

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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THE NEW AMERICAN POVERTY

BRIC vs SACCAM
PWND FAN TAN & KWT

THE STRONG BUY LISTS Updates: You CAN stay WAY ahead

On June 1st we told readers the summer of 08 would be “one you will long remember.” On June 1st the US economy was stretched to the breaking point. During the week of June 30th-July 3rd, that stretch broke. We’ve talked about Third World America since May of 2005. Welcome to the New Poverty.

Rather than present a great long list of mind-numbing my-eyes-r-glazing-over statistics about the New Poverty, stats you can get anywhere, we’re going to tell some stories. Present some of what academics call anecdotal evidence. Overall, this is the ugliest economy we can remember.

The equities markets in the summer of 98 were ugly, but the overall economy was fine, people had jobs and convertibles and \$100 bills for al fresco dinners.

The spring 2001 Nasdaq crash, planned orchestrated and initiated by powerful people with great connections to the Greenspan Fed who were terrified by the New Economy, convinced Alan and the boys to withdraw venture capital, and ruined many people and destroyed many companies, did not affect the

overall mainstream American economy, and life was Business as Usual til 9/11/01.

This is much different. Much broader.

In one sense, America hasn't seen anything like this since the 1930s: a banking collapse of proportions much similar to 1931, affecting mortgages, home prices, the value of the money, the jobs and unemployment rates, and all manner of consumer, retail, and products-and-services venues.

But in another sense, America has *never* seen anything like this, because it has arrived as a one-two punch: as the banking crisis continues to unfold, we are witnessing the end of the cheap-oil American economy.

And that in turn spells the end of the American Car Culture, the end of the huge American Consumer class which has supported smaller nations' economies by buying everything offered to it.

And it is the final death blow to the American Middle Class, and the continuing transformation of America into a Third World country, 95% poor and 5% rich, something we've told readers since 2003 was on the way.

-Ordinary Americans can't sell their houses in order to trade up trade down or to move. Home sales fell 4.7% in June and nearly that much in July. As of July 20, we believe US home prices have approximately another 15- 29% to fall.

-Foreclosures are up more than 50% YOY. Bankruptcies are up 27% even though it's now more difficult, since legal changes in 2005, to file. Where do the people go? They move in with relatives. They "double up" with another family to split the rent on a home or apt. They downsize. They rent rooms, They live in vans. They move to new places for a fresh start or on the rumor of a better job market somewhere. And increasingly, there are more of them, especially young people, in homeless camps (there's likely one in your city) where they live under a bridge, in something made out of cardboard boxes, or near a river in a tent. Reportedly, the hard part: firewood and freshwater.

-Americans can't sell their V8 gas-hog vehicles or their huge personal trucks to buy more fuel-efficient ones, and can't find jobs which pay enough to get them out from under credit-card debt. Two years ago, Americans used credit-card debt to build a new bathroom or to travel to Europe or the Caribbean. Credit card debt now is incurred to buy gas and groceries.

-Behold the quiet skies. If you live under an airline flyway you'll find eerie quiet up there, the first since 9/11, as airlines cut routes and fewer and fewer commercial flights are airborne. If you live in a metrozone, you'll hear fewer helicopters as well as cities curtail traffic patrols.

-Inflation is unlike anything Americans have seen since the Jimmy Carter era.

-The "credit" "subprime" crisis has extended outward now to the daily operations of most small and midsize banks. Big banks like Citi (C) and Bank of America (BAC) remain much more at risk than most people realize, and more write-downs are coming. We would advise staying away from these as investments even if the dividend looks inviting, These companies may never again wield the financial clout they

formerly had, because they are tied to the US 'old economy' based on leverage and the 'creation' of value, and because they do not yet, "get," even now, money as gramweight gold. Mortgage systems like Fannie Mae and Freddie Mac are completely involent, and are goners. IndyMac already been shut down by the feds and placed under aegis of FDIC, ie nationalized. Fannie Mae and Freddie Mac are undergoing the same process. The Fed and the Treasury Dept are using cutesy euphemisms like "this is a backstop plan" but it's nationalization.

-B of A, Merrill et al "writedowns" – a writedown is a a euhemism for *losses*- explained in terms of "having to find new capital" ??????!? Banks and mortgage institutions of course are "finding new capital" by going to the Treasury-sanctioned Fed "window" for it. For all practical purposes we are looking at state-subsidized banks. Perhaps more accurately, state-owned banks. Nationalized banks. Nationalized. A term educated Republicans (not Fundamentalists, who don't know what words like this mean) derisively use when referring to places like Cuba, Venezuela, and China. The United States is the land of Freedom and Individuality and widely-distributed wealth. Jobs and prosperity for all, as well as liberty and justice. Nothing is ever nationalized in America. Government takeovers of banks? That's something that only happens in... um...Third World countries.

-You've heard of the blind leading the blind? We have a bankrupt government "lending" money to bankrupt lenders.

-As we mentioned it would six months ago, "credit" "subprime" and "debt instrument" and mortgage issues now have spread into the commercial real estate market. Want a storefront? Thousands are available. Want an office building? Ditto.

-It is the end of the "suburban" lifestyle that has developed in the US since the early to mid-1950s and which involves a 2-5-acre lawn property, a big heat-inefficient house, and a single-passenger 20-40-mile commute each way to a job in the city five days a week.

-It's a bleak summer for kids' summer camps; attendance is way down. It is an empty cash register for state campgrounds, KOAs, state and national parks that charge admission and overnight campsite fees. No one's traveling, even in-state.

-Attorneys, law companies are downsizing their offices/office space (and their monthly rents) by half, and letting staff go who are not partners or up for partnership...and breaking leases and renegotiating leases in order to do so.

-In Florida, you can't sell an SUV as a trade-in, dealers won't take them. 1000s of SUVs are parked on the streets, are on display in the parking lots of malls, and are on the side of the highways with for sale signs on them.

