Iron ore is rising dramatically in price, which means more expensive but absolutely necessary steel.

-China's import of unforged copper and manufactured copper products was up 38.8% Jan through Oct 2007. And this year, with the summer Olympics in Beijing, China's construction frenzy will continue, even accelerate.

GOLD

Will cash become king in 08? Yes, it will, for Americans. Bear in mind that Americans can be poor and the global equities markets may roar right on.

But what, now, is cash? For the 1st half of 08 it'll be the US dollar and the Euro, but by the end of this year it'll be gold. A run on a UK bank Northern Rock last September that was barely publicized in the US may be

a harbinger of things to come here. In the Nov 2007 issue we addressed the end of the US dollar's era as the world's reserve currency, and the emergence of gold, likely denominated in grams, as the coming global standard industrial and commercial and international business currency.

This transition is now underway. We have entered the early stages of a global economic shift from un-backed paper currencies to paper that is redeemable on demand in gold grams, a transition that we believe will take three to five years but is well underway. A victim of this shift in 2007: the US dollar. A victim in 2008: the Euro. And likely the Chinese currency as well.

In traditional economic/diplomatic speak, what we're seeing is the unraveling of the Bretton Woods II consensus- which established the US dollar as the world's 'reserve currency'. A number of countries now are balking at the continuation of this policy. And pressure is rising for currency re-alignments vis a vis the US dollar as both "emerging" economies (South America, China) and 'old' markets (the nations of Western Europe, the Arab world) rethink their policy of pegging their currency to the US greenback.

It is worth noting that Iran in late 2007 began pricing its oil contracts in Euro denominations and has proposed an open global commodity exchange within which oil (among other things) would be traded in non-US dollar currencies.

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<http://www.thesaudi.net/arab-world/media/index.htm>

<http://www.southamericadaily.com/>

ISLAM

The War is devolving now into what will be a decades-long US presence in the Middle East and a 'general containment' policy of Islam by Western developed countries, quarantining all of politically- ambitious deluded psychotic and Islam, which is about one-third of the earth's land surface and one-fourth the world's population, from the civilized world, which does not seek to conquer territory or wreak havoc with suicide bombs. Follow events via these websites:

<http://www.socom.mil/>

<http://www.centcom.mil/>

<http://www.terrorism.com/>

<http://www.jdw.janes.com/>

<http://www.dod.mil/>
<http://www.siteinstitute.com/>
<http://www.e-prism.org/>
<http://www.jamestown.org/>
<http://www.english.aljazeera.net/HomePage> (Islam's CNN)
<http://www.afghandaily.com/>
<http://www.tehrantimes.com/>
<http://www.presstv.ir/> (Iran's CNN)
<http://www.northcom.mil/> (USA's central defense/ homeland security)

Notes: The NIE (US National Intelligence Estimate) position paper released in early December and containing the bombshell that states Iran had in fact ended its nuclear weapons program in 2003 was taken by the *Doonesbury* crowd as proof that warmongering Bush and Cheney had been lying to the American people in order to be given permission to attack Iran, and that the American intelligence community is full of bumbling and fools.

What the document actually *means* is that a very sophisticated diplomatic deal has been struck between Iran's government and our own. There is only one reason why the US govt would choose to suddenly issue a report tantamount to a public admission that its foreign policy of the past four years was a mistake: a deal has been made between Iran's govt and ours, and the public announcement that we 'made a mistake' allows Iran to save face.

The deal is probably this: Iraq will back off providing war materiel to anti-American forces in Iraq, and tacitly accept a US presence both in Iraq and in the Middle East. In exchange, the US will not attack and dismantle Iran. Which leaves the Ayatollah a free hand to govern its people in the way it sees fit a la a 14th century fundamentalist Islamic state with burqas, whippings for infractions, no dancing, no art, anti-modernity in all its forms. The winners here are: the Iranian primitivist govt: which does not wish to see the rise of another powerful Sunni Muslim military state in Iraq's like that of Saddam Hussein- and the Americans, who do NOT want to see continuing Russian military aid expertise and influence in Iran.

The losers here are the Russians, who will no longer have a regional power in the Middle East asking for assistance. Russia has a strange relationship with Iran: Iranians have been the beneficiaries of Russian arms and military expertise, but Russia is also the last country which occupied Iran.

Losers also are the Arabs, especially the Saudis, who will see their own strange diplomatic 'partnership' with the US become of much less importance to the United States. And the dissident Iraqis who want to make a new Fundamentalist Sunni Islamic State of Iraq and who will no longer be getting weekly shipments of trained Syrian and Iranian men and deadly street weaponry from Iran with which to cause havoc as they try to force the US occupation to an end. The US does NOT want Russia to ever again be able to threaten the US or wield power over it or influence its goals in any region. An "admission" that the US intelligence made a "mistake" in its evaluation of Iran's plans is a small price to pay for lessening Russia's influence in the region. Expect to see some sort of 'strategic alliance' soon between the US govt and Iran's that may involve visits and handshakes...or may simply remain, unexplained, in the shadows. A fourth loser in this deal: the *Doonesbury*/Bill Maher/Lola Granola faction of Americans who think their government is stupid,

naïve and inept.

Iraq is now a strategic US military base. Plus of course a way of keeping Islam busy *over there not over here*. The US will have a military presence in the Middle East for a long time. For decades. The White House policy of confronting Islam on *its* turf and not on our turf is in fact working. It is a policy which Hillary (or whomever) will continue. Meanwhile: a destabilized Pakistan, originally established as a 'buffer' country and a safe haven for India's muslims, now is not a 'nation' but an ungoverned territory controlled for the most part by warlords drug merchants and military factions who claim one patch of turf or another. To make all this even more exciting, Pakistanis have both nuclear weapons skills and the weapons themselves.

Meanwhile: does Iran, or does Iran not, have nuclear weapons capability? Our take: Iran either already HAS nuclear weapons, courtesy of Pakistan or former USSR, or is in the process of building some. Or both.

WAR STOCKS

Defense/Aerospace

-Ceradyne (CRDN) ceramic defense products STRONG BUY

-Raytheon (RTN) world's foremost maker of missiles and laser weaponry

-Navistar (NAVZ.PK) mine-resistant vehicles. 30% market share, not as strong as Aarkvark (privately-held) but strongly funded by yr tax dollars

-General Dynamics (GD) defense products conglom

-United Technology (UTX) defense and tech engineering products conglom

-Northrop Grumman (NOC) nuclear subs, aircraft carriers, etc

-Textron (TXT) (Cessna, Bell Helicopter, Hovercraft etc)

-Boeing (BA) military & civilian aircraft

-AeroVironment (AVAV) robot war & reconnaissance aircraft

-Dyncorp (DCP) tactical support/ services/supply/expertise contractor to military and various black agencies

-Oshkosh Truck (OSK) ambulances, trucks, bombsquad vehicles

-Axsys Technologies (AXYS) \$448 million market cap, precision optical systems aerospace security & defense, 10.74 million shares out

-Force Protection Inc (FRPT) MRAP armored vehicles especially the Cougar® featured in a recent *US News* article We (among others) are skeptical of FRPT's CEO. But the co's great products are suited to an era of war that will continue as far into the future as we can see

-Alliant Techsystems (ATK) munitions warheads weapons systems hardware etc, profit margin's too low for us but only 32.7 million shares out

-L3 Communications Services (LLL)

-General Electric (GE) jet engines, defense & aerospace products

-Rockwell Collins (COL) aerospace & defense products

-Lockheed Martin (LMT)

Notes: GM's military version of the Humvee is fast being replaced by the MRAP (mine-resistant ambush-protected) armored vehicle, a 21st century war machine much more highly- armored and far more effective at deflecting shrapnel and explosions from below caused by a vehicle setting off an improvised explosive device or a mine. Humvees are considered prime targets and death traps by US soldiers who ride in them or patrol in them every day. MRAPs are much larger, armored underneath, and much more invulnerable. The Army's 1st Cavalry Division (the guys in Iraq) received its first shipment of these beasts in November. The Pentagon asked congress for \$750 million in emergency money last summer to get these machines into Iraq as fast as possible. For a while some 300 MRAPs per month (at about \$900,000 each) will be delivered to US forces in the war zone. Some 600-900 are there now, and the Pentagon has approved the purchase of some 15,000 MRAPs by 2010. The US Navy is currently testing versions built by nine different companies.