-About one fifth of Americans will be able to maintain their current standard of living upon retirement. And that fraction grows smaller. About one third of the rest will have to live on around 80 cents on the dollar compared to current income. The other two thirds, including anyone who does not have a 401K, are down around the 40-to 50 cents on the dollar range. Upon retirement, most Americans- if they can retire

at all- will live on half what they live on now- or less.

-Airlines, already in huge trouble with passengers who believe the service is abominable (\$15 to check a bag, day-long lines) and refuse to fly at all (count us in that crowd) now are trying to calculate anticipate and rein in future costs of doing business by buying up oil futures, ensuring adequate fuel supplies at a price they know is stable with a future time frame. Airlines have been doing this for years: SouthWest has been doing it since 1999 and in many cases it has meant the difference between red numbers and a profitable quarter. Now just about all airlines are doing it. So are big moving van companies and big freight truck companies. The net effect: transportation companies achieve a slight profit edge, the price of oil goes up more than it otherwise would have.

-Food banks report that formerly Upper Middle Class folks are increasingly visiting food banks, putting the free food into regular grocery bags (Kroger, Giant Eagle, Safeway, Piggly Wiggly etc) and taking the dole food home packaged to it doesn't look like poverty food in a box.

-YMCAs are billing themselves as health clubs, offering swimming pool (of course) but also "fitness centers"(ie weight rooms) the main YMCA gym (basketball court) water aerobics yoga and now even added saunas and whirlpool. Y services used to be free, or nearly so. Now Y memberships can cost \$480 a year, or much similar to a health club membership.

-Doing well: Wheat, corn, soy, iron ore, railroads, and motorscooters. Not doing well: B&Bs, hot rod shows, dragstrips, working-class-luxury restaurants, llama/alpaca farms and any form of "nonsense farming," car dealerships, high-end organic food stores, tourist towns (Big Sur, Vermilion, Taos, Mendocino, Ukiah, Gatlinburg, Tarpon Springs) yacht clubs, "precious" restaurants ("the Secret little Garden Café") and men's suits. Somewhere in the middle: Wal-Mart (WMT), wineries.

-Best use of a closed Ford (F) plant: indoor storage space for boats and RVs. Many of the boats and RVs have are in foreclosure, owned by the bank.

-Who else is losing money? Gas station owners, as fuel profits drop to just a few cents per gallon, with the oil companies and the refiners (and the UAE) making all the money and retailers making very little. Most gas stations these days have been making more money on the convenience store items they sell than on gasoline, but as people drive less and use less gas they don't visit these convenience stores as often and so the milk potato chips hot dogs pop and eggs just sit there.

-The Fed will continue emergency lending to USA's investment banks- and to a spreading variety of financial institutions- into next year, allowing them to visit the Fed "window" for operating money into 2009 and perhaps into 2010. They are of course getting access to scrip, or electronic money, created from air, from the govt printing press, or from a "send now" button on a laptop. Not real money. These phantom dollars continue to lose value. Meanwhile, gold has ceased to be 'jewelry' and is now money.

-Is the Treasury/Fed providing "liquidity"???" to banks investment banks brokerages and other financials?? Or are they providing "capital"???????

How do we determine whether there is a difference? There isn't. The Fed/ Treasury approval of providing "liquidity" is creating capital for these privileged institutions to keep the "business as usual" model operating. This will worsen the value of the US dollar and worsen its position in the world economic community. This impacts ALL American assets and also gold. Look for MUCH more federal intervention as these institutions increasingly are at risk. Again: can the govt save the banks and not the dollar?

-ARE these companies -Fannie Mae, Freddie Mac, Lehman, Wachovia, Citi, B of A etc- too big to fail? No. What does it mean that the govt steps in and intervene to save them?? That has already been happening since March. Now the process is accelerating. What you are seeing this summer re: key mortgage institutions is being touted as a propping-up American financial and financial-leverage community in the face of falling public confidence. It's actually nationalization of the banks. *But it can't be done successfully using a failing dollar.* The Fed and Treasury are in utter and total denial about gold. Can the US govt save the banks and not the dollar? One and not the other?

Mariott International (MAR) the world's largest hotel/motel chain issued strongly lower YOY guidance, citing decreased travel. The bottom line: almost no Americans are traveling, and few Americans can afford to travel and stay in \$125 150 rooms.

-Sales of sports equipment- gold clubs tennis rackets etc- are off by about 40%

-Sales of men's toys- Ski-doo's high-end cars knives shotguns motorcycles high-end watches exotic and high-end bicycles new and used convertibles, even lower-end edge-city toys like skateboards and surfboards are off by 40- to 60%

-Sales of women's toys -- bed bath & beyond- style products, cosmetics, health club memberships, spa services, hair salons, swimsuits, apparel, lipo, trainers, personal shoppers, manicures, contact lenses and eyewear, various plastic surgeries, all are off 30-50%

-Lawn-care services sales are off by around 30%, lawn-care product sales are off by 30%-40%

-Sailboat sales are flat to lower by 20-30%, sales of smaller former Middle-Class boats like speedboats bassboats runabouts (companies like Brunswick (BC) whose shares now are down to \$10 as we write this) are off by 40-50%, sales of yachts both new and used are off 40-75%.

-Any activity that involves a membership fee a monthly charge or a monthly subscription fee is losing members. Golds Gym®, Planet Fitness®, golf links, swim and racquet clubs, etc etc all are losing members on the level of 15-30%. Anything that is payable monthly that is not the gas or electric bill or the rent or the car payment is being axed as a family expense by most people, and a high per centage of even those must-do's are late. The one exception, the monthly 'membership fee' that goes on the credit card that has not been axed is -men's pornography websites.