MARKET RESEARCH CENTERS & THINK TANKS

<http://www.battelle.org/>

<http://www.darpa.mil/>

<http://www.eurasiagroup.net/>

<http://www.people-press.org/>

<http://www.harristinteractive.com/>

<http://www.gallup.com/>

<http://www.npd.com/>

<http://www.heritage.org/>

<http://www.brandchannel.com/>

<http://www.annenbergpublicpolicycenter.org/>

<http://www.brookings.edu/>

<http://www2.acnielsen.com/>

<http://www.challengergray.com/>

<http://www.globalinsight.com/>

<http://adage.com/>

<http://www.pewresearch.org/>

<http://www.technologyreview.com/>

<http://www.stratfor.com>

<http://www.americanprogress.org/>

<http://www.google.com/trends>

<http://www.hoover.org/>

<http://www.victorhanson.com/>

<http://www.interbrand.com>

<http://www.peterrussell.dreamhosters.com/Odds/WorldClock.php> (The World Clock)

Notes: Researcher David Levy at Holland's University of Maastricht now believe robots will be so highly developed by mid-century that people will begin marrying them (great plot for a few "Boston Legal" episodes). Says Levy: "once you have a story like 'I had sex with a robot and it was great!' published in *Cosmopolitan* or *Playboy* I expect many people will jump on this bandwagon"

Another researcher, this one at Georgia Tech, believes robotic children could be used to keep pedophiles away from real children. We have mentioned in these pages some seven years ago that by mid- 21st century there will be legal battles over the civil rights of clones.

Geneticists are working to create biofuel-ready transgenic trees with characteristics which would make it much easier to make biofuels (ethanol etc). Watch the work of scientists at University of British Columbia and the Institute of Forest Biotechnology at Raleigh North Carolina, buy shares of Monsanto (MON) and watch a small company named ArborGen, currently owned jointly by International Paper, MeadWestvaco, and Rubicon.

THE AMERICAS: MEXICO, CENTRAL & SOUTH AMERICA

Voters in Venezuela's national elections rejected Hugo Chavez' grab for dictatorial power, personified in a set of 61 changes to the national constitution that would have allowed Chavez to, like Cuba's Castro, remain in power for life.

Other tenets Chavez offered Venezuela would have created new categories of communal property, established communal councils, redrawn certain political maps much as gerrymandering is done in the USA, shortened the workday from eight hours to six., created a social security fund for laborers, and suspended civil liberties under extended "states of emergency" that Chavez could define at will. The vote rejecting Chavez' plans was very close- 51% to 49%- and it means Chavez, who is scheduled to leave office in 2012 unless, like Castro, he can establish himself as dictator-for-life, will likely try again. Chavez has won the support of the county's poor be enacting a variety of social programs which benefit them. The US imports 17% of its imported petroleum from Venezuela.

AFRICA

If you were a Market Witch reader last year you read the March 2007 issue “*Who Gets Africa?*” and know that two of our answers were “not the Americans” and “not the Africans.”

Nearly a year later, American companies continue to lag behind Chinese and Indian public and private capital in the scramble to exploit that continent’s enormous raw materials/natural resources wealth. China, India and the big European and Australian mining companies are striking deals with African countries which exploit huge resource bases and which will benefit both sides. Americans aren’t participating in this.

Although most of us view Africa as a land of poverty (the vast majority of Africans have annual incomes of below \$500 a year) and disease (projections indicate that Africa’s indigenous populations will decline by 60% or more during the 1st half of the new century from HIV, tuberculosis etc), what was once called “the dark continent” by 19th century European explorers does in fact also now have a growing middle class with a voracious appetite for consumer and manufactured goods.

In Nigeria, for example, increasing wealth from oil revenues is resulting in strong demand for color televisions and bandwidth and wireless services. In 2001 there were only 500,000 telephones among Nigeria’s 134 million citizens. Now there are 30 million, almost all wireless that requires little infrastructure investment.

Meanwhile, England’s primary national soccer league now rates Africa as its largest fan base.

And the World Bank reports that African economic growth has averaged 5.4% per year for a decade, thanks to skyrocketing commodity and oil prices. Growth rates are particularly strong in Nigeria and Angola, but some twenty-five African countries have economic growth rates above 3%.

But despite both progress and mineral and oil deals, Africa still receives less than 3% of the world’s foreign direct investment.

African leaders who talk about it complain that the USA is not involved enough in Africa because of American business community perception that African countries are politically unstable and regimes cannot be trusted. Robt Mosbacher, head of Overseas Private Investment Corp, a US govt agency that backs and assists investment in developing countries, says corporate America fears how to enforce contracts with governments which aren’t democracies, which are often veiled or open dictatorships, or monarchies, or revolutionary military regimes scrambling for legitimacy.

Lack of infrastructure and transportation problems are other issues. Africa’s airfreight and airline systems are notoriously horrible. Air freight is rerouted, pirated, confiscated; to travel from one side of Africa to the other east to west, passengers typically have to fly to London, Paris or Johannesburg first to pick up a flight to where they’re going. That will change, of course, and Africa will develop a passenger and freight air system much as South America has done. Why? Because it will become too lucrative not to. But it will take the entire next decade. And perhaps one more after that.

Meanwhile, two things will likely happen in the next few years. Both are currently ‘stealth’ issues now, and one is relatively good and one is very bad.

The relatively good one: global manufacturing will always ‘hop’ to the countries with the cheapest labor force, the fewest environmental safety restrictions, and no unions. As mining and natural resources exploitation begins to stabilize Africa somewhat, what is coming to Africa from all over the world will be: jobs. India and China will be priced out of the global labor market by African labor.

The bad one: Al Qaeda. As the US and Iran begin to achieve détente, tolerance, and a ‘balance of power’ in the Middle East (Iran can’t nuke Israel, the US can’t attack Iran, Iran can’t send personnel and weapons to Iraqi Islamists and must tolerate US presence there, in exchange the US will ensure that a Sunni warlord doesn’t renationalize Iraq under a dictatorship and attack Iran with it) then the US will begin to focus its attention more on Al Qaeda strongholds and power bases in Pakistan and Afghanistan and other stans. When these places are no longer sanctuary zones for Al Qaeda, the Islamic fighting force will move its operations to: East Africa. Look for places like Somalia/Ethiopia/Darfur, already pits of chaos unrest instability lawlessness and starvation, to become the next Al Qaeda base of operation.

TRADITIONAL INVESTMENT SKILLS

Look to the Hipsters, Beware the Pop Stars

We knew when David Caruso turned up in 1984 in “Thief of Hearts,” his first major movie role, playing a high-end San Francisco burglar and riding a jet black Harley Davidson Sportster®, that as soon as Harley IPO’d in 1986 it was a very good idea to buy in.

We knew from the offhand remark beat writer Jack Kerouac made in *On the Road* about “”Arabs blowing up New York City” (written in 1947, published in 1957, and now half a century old) that the nonsense between the Arabs and Israel would *never go away, would never end. All through the 60s: war and then peace talks. Folky-singer Tim Hardin, famous for writing “If I were a Carpenter,” also wrote a song about a black-market ‘dealer’ that went, “I sell guns to the A-rabs, I sell dynamite to the Jews”.*

All through the 70s 80s 90s: horrible incidents, then peace talks. Then more horrible incidents.

Even now: chatter about peace talks. No one actually wants to talk, and not many seem to want peace, either. Will it end badly? Will it end in a nightmare explosion? Maybe yes and maybe no. More than likely it’ll just go on like this for another forty of fifty years, punctuated by hotspots and nuclear incidents. Even in the late 40s, Jack Kerouac was just plain tired of hearing about it. Come to think about it, that is what “beat” means.

Several hipster/intellectual novelists predicted 911 or something much like it before the turn of the century.

Beatnik intellectual Canadian James Cameron, a college dropout who married a waitress and drove a truck for a living before bypassing novels for screenplays, wrote and directed “True Lies” (1994) and it still has the eerie ring of something that has not yet happened to America, but will.

We knew the first time we saw a pair of ‘Crocs’ on a child, the daughter of a hipster Chicago Art Institute grad, that Crocs would become a big deal. And would go global.

The Euro began appearing as THE preferred currency of the Global Outlaw Economy (heroin cocaine guns nuclear data counterfeited products etc) about three years ago.

But there’s a big difference between the sharply honed instincts of the Outlaw Economy and sensitive perceptions of the forward guard intelligentsia/ hipster/ beat crowd, and those of the world’s “pop stars.”

Hipsters are often years, even DECADES, ahead of society’s curve. “Blade Runner” from a story by genius Philip K. Dick is still edgy and controversial more than THIRTY YEARS later. Pop stars are rarely geniuses: no one really want to even think about what Britney Spears has to say about the economy or the nature of our culture.

Within the last six months, a preference for payment in Euros has moved into the global rock music industry, the classical music performance industry, the supermodel industry (Giselle Bundschen et al) and into the Rap music/gangsta American rap community as wealthy pop stars began asking for payment for their services in a currency more stable than the dollar.

But by the time the pop stars began demanding Euros, the European currency itself had already made its move against the dollar, the arbitrageurs had made their profits, and the euro had begun to fall in value against the dollar.

This phenomenon has not reached the ordinary American with a savings account yet. Such demands are viewed as an eccentricity, a rockstar demand perk, and only much later do they reach working people.

But when and if this ‘eccentricity’ reaches mainstream USA, *as it may well do this year if the dollar depreciates 1% a month against the Euro and 2% a month against gold*, Americans who have 2 3 5 10 thousand dollars in savings, and who value those CDs that they renew every 3 months six months etc, may begin to demand of their regional/ neighborhood banks (5th Third, Wells Fargo, etc) a Euro alternative to the dollar as a vehicle in which to place their savings. Absent this alternative, they may withdraw their money.

And so at some point during 2008 we may see a “run” on these regional banks as people pull dollars out and put them in a currency that is safe. But it will have already been too late. Not everybody wants to mail big checks out into the unknown, to Everbank in Jacksonville. Regional banks may begin to offer savings acct in Euros, British pounds, Swiss Francs, et al, but again, it’s too late for any fix but a gold-backed currency.

THE MARKET WITCH STRONG BUY LIST

It's important to maintain a defensive investment posture now, but remember that regardless of the mess Third World America is in, that big world outside the US goes right on. We want capital preservation, and a continuing runup in mining and natural resources shares, and more profits from foreign companies especially in Europe Brazil and Australia during this critical year for America.

We doubt that the current global commodities supercycle has been derailed or even sidetracked by America's troubles. There will likely be 10% even 15% fluctuations in commodities prices and therefore in share prices, daily/weekly/monthly, but this overall rise in commodities/ basic matls/metals/ minerals prices will last for two or even three decades.

Americans may be headed back into an even worse chapter of our recent 2nd Great Depression, which began in 2000. We called it then the Rhinestone Depression© because so much money had been made during the late 90s that there was a cushion against bread lines.

No cushion exist now: it has vanished in credit card max-outs and collapsing housing prices. Food banks are empty. And our STRONG BUY stock list reflects this while we watch the US economy for a couple of quarters to see what happens.

We continue to believe that the million-dollar portfolio has basic-metals mining companies as a foundation component, shuns both US consumer banks US energy and nearly all US consumer retailers and consumer tech, and participates in only the very few American tech companies which own their markets, have remarkable products in display windows or in the pipeline, and are large enough and debt-free enough to prosper as America goes through an economic crisis that is exacerbated by both the US paper dollar's fall from grace and our govt's financial idiocies.

We believe will enter \$900 territory early in 2008.

Gold demand rose 19% in Q3, led by an X7 increase in investment in gold ETFs backed by gold bullion.

Beranke's fed 1/4 % fed rate cut to 4.25% in December made things worse. Discount rate should be a full 1% LOWER than it is now, Fed rate will now have to be lowered to 3.25% now to defray stagflation.

But to do this further destroys the dollar.

All US presidential candidates should be advocating ending the Federal Reserve and moving the US consumer economy from a credit-based to a savings-based system.

But no one will. Buy mining companies, tangibles, and gold shares

As we enter 2008, America faces both an American economic emergency and a major global currency

transition plus the country's most critical presidential election in decades. The only 'in case of fire break glass' financial safety now, we believe, is GOLD:

-Barrick (ABX) proven reserves of 123 million oz gold, 6 billion pound copper, 1 billion pounds silver, STRONG BUY

-Yamana (AUY) now also selling copper, bought Meridian Gold, 1 Yr FWD P/E is 12, STRONG BUY

-Gold Fields Limited (GFI) 4th largest, South African, global, STRONG BUY

-iShares S&P/TSX gold (XGD)(XGD.TO)(XGD.AX) an index fund of gold mining co's

-Amex Goldbugs Index Fund (HUI) gold mining shares basket

-GoldCorp (GG) (Ontario) lowest recovery cost per oz

-Buenaventura Mines (BVN) largest gold mine in South America, STRONG BUY

-Anglo-Gold Ashanti (AU) (subsidiary of AAUK) stronger recent numbers, huge exploratory projects, including South America

-RandGold (GOLD) (South Africa) pan-African mines, 6.29 million oz reserves STRONG BUY

-Market Vector Gold Miners (GDX) a fund of 44 strongest public gold mining co's STRONG BUY

-iShares Comex Gold (IAU) gold ETF STRONG BUY

-StreetTracks Gold Trust (GLD) gold ETF STRONG BUY

If you're in America, your savings beyond basic needs currently should be in some form of gold. We may see cash become king in America this New Year, but we think the dollar still will be falling against gold.

-Southern Peru Copper (PCU) FWD 2008 EPS \$9-10 per share. Copper will generally be in a state of permanent shortage for years to come. PCU's copper mining also yields \$ \$35++ million a year in gold. PCU is a subsidiary of Grupo Mexico (GMEXICO.MX) so it is only marginally a buyout target. *Amazon's P/E is 96. PCU's P/E is below 12 plus an \$8 dividend. Is that a tough choice? Shares at 100 are one of the new century's great bargains* A MARKET WITCH BEST BUY

-Omnicom (OMC) world's best ad agency conglom, Bernanke has thrown US into a stagflation era much like the Nixon years, and an unsound dollar makes it worse. Meanwhile, AD AGENCIES do WONDERFULLY well in this environment, \$16 billion market cap, 2:1 split June 2007, shares are a bargain

-Peabody Energy (BTU) USA coal. Coal's time has once again come. Partnering in development of zero-emissions coal-fired generator plants, A MARKET WITCH BEST BUY

-Focus Media (FMCN) China. Public-space advertising, via electronic billboards. This is China's killer ad agency. Q earnings growth 72%, as we enter China's coming-out Olympics year. Buy, hold for a YEAR, get a likely double