-The 'travel and leisure' industries- travel agencies cruise lines national bus tours- are completely under water. Not only that *they may not recover at all...*because by the time things improve, five to ten years down the road and based on an entirely new economic base in a new and very different world, these

“industries” will have to completely and utterly regroup. In 2018, cruise ships will likely be powered by solar-charged electric motors...or... they may be under sail. “Travel” packages may not involve air travel for ordinary people for ten or fifteen years...at least until such time as aviation fuel jet fuel is a biofuel. “Travel” for most Americans, is going to be from Boise to Salt Lake City, from San Francisco to Sacramento, from LA to San Diego, from Boston to Hartford, and it is going to be like that for a very long time. *More than five years.*

-With the collapse of the traditional auto industry in the US comes the domino-collapse of the gigantic-\$30-40 billion- auto parts, auto supplies, aftermarket/upgrade, small shop classic car, used car, autodealership, and body shop communities. Many many many used car dealers are sitting on inventory that they will never ever be able to sell for anything more than scrap steel.

-With the continuation of the “subprime” “credit crunch” era, and as the write-downs and trips to the Fed for “more capital” go on, the traditional ‘financial analyst’ community is under scrutiny and criticism, is being blamed for not seeing all this fake “electronic” money and “packaged” financial instruments sold as bonds and notes as a huge risk. Traditional ‘analysts’ like Moodys and S&P no longer have much credibility, and these jobs, these mechanisms, and these companies, whose views of companies and financial instruments are myopic, regional, provincial, naïve, and way too small, are about to be gone with the wind.

-An increasing number of Americans are turning part of their yards into vegetable gardens

-In Utah, state employees are about to get a four-day work week with ten-hour days. The theory is that closing state offices one day a week will save the state enormously in terms of energy costs and save 1000s of state employees big money on the commute cost of gasoline. Several other states are reportedly considering this ploy.

It looks good on paper but it wont work. It will prove very inconvenient to anyone who needs to use state services and finds offices closed and many residents will be furious and count the state employees slackers. Many state facilities- including state universities, police and highway patrol, prisons liquor stores and the courts- will remain open and ultimately not much money will be saved at all. Most importantly, work expands into the time allotted to it for most people, and so ultimately a four day work week will get the state four days of work done, ie 20% a week won’t get completed at all. Then of course, there is the failed productivity inherent in a ten-hour work day. Utah residents soon will find that trying to get food stamps, unemployment, or a drivers license will become much like trying to deal with the bureaucracy of the USSR in 1960.

-State lotteries in Florida, Georgia, New Mexico, Oklahoma, Washington, and likely others by the time you read this, are offering “free gas for life” as a lottery prize.

-Gas is more precious than cash. You may find this out if you leave your car out of the street overnight and someone can open the filler cap of your vehicle.

-Armed robberies are statistically way up. Most are remarkably “small-time”—video game stores, convenience stores, etc and involve people packing a gun to steal fifty to a few hundred dollars.

-What else is more precious than cash: scrap copper, scrap aluminum, recycled cardboard, newsprint and magazines, glass bottles, and a lot more. If you have copper gutters on your home, you run the risk of having them stolen if you go away for the weekend. Empty homes, owned by the bank courtesy of foreclosures, are having copper plumbing and other interesting parts that can be turned into “scrap metal,” stolen out of them, sometimes while the water is left running. A big rental cargo truck like one you can hire at Ryder or a white windowless “fleet” van of the kind favored by plumbing and air-conditioning companies (and burglars) can hold contents that can fetch as much as \$1000 a load at recyclable dealers. And fleets of these trucks are scouting neighborhood recycle bins and curbside piles in front of houses and helping themselves.

These are not homeless people hoping to sell an armload of old newspapers for 50 cents, or a bag of aluminum cans for six or eight bucks.

These are organized fleets of professional opportunists with trucks, cell phones, schedules, and minimum takes for the day.

Newsprint and coated-stock magazine paper alone can fetch as much as 30 cents a pound in some areas, or \$600 a ton. And there is a voracious demand for recycled paper in China and India, which means that much of what until very recently was considered “trash” gets put on a freighter in Long Beach and sent overseas where someone pays cash for it. There no longer *is* any worthless “trash.”

In the Bay Area and in other metro-zones, the big newspapers- SF Chron, Washington Post NY Times etc etc- are retrofitting curbside newspaper sales racks to make them theftproof as whole piles of daily papers put out for sale get scooped up and sold as scrap 30 cents-a pound-paper.

Aluminum was 67 cents a pound in 2003; now it is \$1.47 and the Fair Value (which is why we continually tell readers to buy Alcoa AA, RTP, etc) of aluminum is around \$2.14, so it is possible to make a substantial living selling cans etc to scrap dealers.

As a result, legitimate recycling companies with the kind that likely service your neighborhood for a monthly fee, are being ripped off. For \$100s of \$1000s a year by bandits with load quotas and schedules.

But as far as legitimate waste and recycle companies are concerned- like the company whose trucks come by your house once a week and pick up the cans jars and newspapers- it is theft and money out of their pockets. NorCal Waste Systems estimates they will lose more than \$500,000 this year in recyclables value to thieves.

All this has led to some new community laws; in San Francisco for example, if you steal from a legitimate recycle, you can be fined \$500 and get six months jail time. In New York, recycle thieves are subject to vehicle impoundment and fines that can reach \$5000.

All this puts scrap buyers and wholesalers under scrutiny by the cops in the same way that pawn shops are monitored by police for “fencing” stolen goods. Several states are considering or in the midst of passing

legislation requiring scrap dealers to ask for photo ID, take down a drivers license # etc for anyone bringing in more than \$50 in cans bottles or newspapers. Also: this used to be a cash-only business. Now the police are increasingly requiring scrap wholesalers to pay anyone they buy from with a check that is traceable.

Around 1983 I remember being on an unpaved road outside the Moroccan city of Fez, and watching a guy herd two dozen or so goats along a road toward town. The goats would scan the road as they walked, not missing a thing, and spotting and examining any tiny scrap- a piece of flatbread, a shred of lettuce or fruit- that might be food. A goat would spot a tiny scrap of orange peel and race across the road to beat the other goats to it, and gobble it down. This is typical behaviour in a Third World country. Now the Third World country is us.

Watch the goats now stealing copper gutters siphoning off gasoline from parked cars and selling off scrap gold jewelry- which is now about gone- onto the open market.

Even the Treasury secretary is upset. Henry Paulson told Americans little more than a week ago to prepare for “months more economic hardship”, based on continuing “housing price correction” (ie the value of your home is falling) continuing “turmoil in the capital markets” (translation: the govt can provide more free handout printed money to the banks but is unable to repair the dollar) and continuing “high oil prices” (which means the Bush regime still is owned by American oil companies, sees everything in terms of ANWAR and offshore drilling, and is unwilling to even think about Brazilian ethanol, wind power, electric cars, and other inventions that would put oil in economic perspective).

Paulson sees all this as cyclic. We assure you it is not. A way of life in America has ended. It is up to us to get off our butts, stop playing video games and gangsta, and invent a new one.

On the other side of the various ponds, it is quite one thing for the formerly very high US standard of living to fall some, but of course other standards of living in some nations with less than stellar incomes are falling in scale as well, as the formerly huge US consumer market fails to buy up all that junk product that is exported from China and goes into US retail inventories to sell to rich Americans.

It is clear, however, that other nations are on the ascendancy, notably SACCAM nations (more about that in a moment) And that one or more of them may replace us in economic stature.

In addition, various enormous projects calculated to capitalize on a new world of travel and prosperity are falling into disarray. In China, the transformation of Macao into a Chinese Las Vegas, once a bright economic spot three or four years ago and the object of billions in investment dollars, tanks as Asians North Americans and Europeans cant afford the airfare top Macao, have no discretionary income, and are staying much closer to home. Macao, now a sinkhole for billions in investment cash that has gone into now empty nightclubs hotels and casinos, is about to revert back into the sleepy Maoist backwater it was in 1954.

In the UK and in Europe, studies are beginning to show that biofuel production goals planned into 2009, 2010, 2011 and out to 2015 already are causing rises in food prices.

In the US, Brazil's sugar-based ethanol fuel exports and its forays into junk-plant biofuels could save the day, but of course our current government, hostage to big oil, tariffs these Brazil exports out of feasibility.

Energy is not just one issue. It is THE issue.

Probably the answer in the long term, 20 30 40 years forward, is a global electricity grid from winds and tides, and a widespread solar supplement- solar is getting closer and closer to cost-effective day by day- but in the meantime, the answer likely ought to be for the US to just let Brazil do its job and for the Brazilian people to profit from it.

And in both the US and in the larger and wider world, it is quite one thing to engineer biofuel production systems that may make the cost of pancake mix (GIS) or corn flakes (K) go up a little, but it is quite another to push up and coming middle classes back into poverty and push barely surviving societies into starvation and food riots. So of course, poverty is relative.

But one thing for sure: the New Poverty is upon us.

COMPASS POINTS

-Time to buy Silver: for months we've talked about the coming remonetization of silver. It isn't here yet, but it's coming. And it's time to buy silver as an investment in preparation for silver's remonetization increase in value and also for its ascendancy as a safe store of value, like gold.

There are at least 62 silver mining companies, and a handful of key mining companies that mine basic metals or gold and provide silver for the open market secondarily, including BVN ABX RTP FCX etc.

And these all are superb long-term investment companies, what we are talking about is simply viewing silver as money, as you would gold, and holding money in the silver ETF SLV, as you would the gold ETFs GLD and IAU, and using SLV as a safe haven as well as an investment with appreciation potential.

We also recommend ETF Securities' Physical Silver PHPL:LSE.

We believe silver will be selling at USD \$25-26 by the end of the year, or about 1/3 higher than now. We also think its advisable now to hold 5-10% of your portfolio's value in SLV and 5-10% in IAU and GLD in addition to various positions in mining stocks steel and agricultural investments like DBA DBC MON and POT TNH etc. As the world's money continues to transform from paper and electronic will of the wisps not backed by anything tangible and the world of credit and leverage continues into chaos and decline, what we now call digital gold- a global currency based on gramweight gold- will soon be followed by remonetized silver in grams and ounces.

Currencies not payable in these two traditional precious metals may continue on for a while, the Euro and the Canadian dollar faring better than the USD.

But eventually these currencies, as the dollar is doing now, will go up in smoke unless they are re-attached to metals.

Here's something to think about: traditionally – for 1000s of years- silver's value in relation to gold has been in the range of 12:1- 15:1. \$19/ oz silver at 12:1 puts the value of gold at \$228/oz. It doesn't take a genius to figure out what's going to happen. Even we can do it.

-Bombom bombom Iran bommbommbomm bombomIran etc (a parody of early rock n roll hit “Barbara Ann” reportedly attributed to John McCain): US exports to Iran have increased by a factor of more than 10X during the Bush administration, despite Bush accusations (and decades of proof going as far back as Gerald Ford) that Iran is the world's #1 fomenter and financier of terror and intends to nuke both Israel and the US if it can. The #1 US export to Iran: cigarettes. We keep tell readers and have for years, the world smokes tobacco, and while American health Nazis can legislate tobacco out of existence in San Francisco Baltimore and St Louis, humans will go right on using tobacco as they have for 50,000-75,000 years.

Our verdict: sell Iran all the tobacco you want. And sell Iran the all the Barbies® (MAT) they want, too! Every Barbie® that goes to Iran brings the world a day closer to a democratic Middle East.

Meanwhile, more test rockets from Iran, and western pullouts in deals with Iran (by companies like France's Total) mean the US has succeeded in isolating Iran economically. No one has stopped Iran's nuke ambitions, however.

-Oil's Wild Card: It's not Canada's “oil shale” beds and it's not offshore drilling in the Caribbean or the America's and it's not ANWAR. It's the Stans: Kazakhstan, Uzbekistan, Turkmenistan Kyrgistan Tajikistan Afghanistan northwestern Pakistan is that all of them? Russia believes it holds sovereign rights to some of this turf, and has gone into small regional wars over turf in this region.

China believes that (as it does with Mongolia and Tibet) it holds sovereign rights to some of this turf, has not gone to war over it but might if the prize is valuable enough.

This region is an area about half the size of the United States and it is THE largest geologically-unexplored place on earth. What's under there? Tomorrow's oil.