-Ingersoll-Rand (IR) we were against engineering tech conglomerate IR when the co sold off its Bobcat® div to private capital, but IR has bought Trane for \$10 billion, making IR now one of THE largest climate control product manufacturers on earth. \$12 billion market cap, EPS \$5.51, P/E of EIGHT. 2:1 stock split in 2005, shares now in low 40s are a MARKET WITCH BEST BUY

-AutoZone (AZN) America's penultimate neighborhood car parts place, stores in US Puerto Rico, Mexico, fat EPS, smart management

-Net Servicos Comunicacao (NETC) (speculative) pay TV and broadband services in Brazil, \$460 million market cap, 79% increase in customer base 3rd Q

-Garmin (GRMN) (GPS products) buyout candidate

-Terra Industries (TRA) agricultural chemicals, \$3.48 billion market cap, fwd P/E one yr out 12, Q earnings growth YOY 425.9%

-Danaher (DHR) D.C.-based broad industrial/med/tech products conglomerate (water safety products, disinfection systems etc) \$25 billion market cap terrific management excellent numbers, low debt, bought Tektronics for \$2.8 billion, 3Q profits up 80%

-Bucyrus (BUCY) Milwaukee, \$3.44 billion market cap, 2400 employees, builder of mining equipment especially huge electric shovels. Bucyrus has been in business so long that its equipment was used to construct the Panama Canal. Rust belt co's have been in trouble for decades but this one's not. Global sales, Q earnings growth YOY 71%, terrific management

-iShares Dow Jones US Basic Materials (IYM) ETF of chems, forestry/paper, metals/mining, P/E 16, 2007 return 27%

-Sociedad Quimica y Minera (Chemical Mining Co of Chile) (SQM) Industrial and agricultural minerals, world's largest source of lithium, a near-monopoly, EPS \$6+, shares worth \$248

-Unilever (UN) Rotterdam-based global consumer-products giant founded in 1927. In an era of grinding poverty for a majority of Americans who can only buy basics, here they are: Hellmans® Popsicle® Breyers® Ben & Jerrys® Lipton® Suave® Vaseline® and a hundred others

-Tata Motors (TTM) the sun sinks on the British Empire but rises over India, where labor is both cheap and skilled and steel expertise is high. India has been quietly invading the 2-wheel market for years. Now Tata owns Jaguar® and Land Rover®, and will feature a \$2500 four-door rear-engined car for the home market this month at an auto show. A strange new world but A MARKET WITCH BEST BUY

GLOBAL SHIPPING:

-DryShips (DRYS) global dry-bulk shipping, and carriers of ore grains etc, P/E 8.6, EPS \$8.91, (36.68 million shares out (Greece)

-Excel Maritime Carriers (EXM) dry-bulk shipping, ores grains etc, EPS \$3.04, P/E 14, fwd P/E 6, profit margin 40%, only 19.95 million shares out, (Greece)

-Quintana Maritime (QMAR) dry-bulk shipping, Greece, 4.50% yield dividend.

-Diana Shipping (DSX) (Greece)

-Seaspan (SSW) deep-sea container transport out of Hong Kong, co based in Marshall Islands, profit margin 42.6% Q earnings growth YOY 296.8% div \$1.79 yield 5.5%, 53 mil shares out.

-Frontline (FRO) Bermuda-based, founded 1948, 81 vessels, drybulk, oil, and raw materials shipping, coming into port every Q with huge dividend, A MARKET WITCH BEST BUY

-Ship Finance Ltd (SFL) Bermuda-based, founded in 2003, 65 vessels, ore oil and drybulk, CEO and CFO are two very savvy Swedes, 40 and 50 years old, div 8.30% A MARKET WITCH BEST BUY

In the coming decade, we are heading into shipping's finest era and possibly the RRs too

THE RAILROADS:

Burlington Northern (BNI), Canadian Pacific (CP), CSX (CSX) Norfolk Southern (NSC) Kansas City Southern (KSU) Genessee Wyoming RR (GWR) and Union Pacific (UNP) are no bargains now, the best UNP is also the most expensive but Union Pacific is a STRONG BUY. BNI and NSC will switch from a %-based fuel surcharge to a mileage based surcharge this month, increasing rates by 20-30%, and are buys unless the co's get in trouble with the US Surface Transportation Board for rate increases. Rail traffic volume will increase Q1 2008. RRs now r charging big fuel surcharges to cover rising fuel costs: the fees not only cover the cost of diesel, they add more profit. Ditto with trucking industry.

On the other hand, look at RR support and small-cap STRONG BUY Westinghouse Air Brake Technologies (WAB) and smallcap STRONG BUY American Railcar Industries (ARII) which builds railroad freightcars and tankers

-Cosan Ltd (CZZ) (speculative) this \$1.2 billion NYSE IPO in 07 of an old-line Sao Paulo sugar company, one of the world's largest sugar companies, market cap \$2 billion, 24,000 employees, and global sales, is a speculative play on the proliferation of a global ethanol market.

-Market Vectors Steel ETF (SLX) basket fund of selected best world steel companies. Buy the great steel companies we recommend, as the world enters its New Age of Steel, or buy the fund 'basket' and relax. Shares hit new high in December but in 24 months this share price will seem an enormous bargain, A MARKET WITCH BEST BUY

-Chipotle Mexican Grill (CMG) Denver-based former McDonald's spinoff has 581 restaurants in the chain, rides on Hispanic mainstreaming to become most popular chain restaurant in US. ZERO DEBT, only 32.84 million shares out means room for 2:1 stock splits, A MARKET WITCH BEST BUY

-Google (GOOG) World's largest ad agency and the most important Internet stock of our time. 50% of ALL Internet ad revenues go to Google. YouTube® is the New Television and is a pipeline to wealth. 312 million shares out, ZERO debt. What will shares be worth in 2010? \$1500? A MARKET WITCH BEST BUY

-Turkish Investment Fund (TKF) (speculative because of war/containment of Middle East) Morgan-Stanley- managed fund managed from NYC, TKF holds equity securities in Turkey, Islam's only true thriving economy and the bridge nation between Europe and Islam. Holdings include airlines, construction, health/medicine, banking, retailing, food and food service, manufacturing and congloms. Div \$4.04, yield 20.2%

-Norilsk Nickel (Noril'skiy Nikel) (NILSY.PK) Moscow-based mining, world's largest nickel producer, Russia's largest gold producer, also copper palladium rhodium platinum silver cobalt, alloys. Norilsk mines 20% of the world's nickel and 50% of the world's palladium. Norilsk accounts for 4% of the value of ALL Russian exports. Subsidiaries in UK, USA, Switzerland, Hong Kong. Owns US platinum-producer Stillwater. Market cap \$53.4 billion, div \$4.64. The company is in play, 25% is being purchased by privately-held Rusal, one of the world's largest aluminum producers, with the goal we think of creating a Russian RTP or AAUK. Shares at 278 are worth 345 or more

-Gerdau Steel (GGB) old-line Brazil family steel co founded in 1901, markets in South America USA Mexico and Spain, also hydroelectric power. Subsidiary Gerdau Ameristeel (GNN) (STRONG BUY)(based in Canada, GGB owns 66%) has bought Chaparral Steel, USA's largest maker of structural I-beams, Michigan's Mac Steel and Arkansas' Quanex, both of whom make round bar products and specialty alloy round bar blanks for the auto industry. In 07 GGB itself has bought a big Mexican steel co for \$259 million, 49% of holding co that owns Mex's Aceros Corsa steel co, and will begin construction of a new \$400 million steel mill in Mexico. Becoming a Western Hemisphere force, A MARKET WITCH BEST BUY

-IBM (IBM) legendary standout tech powerhouse in our strange weak/strong American economy, 2nd Q earnings up 12%, EPS \$6.26, P/E 17, target price 143