ENERGY AND FOOD

One of the more surprising sources of information these days about alternative fuels happens to be *Motor Trend* magazine, whose Ferrari Maserati Cadillac and Mustang-obsessed staff are very interested in fuel alternatives to gasoline that might keep their obsessions with speed style and power rolling.

It's now apparent that as a fuel, hydrogen- a gas- is a pie in the sky bust, and may never ever happen.

Ordinary people will never be able to deal with volatile and invisible compressed hydrogen as a fuel, even though the French-invented compressed-air engine and cars powered by compressed air may do the trick.

As a fuel, however, humans seem to prefer a liquid and likely will for generations to come. That brings up CH₃OH, which is a liquid-hydrogen called methanol. American kids in the 1950s powered model airplanes with tiny “gas-powered” engines with this stuff, which came in 1pt or 1qt cans available at the local hobby shop and sold under many brand names.

Methanol pours stores and travels nearly as easily as gasoline. It is corrosive, it burns without a visible flame, and contains, when ignited, only half the stored energy (you’ll need a bigger gas tank) as gasoline. But it is a liquid, and humans are comfortable with liquids as fuel. Compared to a gaseous invisible highly-combustible lighter-than-air fuel (“Is it in there, Harriet? Light a match and we’ll see”)

Methanol is the simplest form of alcohol (only one carbon atom) and can be produced from any wretched skuzzy biomass (palmetto, banana peels, kudzu, sagebrush, sugarcane tailings, corn stalks etc) without a complex enzyme-intense process or distillation. It can even be made from atmospheric CO₂, a problem everyone seems to be railing about (every time you hear the new term “carbon footprint” CO₂ is mostly what that refers to) though it would take a great deal of energy (or the byproduct steam from a nuclear reactor) to set up a plant to make methanol.

As a tip of the hat to Harriet and Joe Sixpack, methanol is a lot harder to harder to ignite than gasoline, and because of this the EPA estimates that crash-related deaths injuries and property damage would fall by 90% if methanol not gasoline became our primary vehicle fuel.

Methanol may have a lower energy-density quotient, but it has very high octane rating (hence those wonderful model racing airplanes from the 50s that your grandfather owned) which means that cars n trucks powered by methanol would get a modest power boost, especially if a methanol-powered engine was employed in a flex-fuel vehicle. Methanol, like ethanol (America’s great Corn Debacle) requires only very simple modifications to a gasoline-powered or diesel-powered engine to run on an 85-15 mix of methanol and gasoline, though the larger advantages come when methanol is used as a 100% fuel.

The EPA reportedly has taken a 1.9 liter VW with a diesel engine in it and changed the diesel injectors to sparkplugs kept the high diesel compression, fitted the engine with port (carburetor) fuel injectors, and run it on 100% ethanol (M100)...the result being that the engine was more efficient and had a wider power band than stock, with cleaner emissions requiring no exotic exhaust aftertreatment.

In addition, running a car on methanol and using what *Motor Trend* calls a “fairly simple” catalytic converter mounted to get free heat from the car’s exhaust system, unburned fuel (ie pollution: smog) breaks down easily into carbon monoxide and hydrogen, meaning cleaner air. And the heat absorbed in this process adds to the energy content of methanol compared to gasoline, which equals additional range (better mileage) for the car.

Some very bright engineers in the auto industry are advocating a timeline that would mandate a mandatory flex-fuel capacity on any vehicle with a spark-plug engine by 2012, leading to a gentle-curve rampup of demand for methanol (made from junk biomass)) at most local “gas stations” leading to widespread availability of methanol as either a “pure” fuel (M100) or a flex-fuel (M85) by around 20 20. Further ‘clean-air’ legislation (which would of course mean wresting the US Senate and House away from control by

Big Oil) would at this point begin to make production of methanol for vehicles CO2-neutral, so that by around 2030, cars and trucks in the US could exit the climate-change brouhaha completely, absolved of blame.

Meanwhile the economy might save the two to three trillion dollars it would cost to convert the transportation economy to gaseous hydrogen, a fuel that caused the Hindenberg to explode, while ordinary Americans with two or three beers in them and watching World Wrestling Federation on a cell-phone screen try to “tank up.” We’ll see.

THE POVERTY INDEX

Companies that Service and Sell to America’s Poor (that’s all of us except for the rich)

-eBay (EBAY) 54,000 used cars n trucks for sale, plus everything else you could possibly want. New CEO. Currently in a fight w banks n credit cards over how eBay gets paid, and eBay’s share. We notice that a huge % of high end items are no longer meeting seller’s ‘reserve price’ reflecting Americans’ empty wallets & lack of “discretionary” dollars

-Wal-Mart (WMT) provided China’s giant entry keyhole into US consumer markets, arguably ruined or destroyed most small-town American economies, and now is busily wrecking Brazil and other parts of the world (there are 313 Wal-Marts in Brazil, 21 in Argentina, 202 in China, etc). WMT still hunts for new revenue sources, has just launched an online classified advertising site much like CraigsList®. Meanwhile, WMT’s online sales and revenues are sharply up. Has signed a deal w Rio Tinto to buy gold w/ no middleman to supply its retail jewelry business

-Amazon (AMZN) no longer a “books & records” dotcom startup, Amazon has developed an enormous 2ndhand and “buy it wholesale online” business that has begun to rival and overlap eBay and challenge brick n mortar retailers. Want a pair of thigh-high stiletto heel black leather boots? A \$2000 set of golf clubs for \$799? Groceries (22,000 non-perishables)??? Performance car parts? Pet supplies? Amazon sells all these things and much more. Look for AMZN to push toward bricks n mortar stores, possibly by buying out Borders Bookstores and broadening what’s in them. P/E falling dramatically over the next year or so signals Amazon’s entrenchment & success