-Uranium One Inc (UUU.TO)(SXRZF.PK) Name change from SXR to Uranium One, Inc and call letters too, recent purchase of EMU makes this combined company holder of the world's 2nd largest portfolio of uranium reserves. Seems speculative now but won't be in a year

-Steel Dynamics (STLD) small very solid steel co, P/E 11 EPS \$4.08, an almost certain buyout target

-Cleveland Cliffs (CLF) ready-to-use iron ore and manganese pellets, 150-year- old US company, operations in US and Australia, \$3.87 billion market cap, buyout candidate

-SPDR S&P Metals & Mining (XME) called a “SPIDER” (SPDR) on Wall St, is an ETF of the most representative mining & metals stocks. ETFs are taxed at a higher rate than your other stock profits but you won’t care: YTD return is 31% A MARKET WITCH BEST BUY

-iShares Goldman Sachs Natural Resources ETF (IGE) commodities ETF: oil, timber, etc, YTD yield 27.6%, A MARKET WITCH BEST BUY

WAR STOCKS: DEFENSE & AEROSPACE

-Ceradyne (CRDN) defense/war ceramic products, P/E 14.4, EPS \$5.08, near-zero debt, 2:1 split Jan 05, superbly-managed, share price up 50% since March, still dramatically undervalued, A MARKET WITCH BEST BUY

-iShares Dow Jones US Aerospace & Defense (ITA) defense ETF, up 20% on the year, more to go

-Raytheon (RTN) premiere US defense co, world’s foremost maker of missiles and laser weaponry, P/E 12 A MARKET WITCH BEST BUY

-Lockheed-Martin (LMT) premiere US defense co, the F-35 Lightning 21st century warplane is on the way, to replace the legendary F-18. Q earnings up 34%, strong fwd guidance into 08 09. Fair Value of shares is \$165 A MARKET WITCH BEST BUY

-General Dynamics (GD) premiere US defense co, 3Q earnings up 25% A MARKET WITCH BEST BUY

-Northrop Grumman (NOC) premiere US defense/war stock, 3Q profits up 62% A MARKET WITCH BEST BUY

The 21st century WAR OF CULTURES is NOT going away. These 6 key US stocks in three to five years will be MUCH higher than now, and a war of cultures and containment w/ Islam will not have ended

-Cummins Engine (CMI) Indiana-based, global, builds engines machinery & general mechanical technologies like hydraulics. \$3.83 billion market cap, EPS \$14.21 a share, a P/E of FIVE, almost a billion in cash and almost no debt, plus only 52 million shares out. 2:1 stock split April 10th, shares now even more undervalued. Machinery is the New Tech. A MARKET WITCH BEST BUY

-Caterpillar (CAT) a long-term bargain. High debt/equity ratio or no, down guidance or no, Caterpillar is both a legendary American company and a global foundation stock for the 2nd decade of the new century. CAT makes much of the world’s mining machinery. 5 years ahead the current share price will seem quite low

-Deere (DE) the legendary green and yellow tractors & other farm/ag-machinery: strong sales in US & Brazil, strong upward guidance, 2:1 stock split Nov 14, 4th Q earnings up 52%, A MARKET WITCH BEST BUY

-Research in Motion (RIMM) NO ONE at this once-elite niche-market company is afraid of the iPhone®. With 10.5 million subscribers worldwide, and 20 million handsets sold, RIMM expects to add 1.65 million

new subscribers this Q. Blackberry® proprietary upscale (and now- mainstreamed) technology is the world's core business-communication handheld, allows users to make calls in 160 countries and receive email in 60 countries. 3:1 stock split in Aug 07, strong fwd guidance INTO 2008, A MARKET WITCH BEST BUY

-Apple (AAPL) View Apple not as iPhone® or iPod®, but as an entire universe of products. Re-engineered product line in September, plus price cuts. AAPL introduced new generation of Mac® computers in August, now is seamlessly linking its iPhones, its iPods and its Mac computers into one network. Imminent Launch of iPhone in Europe & product price cuts going into Christmas market, 67% gain in 3rd Q net profits for this powerful US consumer tech co, A MARKET WITCH BEST BUY

-AT&T (T) 67.3 million customers, 10 million broadband users. Q earnings growth YOY 41.5%, FWD P/E 11.87, service provider for the iPhone, fat 5-year outsourcing agreement with IBM, increased dividend 12.7%, \$15 billion 400 million shares stock buyback, startup HDTV delivery service via existing phone lines will reach 30 million customers by 2010, A MARKET WITCH BEST BUY

-Nokia: (NOK) builds an astounding 37% of ALL cell phones sold on the planet. Marketing theoreticians in late 90s said then that cell phones/handhelds would become The Third Screen (1st= movies 2nd= TV 3rd= handset devices) Actually, handsets are the 1st screen, the one CLOSEST TO YOU. World's #5 strongest brand name. P/E 20, near zero debt. Watching "watching television" on your cell phone will be a new craze. A MARKET WITCH BEST BUY

-China Mobile (CHL) Did you ever think you would see a Chinese co with a \$400 billion market cap? Wireless telecom, mainland and Hong Kong, 310 million subscribers, P/E 26, profit margin 22.7%, growth YOY 25%, ALMOST ZERO DEBT plus \$25 billion in cash. Profit margin 22.35% Q earnings growth YOY 25.7%, approx 315 million subscribers, this is THE strongest co in China and A MARKET WITCH BEST BUY

-Mechel Co (MTL) Russian mining and heavy industry: steel and iron ore/coal. Market cap \$4.27 billion, Q earnings growth YOY 176.9%, dividend \$2.85 yield 7.80%, BOUGHT ITS OWN SEAPORT in 2007, A MARKET WITCH BEST BUY

-Polymet Mining Corp (PLM) (speculative) Vancouver-based mining co has discovered enormous polymetallic deposits- NICKEL, COPPER, PLATINUM- on site it owns in Minnesota, shares are around \$3.60, now organizing to exploit all this

-Freeport McMoran Copper and Gold (FCX) New Orleans-based global mining company, owns Phelps Dodge and now world's largest publicly-traded copper co, 3Q earnings= \$1.87/share, profits more than doubled

Teck Cominco (TCK, TCKAF.PK)) Vancouver-based diversified mining: zinc copper gold silver molybdenum indium metallurgical coal, fertilizers, involvement in oil sands, operations in Alaska Canada Europe Australia, Asia, \$16.34 billion market cap, almost no debt, P/E 9.6, EPS \$9.67, profit margin 35.5%, superb management, annual div \$1.73

-Owens Corning Sales LLC (OC)(speculative) building products including the world famous Pink Panther® fiberglass insulation. Coming off years of asbestos lawsuit bankruptcy protection, profit margin 129.94%

-3M (MMM) No longer Scotch® tape, 3M is very much a 21st century hard technology moving fast and well into India & China. EPS \$5.85, div.\$1.92, profit margin 18.36%, ROE a rocking 40%. Shares in 90 range are due any minute for a 2:1 split: wait for this, then buy in at \$40

-Pepsi (PEP) \$108 billion market cap, almost \$3 billion in cash, almost no debt, solid dividend, a P/E of under 20, and owner of a longlist of branded food products including GatorAde® Quaker Foods® Tropicana® and Frito-Lay®. \$35.1+ billion in annual sales from outside the US means 41% of Pepsi's profits now come from non-US sources. Much-lauded CEO, 3rd Q profits 99 cents a share, strong guidance into 2008, hugely more diversified than KO

-Siemens (SI) Europe's General Electric. Founded in 1847. One of Europe's strongest companies. Munich-based, 475,000 employees, market cap \$94.4 billion. The company makes everything from locomotives to municipal wireless systems, and also has, like GE, both a medical division and a real estate/financial services division. P/E may fall to around 12 within two years. New proprietary technology allows simultaneous MRI and PET scans. Fair Value of shares is 171