-JM Smucker (SJM) founded in 1897, family-owned into the late 20th century, started out selling apple butter from a horse drawn wagon, now owns Iconic Americana kitchen brands Jif® Martha White® Pillsbury® Folgers® Hungry Jack® Crisco® Crosse & Blackwell® PET® etc. PE 17, div yield 2.4% now completely recovered from the days of bad blood with the public when Smuckers tried to patent the peanut butter and jelly sandwich

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

-First Cash Financial Services (FCFS) Texas-based, pawnshops, USA and Mexico. 252 pawn shops, 145 cash advance stores, plus kiosks. P/E 8.66, 30.90 million shares out

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

-Anheuser-Busch (BUD) Bud Lite® et al, America's legendary iconic and traditional after-golf/ bikerbar/Gretchen Wilson trailertrash/bassfishing/backyard BBQ/ beachfront all- purpose national staple beer. 48% market share in the United States. Anheuser-Busch has been sold for \$51.8 billion to Belgian brewer InBev SA (INBVF.PK) (INB.BR). Anheuser Busch will keep open all 12 of its North American brewery centers and will change its name to Anheuser-Busch-InBev.

The deal will create the world's largest brewer (beer brewers have been merging and being bought out by larger competitors for several years, a situation much similar to the big global mining companies) and the world's fourth largest consumer-products company.

The buyout of Anheuser- Busch still must pass approval by shareholders and regulators. But it will likely go through because Americans have lost their national pride and collective will, and simply don't know any better. It is all part of the New Poverty. The United States is fast ceasing to be a functioning nation and, flat broke, it is being sold off to the world in what is essentially a giant yard sale. Perhaps next the Statue of Liberty will be sold to a Saudi sovereign fund. As this sale of America into foreign hands continues, the United States ceases to be a nation, much less a great nation, and is becoming a colony, much like Algeria was to the French, Brazil was to the Portuguese, and Mexico was to the Spanish. Americans will find that a colonized people are not a free people.

BUD had been challenged on all sides in recent years by brewers big and small, but especially by SAB Miller (SAB.L), Molsen Coors (TAP) and Companhia de Bebidas das Americas (Ambev) (ABV) and FMX (Mexico: Euro and Mexican beers) as strapped Americans seek tiny bargain pleasures in the form of high-end beers. Meanwhile, both SAB Miller and Busch had also been InBev buyout targets. And Mexico's Grupo Modelo (GMPC) may have gone after BUD if InBev hadn't made its move. Meanwhile, America's 150-year-old national beer will leave America's yard sale as rich folks buy it and drive away, leaving the USA poorer

-ConAgra (CAG) processed foods including Chef BoyAr Dee and 12s of others

-Krispy-Kreme (KKD) has been discredited and out-of-fashion inside the USA for four or five years KKD is a legendary American Ethnic Southern treat in the US but considered a luxury similar to dark chocolate abroad. KKD is an imploded co its stock collapsing in value following the USA's anti-transfat craze. A Kuwaiti industrial contracting family now owns 14% of the shares and they may be the ones to take KKD global

- 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 US states, STRONG BUY
- Copart Inc (CPRT) these guys dismantle and/or auction off wrecked cars for parts. 123 facilities in the US, 1 in Canada, 7 in the UK. A lot of US wrecked cars go overseas
- Ryder (R) those yellow trucks you rent to move your stuff when you move into an apartment, when you first buy a house, when you get a divorce. P/E 15.7, EPS \$4.24
- World Wrestling Entertainment Inc (WWE) live and televised WrestleMania events showcasing America's sleaziest- or most Shakespearean- sport. \$1.33 billion market cap, 71.9 million shares out, \$266 million in cash, near zero debt, good management, dividend \$1.44 yield 7.8%. As American- and as low-rent- as you can get, this is how Americans view the battle between good and evil
- 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, STRONG BUY
- Tupperware (TUP) sales reps, sales parties, fast going global
- Hormel (HML) inventors/purveyors of Spam®, sales of which are up 11% since January, uninterrupted dividend every Q since 1928
- 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) classic American brand-name basic foods including Eggbeaters® Healthy Choice® LaChoy® Swiss Miss® etc, sales in North America Europe & Asia. Sold its commodities trading unit (ag commodities, fertilizer, energy to private interests, will be called Gaviion LLC
- Kroger (KR) America' supermarket: 2500 grocery stores 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

-Yum! Brands (YUM) Pizza Hut, Kentucky Fried Chicken, Taco Bell, A&W etc fast food franchises. 5% Q decline in US sales, as the America's poor- increasing in number by the DAY- eat more macaroni and cheese at home and fewer pizzas and buckets of chicken. *But YUM's sales in China are up 42%*. Pizza Hut®, founded in Wichita Kansas with \$600 by two brothers hoping to make enough \$ for college tuition, turned 50 last month and is the world's largest pizza chain, \$10 billion in annual revenue, 11,000 stores worldwide

Notes: The age of commercial air travel for ordinary Americans has *ended*. It has been killed by oil prices and increasing awareness of the true social cost of petroleum energy consumption, by a collapsing American middle class that can no longer afford tickets, by a cyberworld that makes face to face business conferencing simple and eliminates the need for most commercial travel, and by US government policies that have made air travel so disgustingly unpleasant that most Americans are so offended they rent cars instead of flying. Can't take toothpaste can't take shampoo take off your belt your shoes and all your clothes please, coach, business class, equally horrible, and business class and 1st class travel only slightly mask the reality that it takes longer, real-time, to fly from Chicago to St. Louis than it does to make the trip in a car.

As recently as the 1990s we traveled coach on commercial jetliners with a backpack that held wine glasses, *real* silverware, cheeses, wines, a corkscrew, cheese knives, a backgammon set, CDs, and a briefcase full of cameras Dictaphones flashlights fountain pens pocket knives electric razors short-wave radios and a hand-held generator to recharge cell-phones etc plus sometimes a flyrod or a surf rod in a plastic-pipe case. That's all over now.

In place of commercial air travel, we have NetJets® a global air service which services all aspects of private air travel for hire for those who can afford it. NetJets® is a holding of Berkshire Hathaway (BRK-A) (BRK-B) one of the world's most successful companies. The rest of you: take the bus, or walk around the block and say you've been somewhere. American, including us, will be staying closer to home for a few years.

After that? In a few years? New fuel technologies and new sources of electricity and possibly comfortable fast rail travel much like Europe's will put Americans back in travel mode. But inexpensive and comfortable air travel as America has known it since the late 1940s? This would require aviation fuels from new sources- biofuels- that cost about half per gallon what airlines are currently paying. And this would require the development and construction of a massive new biofuel industry on the scale of today's current petroleum businesses. In can be done, it likely will be done. But it will take decades.

The FLUFF INDEX

Euro-Flash, Asian Terminal-Hipness, Japanese Cool, US Riches: Toys n Luxuries

-Tiffany & Co (TIF) (jewelry, other branded luxuries) warned of lower sales and profits for the year at Xmas 07 but came in w/STRONG Q earnings, and is doing much better than even its management expected. Tiffany recently sued eBay, holding the digital auction house responsible for “fake” Tiffany watches and jewelry. Tiffany lost.

-Harry Winston Diamond Corp (HWD) (Toronto-based) is a major contract diamond supplier to Tiffany’s plus of course retails from its Harry Winston Jewelers® stores. HWD co-owns one of the world’s best diamond mines, sharing ownership with Rio Tinto (RTP)

Prices for five-carat and larger diamonds are up 76% in a year. Diamonds of first quality ten carats and larger sell for \$200,000 a carat. A UK group of wheeler-dealers, Diamond Circle Capital Plc, announced a planned IPO that would form a “diamond ETF” but the project has been postponed

-Claymore Global Luxury ETF (ROB) a basket of the best luxury goods stocks

-Estee Lauder (EL) beauty & health care products, multi brand names, P/E 20, EPS USD\$2.24 founded 1946, holding its own

-Chubb (CB) benchmark insurance company in the extremely profitable niche market of insuring fine art, jewelry, and other luxuries, STRONG BUY

-Swatch Group Ltd (VTX:UHR, SWGAF AG) major brand watches including top of the pile Omega, the world’s official Olympics watch, annual profits above \$1 billion for the first time

-Blue Nile (NILE) Online diamond dealer’s success has forced MANY small retail jewelry stores out of business. In business for almost a decade, NILE has acquired the 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 in Cadillacs an supertrucks they stop for French onion soup at Cracker Barrel® restaurants. Solid management, strong stock buyback, huge point-of-purchase supplementary product line adds to profits, 550 restaurants, based in Tennessee

-Limited Brands (LTD) adult erotic funwear, upscale luggage and sportswear, exotic bathroom products, etc. Billionaire founder Les Wexner is moving the co away from apparel (The Limited® stores etc) and bathroom products (Bath & Body Works® chainstores) and pushing high-end Victoria’s Secret® products and an expansion of the company’s high-end Henri Bendel® stores (two now, six to eight more next year)

-Royal Caribbean (RCL) (cruise ships)

-Carnival (CCL) (cruise ships)

-Callaway Golf (ELY) Cal-based golf clubs supplies & accessories, the very epitome of American 'fluff' stocks, golf is a mid- 20th century phenomenon that remains strong as both a player and a spectator sport where the elite meet to greet and compete. Is Tiger Woods more relevant than Barack Obama?

-Marriott International (MAR) the highest cash flow of any US-based hotel chain

-Disney (DIS) theme parks, media, travel and tourism, upscale American weddings, & licensed products all based on The Mouse®. Disney will open a Disney World in Shanghai 2010-2011

-Krispy Kreme (KKD) co market cap of 160 or so million puts KKD on auction block. Expect a non-US conglom to buy and globalize this American icon

-Odyssey Maritime Exploration Inc (OMEX) world's only publicly-held undersea archeological treasurehunting co. Tampa-based, 47.9 million shares out, has benefited from links, artificial or not, to Disney's "National Treasure" and "Pirates of the Caribbean" movie series. These guys are sharks...but hope springs eternal among stockholders, who will never get a piece of this treasure pie

-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: elegant laptops, new era iPhone 'cell phones' and the culture-changing iPod

-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)

-Piaggio (PIAGF: PK) (PIA: Milan) maker of Vespa motorscooters, legendary since post WWII Europe and the debut of US film *Roman Holiday*. The company has always had a cult following, has always never been able to deliver the black numbers for itself or for shareholders. Went bust, for a while was owned by Deutsche Bank (DB) went public again with an IPO in 2006. Now is the greatest opportunity for this company in decades, but it may again end up being in receivership or bought by a bank

-Ducati Motor Holdings (DMHYY.PK) Italian V-twin motorcycles, the Ferrari of two-wheelers, still afloat

on its own, we're surprised Harley (HOG) hasn't bought it

-Crocs (CROX) (see this month's Compass Points section) brilliantly-colored and silly but comfortable *fashionista* shoes and other wearables, the fad is over in the US, the stock has crashed, but CROX has strong presence in Europe and global

-Deckers Outdoor (DECK) makers of the star-legendary Alley-Oop© style Uggs® sheepskin boots favored by female celebs worldwide and Manhattan and Boston girls with trust funds, Deckers "gets" what Harley-Davidson "got" for many years and what Crocs didn't: that scarcity= chic and that translates into icon, phenom, symbol, and high profit margins. #98 on *Fortune's* 07 list of fastest-growing companies. Earnings have exceeded analyst estimates for 12 Qs in a row, 1st Q sales up 84%. EPS: \$5.18 Q revenue growth YOY 34.4%, 13 million shares out. Debt: ZERO

-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

- Constellation Brands (STZ) upscale brand-name beers and wines inc Pacifico Corona Simi Clos du Bois etc

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

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

-Whole Foods Markets (WFMI) yuppie and elite-consumer food products, in trouble in a bargain-basement 08 US economy

-InBev (INTB)(INB)(LSE:AP84.L) Brussels, global upscale brewer, 200 brands in 20 markets, P/E 13.53, EPS Euro3.54, div. Euro1.83, on the hunt for acquisitions