GREEN STUFF:

-Monsanto (MON) World's finest agri-biotech company and one of America's MOST important companies: agricultural genetic engineering and agri-science products. The REAL 'renewable energy' crop is now sugar. the "new oil." Future renewable will likely come from a 'manufactured' plant- maybe sugar cane and maybe a tree- Monsanto builds from genes. As they say, "Sugar is the New Oil." It will be if Monsanto builds it. Monsanto makes herbicides but increasingly they are bioengineered/genetic. Plus: if any company on earth can keep humanity from starving to death this century, it is Monsanto. \$30 billion market cap, \$2 billion in cash, almost zero debt, 10% profit margin. 2:1 stock split July 06, shares ran up from 60 to 104 fast still undervalued, A MARKET WITCH BEST BUY

-Rentek (RTK)(speculative) ultra-clean synthetic fuels from liquefied coal via technologies pioneered by Germany in the 1930s. RTK and partners are spending \$6 billion to construct plants in US Appalachia, near coal mines, to turn coal into fuel. USA has more coal than Saudi Arabia has oil

-Vestas Wind Systems (VWS.CO)(VWDRY.PK ADR) Development manufacture sales service maintenance of wind generators. Has built/operates/services 30,000 wind generators in 60 countries on five continents. Electricity from wind is so far more cost-efficient than solar. Vestas has a 28% global market share and a stunning future. That the company is based in Denmark is another marker how backward the United States, under a Big Oil/ anti-science- pro-ignorance govt, has become. Shares at 100 are at about half what they will be in December of 08. A MARKET WITCH BEST BUY

-GamesaCorporacionTecnologica (GCTAF.PK)
(GMA.MCE) (Spain) manufactures wind and solar electrical-generation products inc wind turbines and photovoltaic systems. Global sales, due for a very strong 2008

THE “EXCHANGE” STOCKS:

-Chicago Mercantile Exchange (CME) Fair Value \$742, 53.24 million shares out, Q earnings growth YOY 94.2%, now the owners of Chicago Board of Trade (formerly BOT) (commodities & futures) A MARKET WITCH BEST BUY

-InterContinental Exchange (ICE) (Atlanta-based global electronic marketplace for over-the counter commodities) 66.73 million shares out, Q earnings growth YOY 52.8% profit margin 44%, A MARKET WITCH BEST BUY

-NYMEX Holdings (NMX) New York Commodities exchange, 24-hour global electronic trading of metals and energy, set new volume records in June & July & August, 78 million shares out, Q earnings growth YOY 53.7%

-NYSE Euronext Inc (NYX) the consolidation of the European and US electronic marketplace, Q earnings growth YOY 279.4%, A MARKET WITCH BEST BUY

-Brazil's December IPO of BOVESCA Commodities Exchange (BMEF3.SA) NYX bought 1% of shares, A MARKET WITCH BEST BUY

SEE ALSO:

-PowerShares DB Agriculture (DBA) tracking Fund a Deutsche Bank ETF in ag futures contracts on corn wheat soybeans & sugar, up 24% in 3 months, A MARKET WITCH BEST BUY

-Powershares DB Commodity Index Tracking Fund (DBC)

-Posco (PKX)(Korea) #3 largest steelmaker behind Arcelor Mittal and Japan's Nippon Steel, sells hot and cold-rolled steel and other finished and basic products. Russian home market but major export markets are Japan and China. Owns big subsidiary in India. Market cap \$56 billion, 315 million shares out. Shares were \$50 in 06, now are \$170-180 and the company's FWD P/E is 13.5. The New Age of Steel began in 2007, three years early

-Xstrata (XSRAF.PK) (LON.XTA) Swiss-based global mining, broad and diversified mining operations on every continent, 6th largest miner. \$8 billion market cap, 1-YR net income growth 82.67%. Credit Suisse owns 24% of all outstanding shares. Now itself a buyout candidate as the consolidation continues among the giant mining companies

-LonMin (LNMIY.PK)(USA) (South Africa) undervalued as platinum continues to rise

-Impala Platinum (IMPUY.PK) (South Africa) 2nd largest platinum producer behind Anglo-Platinum, undervalued

-Anglo-Platinum (AGPPY.PK) (subsidiary; AAUK owns 74%) (OUR FAVORITE OF THE THREE)

-iShares Silver Trust (SLV) exchange traded (ETF) silver fund (ETF) holds silver. Shares \$133, silver will be up dramatically by mid 08

-Pan American Silver (PAAS) Vancouver-based silver miner, operations in Western Hemisphere, \$2.29 billion market cap, profit margin 23%, NO debt, we think silver will go to \$18/oz in 08. P/E of 26, but PAAS is mining silver at a cost of \$2.98/oz the rest is profit

-iShares MSCI Brazil Index (EWZ) an exchange-traded fund (ETF) of key Brazilian shares in what we believe is the strongest economy in the Western Hemisphere. A MARKET WITCH BEST BUY

-Allegheny Technologies (ATI) finished specialty metals and alloys: nickel, titanium, etc. P/E 20, EPS 3.12, 1st Q profits up 86% and net income nearly doubled, ROE 49%, shares 105, market cap of \$11.53 billion means ATI is a buyout target

-Universal Stainless and Alloy Products (USAP) tiny smallcap (\$300 million) specialty alloys of steel for aerospace and power industries: \$323 million market cap, 6.48 million shares out, low debt, EPS \$3.12, P/E 12.5, 1st Q profits up 70%, Q earnings growth YOY 74%

-Carpenter Technology (CRS) Exotic metals alloys and ceramics. \$3 billion market cap, P/E 14.8, EPS \$8.62, 25.62 million shares out, near-zero debt, superb management, expensive but going much higher, shares now 127 at a P/E of 15

-McDonalds (MCD) *the ENTIRE WORLD runs on Big Macs® and MCD zero-transfat fries, including Americans who can no longer afford to 'eat out' anywhere else. MCD keeps its American stores open all night, the equivalent of opening several thousand new stores for free except for a slight increase in hourly-labor costs. Sold Boston Market® restaurant chain to private equity. Data from Archives of Pediatrics and Adolescent Medicine says American children will eat anything wrapped in McDonalds Golden Arches® packaging, even carrots or plain white milk. 30,000 restaurants in 100 countries. #8 of world's top ten strongest brand names, 3Q profits up 27%, sales up 11.4% in Asia/Pacific Middle East & Africa divisions, biggest jump in 10 years, stock at 60 is now nearing split point*

-Burger King (BKC) home of the Whopper® one of the world's favorite foods. BK has 11,283 restaurants in 69 countries, 9980 franchised, 1303 company-owned. We began recommending BK anew following the 06 re-IPO from private: shares were 18 now they're 28 and both the co and the stock have legs. \$4 billion market cap, well-managed debt, 135 million shares out. We'd like to see higher profit margin (7% compared to MCD's 10%) but BKC has a long way to go and it's all upward

-Paccar (PCAR) makers of legendary Peterbilt® and Kenworth® brand trucks. P/E 14.36, EPS \$5.95, zero debt, over 50% of earnings from outside the USA. PCAR is to trucks what Caterpillar is to bulldozers. 22% average annual return over 15-year time span. 3:2 stock split Oct 07 A MARKET WITCH BEST BUY

-Compania de Minas Buenaventura SA (BVN) gold mining, secondarily silver copper molybdenum lead etc. \$3.9 billion market cap. Profit margin 79.3%, fwd P/E of 8, 127.7 million shares outstanding, near-zero debt. Owns 43.7% of Yamacocha, largest gold mine in South America. Full-year 06 profits up 48%

-Greif (GEF) the world's top industrial packaging company. 2:1 stock split April 07, shares now \$57. New CEO following a retirement. A boring, necessary, wonderfully- run company that does nothing but make

money. P/E 15, EPS \$3.90, 46.68 million shares out, just opened Asia-Pacific HQ in Shanghai along w/ packaging operations plant for the Far East.

Carnival (CCL) world's premiere global cruise line, 79 ships, global destinations including Far East, also hotels & lodging in Alaska & Yukon. P/E 17, EPS \$2.82, 19.7% profit margin, 3Q profit up 12%. The world's crazy, people need to get away, they love cruises. Share Fair Value 62

See also little brother Royal Caribbean (RCL), P/E 14, EPS \$2.94, profit margin 12%

-Cemex (CX) Mexico-based global cement and ready-mix products. Largest takeover in global bldg matls history 2007 with purchase of 86% of Australian matls provider Rinker for \$14.2 billion. P/E of 10.2, EPS \$2.98, 13% profit margin, Q earnings growth YOY 66%, Q revenue growth YOY 17%, div 2.70%, job cuts in wake of US housing dilemma. Shares at 26 are bargain basement: if you own shares do not sell. If you don't, this is an entry point for a 50% gain in 08

-Grupo Televisa SA (TV) The television flagship of the world's strongest, most unified culture. Spanish-language communications/media empire, based in Mexico City. \$17 billion market cap, \$2.5 billion in cash, low debt. 23% profit margin. Services huge US & Hispanic TV market. Has entered gambling, initially with electronic lotteries in Mexico but now also Vegas-style casinos. (see also gaming co CIE, CIEB.MX)

Morgan Stanley owns 9% of TV shares

America Movil (AMX) Mexico-based wireless telecom empire, the largest mobile provider in Central and South America. 100 million subscribers, P/E 23, EPS \$2.73, 106 billion market cap, revenue growth YOY 20%, profit margin 19%.

-Adobe Systems (ADBE) Adobe Reader® PDF software powers the entire world's business communication. Adobe Photoshop® software runs the entire world's digital imagery. Adobe's Flash® technology software is WHAT MAKES INTERNET VIDEO WORK. ZERO debt, nearly \$2.5 billion in cash. Adobe has NO real competition. A MARKET WITCH BEST BUY

-Allergan (AGN) Makers and patentholders of Botox®, a global monopoly. Studies show Botox® has medical use far beyond cosmetic value. \$20 billion market cap, \$3.19 billion in annual revenue, a billion in cash. 2:1 split June 07. Shares at 65 will see a 20% gain in 08

-Nestle (VTX: NESN (USA: NSRGY.PK, NSRGF.PK) Swiss-based, world's largest food and drink company. Chocolate, coffee, baby formula, bottled water, snacks, owns pet food/cereal business Ralston Purina, owns 75% of Alcon (ophthalmic drugs) and 28% of L'Oreal. Purchase of Gerber® Products for \$5.5 billion gives Nestle a 60% share of the global baby food market. 1st half profits up 18.5%, \$21 billion stock buyback

-BanColombia (CIB) Most South American countries are copying the Brazil economic model: prosperity thru exploitation of the huge natural resource base, modernization of agriculture, energy independence, and tourism/real estate development. CIB is Colombia's largest consumer bank. Blowout numbers all through 2007 for this key bank, as South America enters the early stages of its Manifest Destiny era, A MARKET WITCH BEST BUY

-Rio Tinto (RTP) global mining: metals and minerals. One of world's two largest iron ore sources. RTP says it CANNOT meet demand for iron ore- led by China India and SA- even tho it ships 220 million metric tons of ore/yr will triple the amount of ore it puts on open market this year. Purchase of Alcan gives RTP annual sales of nearly \$50 billion, EPS of nearly \$30, and control of 14% of the world's bauxite. New \$2 billion aluminum smelter complex in Malaysia operational in 2 years. Approval for a mine in Michigan UP said to have 300 million pounds of nickel and 200+ million pound of copper. EPS growth has been estimated at 23.75% annually FOR THE NEXT FIVE YEARS. *Rio Tinto and BHP partner in a, near-zero carbon emissions coal-burning technology, which will fuel abundant electricity next decade.. RTP has huge coal reserves and also holds 18% of world's uranium deposits. Cameco's (CCJ) P/E is 63, RTP's P/E is 12.4. Fair Value is around \$700, or about the same as Google shares*

-Companhia Vale do Rio Doce (RIO) (called "CVRD" on Wall Street) one of the worlds TOP FIVE mining companies: copper, gold, aluminum, iron ore. 35% OF ALL THE WORLD'S IRON ORE COMES FROM THIS COMPANY. Now owns INCO, world's 2nd largest source of nickel. The INCO purchase gave Brazil economic superpower status and added dramatically to RIO's revenues: 3Q net earnings \$2.9 billion. 2:1 stock split Sept 13 put shares at 27, they're already now 35, A MARKET WITCH BEST BUY

-Norsk Hydro (NHY) Oslo, global hydroelectric plus aluminum from mine to finished products, plus alloys. Also oil and gas. Ops in Norway Canada Angola Russia Libya and Gulf of Mexico, building huge new operations in Qatar, near zero debt, almost \$5 billion in cash, fat dividend

-Banco Bradesco (BBD) Brazil's #1 consumer bank, becoming an investment bank as well. 2921 branches in Brazil plus operations in Tokyo NYC Bahamas China & Luxembourg. Market cap \$43.66 billion, \$12.3 billion in cash. 2nd Q profits up 12.4%, profits were largest by a private bank in Brazil in 20 yrs. 2:1 stock split April 2nd, A MARKET WITCH BEST BUY. SEE ALSO Brazilian banking giant Uniao de Bancos Brasileiros (Unibanco) (UBB) 444 billion market cap, shares are not cheap but fast becoming one of the world's strongest banks

-Arcelor Mittal Steel (MT) By far the world's largest steel co: operations on 5 continents. Based in Luxembourg. Tough street-smart CEO father and polished MBA son, now heroes in their native India, form one of the world's finest management teams. Steel now is global: 40% of ALL produced steel crosses a national border before it is used. 3Q profits up 36%. We would not be surprised to see MT purchase both Worthington Industries and Nucor. A MARKET WITCH BEST BUY

-Nvidia (NVDA) Programmable graphics cards and chipsets. Proprietary nForce® products. World's ONLY 21st century microprocessor maker. NVDA rules the 3D Graphics processor (GPU) universe: the co's GForce 8800 is the world's fastest GPU. NVDA has nearly 60% of the global market for laptop graphics chips and has marketed its own proprietary CPU (Central Processing Unit) chip. Q 1 net income increase of 44%, Q1 gross margins 45%. Recent \$1 billion stock buyback, 3:2 stock split in Sept 07

-Alcoa (AA) Rio Tinto has bought Alcan, making Alcoa the stand-alone aluminum orphan in the storm buyout candidate

-Anglo-American (AAUK) global mining giant: gold platinum diamonds coal iron industrial minerals

packaging etc. CEO Cynthia Carroll, a Harvard alum & a former division head of Alcan, is turning AAUK into a lean mean metals machine. Paid \$1.15 for 49% share of MMX Minas Rio as part of program to dramatically ramp up iron ore production. Bought 50% share of NAK's huge Canadian metals find. 1st half earnings up 22%, \$4 billion stock buyback. *AAUK has yielded to investors an average compound return of 16.4% for 22 years.* A MARKET WITCH BEST BUY

-BHP Billiton (BHP) Year-end results: BHP made an astonishing SEVENTEEN BILLION DOLLARS in PROFITS. A \$13 billion share buyback will retire 9% of BHP stock over 18 months. BHP/BBL owns a mine that reportedly holds 40% of the world's known uranium deposits. Strong guidance into 08. Longtime insider and South Afrikaner Marius Klopper is new CEO and is on the hunt for acquisitions, wants RTP and more. A MARKET WITCH BEST BUY

-Companhia Siderurgica Nacional (SID) (referred to in the American financial community as "CSN") Brazilian steel, \$10 billion market cap, \$1.43 billion debt, \$1.5 billion cash, profit margin of 23%, huge dividend. Sells basic steel products in Brazil and 71 other countries, also owns mineral mining operations, railroads, and hydroelectric power companies (Brazil gets 95% of its electricity from hydroelectric). SID has its own enormous iron ore reserves, purchased Brazil iron ore/ mining co Fomento Mineral for \$440 million, adding to total independence and higher profit margins. Record net income first half, profits up 129%, A MARKET WITCH BEST BUY

-Nuance (NUAN) voice-activated technologies. Nuance has NO competitors. 172 million shares out. A 2ndary share offering infuriated shareholders and pushed price to below \$20 but shares were up 59% on yr. 4Q earnings 18 cents/share, next earnings Feb 6. One lucky consumer-tech company will likely buy Nuance: Apple, Adobe, IBM, Research in Motion, Microsoft, IBM, Adobe, Google, or HPQ. Co. is moving fast into mobile voice applications. Reasonable target sell point in late 08 is \$35-39, A MARKET WITCH BEST BUY

-Hewlett-Packard (HPQ) the co that built today's Stanford and made Palo Alto what it is today. America's biggest and best consumer-tech co has regained its footing and has a strong future. Shares at 51 are not cheap but still value-priced long term

-EMC Corp (EMC) one of America's infotech giants, info storage systems etc etc etc \$39.76 billion market cap low debt, good management, nearly \$6 billion in cash, a subsidiary is recent IPO/ speculative cyberwizard VMWare (VMW), shares under \$20 are a bargain,

-Petroleo Brasileiro (PBR)("Petrobras") safe Western Hemisphere oil in the world's best economy. Our favorite oil company. \$103 billion market cap, \$11.3 billion in cash, 20% profit margin, EPS \$11.62, div \$2.57, planned production growth of 7-8% over next five years. BIG new offshore oil discoveries

-ENI SpA (E) oil and natural gas, Italy, based in Rome, arguably the current strongest oil co in Europe, P/E 4.18, EPS \$16.99, div \$2.48 yield 3.50%, low debt, well-managed

-Porsche (PSEPF.PK) world's best production car, world's best "daily driver" luxury sports car. Shares 2-3 years ago were \$800, now are \$2240 and still undervalued. Dividend 9 Euros or \$14.30 per share. CEO of

Porsche is Board Chairman of VW, which is Europe's largest carmaker and which Porsche essentially controls. Average net worth of an American Porsche owner: \$3.3 million

-Daimler (DCX) parent co of Mercedes-Benz (#10 world's strongest brand name) unburdened from Chrysler now is challenging Porsche and BMW as king of the global luxury vehicle market. \$5.1 billion share buyback, A MARKET WITCH BEST BUY

-Bavarian Motorische Werke (FRA:BMW, BMW.F) luxury wheels, BMW, Rolls Royce, Mini Cooper, net profits up 78% last Q

-Volvo (VOLV) Sleek solid all-wheel-drive station wagons. World's best auto company behind Porsche. But Volvo also is one of the leading global manufacturers of buses trucks diesel machinery and construction equipment plus marine & industrial drive systems and aerospace gear. Shares at \$20 following a stock split pay a fat 72 cent dividend. Q earnings growth YOY an astounding 24.1% from strong truck sales in Europe South America and Asia, A MARKET WITCH BEST BUY

-Nikon (NINYOY.PK)(Europe 7731) we began tracking Nikon shares at \$100, two years ago, were \$236 in May now \$230. Possible to argue shares have peaked but we think: nowhere near it. World's best cameras plus much broader base of technology products. Forecasting global double-digit growth in compact digicams. Shares headed for \$300-\$325. Dividend \$1.96 A MARKET WITCH BEST BUY

- MGM Mirage (MGM) broad-spectrum 'entertainment' from gaming to golf. Dozens of key gaming and resort facilities all over the US tho based in Las Vegas. Company is leveraged but Dubai has put up \$5 billion for a 9.5% stake in MGM's CitiCenter project. Only TWO of the Big Four gaming companies (WYNN, MGM Mirage, Harrah's and Las Vegas Sands) are BUYS.

-Wynn Resorts (WYNN) gaming resorts and casinos, Las Vegas and Macao. WYNN is the strongest US player in the Macao gaming market, a gold rush that will bring in an estimated \$14 billion annually by 2010 as Macao becomes THE leading gaming destination worldwide. Shares at 121 are worth it. See also International Game Technologies (IGT) which builds gambling machinery

HIGHEST DIVIDENDS

Data from *London Financial Times*, Google Financial,
Reuters

Yahoo Financial, Hoover's, and Others

-US Shipping Partners (tugs tankers barges) dividend \$1.80 yield 14.40%

-U-Store-it (YSI)(US personal storage) div \$ 1.16 yield 11.50%

-Frontline (FRO)(Bermuda, tankers & at-sea shipping) div \$6.00 yield 13.10%

- Ship Finance Ltd (SFL) div \$2.20 yield 8.40%
- Seaspan Corp (SSW) (shipping) div \$1.79 yield 6.80%
- Kinder Morgan Energy Partners (KMP) div \$3.52 yield 6.60%
- Dominion Resources (D) (gas and electric dist) div \$3.16 yield 6.60%
- Reynolds American (RAI) (tobacco) div \$3.40 yield 5.00% one of America's most trusted stocks
- Penn Virginia Resource Partners (PVR)(coal) dividend \$1.76 yield 6.40%
- Deutsche Bank (DB) div \$6.76 yield 5.20%
- Washington Mutual (WM) (financial services) dividend \$2.24 yield 12.90%
- Fording Canadian Coal (FDG)(Canada, minerals) dividend \$2.39 yield 6.30%
- Norsk Hydro (NHY, NHYDY.PK) div \$0.82, yield 5.92%
- Southern Peru Copper (PCU) div \$8, yield 7.80%
- American Capital Strategies (ACAS) (distressed financials) div \$4.00 yield 11.00%
- Realty Income (O)(USA, REIT) div \$1.63 yield 5.90%
- Alaska Communications Systems Group (ALSK) (Alaska, wilderness telecom) div 86 cents yield 5.90%
- Turkish Investment Fund (TKF) div \$4.04 yield 20.00%

FULL DISCLOSURE

We hold shares of Rio Tinto, Rio Vale (CVRD), Southern Peru Copper, CSN (SID), BHP Billiton, Anglo-American, GoldCorp, Gold ETFs IAU and GLD, Buenaventura Mines, Polymet, Harry Winston, BHP Billiton, Volvo, Corning, Uranium One, Yamana Gold, SPDR S&P Mining and Metals, Arcelor Mittal Steel, Gerdau Steel, Gerdau Ameristeel, Banco Bradesco, Klondike Star Minerals, Nvidia, Greif, Merrill Lynch, Nuance, Freeport McMoran, Klondike Star, steel ETF SLX, BanColombia, and Monsanto.

Our largest positions in descending order are PCU, Rio Tinto, AAUK, RIO, SID, Corning, Nuance, Mittal Steel, and MER.

Moving into 2008 we would be buyers right now of SLX, GGB, GNA, RIO, AAUK, Gold ETFs and gold mining co's, BBD, PCU, Monsanto, Petrobras, LEH, MER. FRO, SFL, Ingersoll-Rand, Vestas Wind

Systems, NVDA, Adobe Systems and BBD.

Best Wishes
For a Joyous & Prosperous 2008!

Chip Elliott, Bart MacLean, E,
and the MW group

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