-LVMH Moët Hennessy Louis Vuitton (Euronext 0000121014) (champagne brandy accessories, luggage etc. Louis Vuitton chose Keith Richards to be its poster boy for worlds best leather goods, these ads now are in magazines

-Luxottica (LUX) sunglasses giant based in Milan, owns all the major brands (Ray-Ban etc) and all the major licensures with luxury brands (Versace, Burberry et al) plus owns Lenscrafters®. \$12.50 bil market cap, 5280 stores plus franchises. Sales down this year but projected to top 9 bil Euros in 2009. Well-managed. Lenscrafters® is going into China

-British American Tobacco (BTI, LSE: BATS.L) 07 profits up 12%, bought Scandinavian tobacco co Skandinavisk

-Daimler (DAI) parentco of Mercedes Benz, now trying to regain its global elitefleet sedan leadership. A tiny 21st-century economy car, the Mercedes-Benz Smart® will debut in the US soon

-Church & Dwight (CHD) Trojan® condoms, 65% market share in US

-Victoria's Secret (Limited Brands)(LTD) chic/erotic playwear. The religious right has finally caught up with Victoria's Secret, and the company has toned down its offerings in the USA. In Europe? Fat chance.

-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

-Fiat (FIAT.BE) (FIAT.DE) (FIATY ADR) Fiat is the owner of Ferrari, Maserati, Alfa Romeo, and is UNDERVALUED

-Berkshire Hathaway (BRK-A & BRK-B) Warren Buffett's owns NetJets® owns Dairy Queen® AIG, Marmon, etc etc etc. we like to call him Warren Buffet

-Abercrombie and Fitch (ANF) upper class/upper middle class young people's clothing, marketed via sexually-charged catalogs now available only in UK and Europe, plus strong Online presence. ANF's flagship US stores are "tourist destinations" in NYC SF and Miami, which drives London flagship store sales and extends brand recognition in Europe. ANF was a failing subsidiary of LTD that was spun off as an IPO; CEO Mike Jeffries has guided ANF to become one of the world's top apparel retailers. Jeffries himself is one of USA's highest-paid execs

-Nike (NKE) \$33 billion market cap for shoes? Yep. Strong Q earnings growth YOY (30++%), \$3 billion in cash, low debt, profit margin 10-11%, climaxed during the Michael Jordan Chicago Bulls era but shows no signs of diminishing or going away, but US sales are lower

-MGM Mirage (MGM) the travel to Vegas to spend Fun Money industry is failing, the Tropicana just went bankrupt

-Wynn Resorts (WYNN) Macao is not doing all that well

-Las Vegas Sands (LVS) fewer Las Vegas partiers

-Porsche (PSEPF.PK, FRA: POR3) World's best-engineered off-the-shelf cars. Porsche sales in the US are recently dramatically lower but very strong worldwide Average net worth of an American Porsche owner: \$3 million.

Nissan (NSANY) cutting into Porsche's market is the Japanese Nissan Skyline GT-R, old-school James-Bond/Aston Martin-style beautiful, 480 hp, top speed a hair under 200mph. At \$68,900 the GT-R is a huge bargain for people who care about such things and can afford them. Nissan will market a bargain-priced Maxima® 2009 4-door "sports car sedan" with bat-out-of-hell 290hp power and 20/27 MPG

-Daimler (DCX, DAI) Mercedes Benz, now disconnected from Jeep is gaining global market share in the

world of luxury sedans. US sales are much lower this year

-Volkswagen (VOW: DE) owns makes and markets Bentley, and has strong global sales of its high-end Audi models

-BMW (Bayerische Motoren Werke) (BMW.F) used examples of this fun yuppie toy and latter-day James Bond icon can now be bought cheap in the USA if you have cash. BMW also owns and manufactures Rolls Royce, Husqvarna and BMW motorcycles. Sales of new BMW's and the British Mini-Cooper, which BMW owns, are way up. There's now a Mini station wagon. In both UK and US, yuppies call Mini's "Bini's"

-Nikon (NINOY.PK) worlds best publicly-held camera co plus broad hardware technologies. We began tracking Nikon at 100 in 2005, shares went to 360 then fell to 250, now around 270. American sales are lower (as are sales of many discretionary 'toys' in USA), market for used Nikon film cameras is very strong

Notes: DeBeers raises its raw diamond prices 5% this month and Aston Martin raised new car prices 10% effective August 1st reflecting the continuing value falloff of the dollar. Meanwhile, Porsche is buying up huge blocks of Volkswagen shares...and, we believe, will own VW outright- controlling interest- within 24 months.

We notice that high-end luxury sedans (Rolls Royce, Bentley etc) for sale on eBay are, increasingly, from the stables of limousine-rental services, which are liquidating assets and closing doors in the face of a US economy that is cutting corners when it comes to expenses for weddings celebrity entourages special events. Similarly, Starbucks (SBUX) is closing 600 US stores, as Americans choose between latte and gasoline.

Rich and poor alike, the age of the Car Culture in America as we know it has ended. For all practical purposes, any passenger vehicles powered by an internal-combustion engine that runs on gasoline is an instant antique. Unless we can come up with, in a reasonable time frame- five years? -- major transitional changes to that engine.

More likely, the future holds, three to four decades out, a world-wide wind-powered, geothermal-powered, hydro-powered electrical grid, backed up by solar in many parts of the world, and most uses of power- transportation, hauling and shipping, heating and cooling, rock concerts, whatever, will tap into it. Why are there no trains? Why there not a broad commuter and travel grid across Canada the US and Mexico but especially functional in the US to handle basic travel needs in comfort style and economy? Because the petroleum industry controls the US government. As oil cleared \$100 trains became far more cost-efficient as freight-haulers than trucks. Fuel costs have trucking industry giants YEL etc in deep trouble, while key US RR stocks are, especially now, among the strongest long-term investments you can buy. Why are there no trains? There soon will be

COMMODITIES

-Uranium: Fair Value 97, currently 64, up slightly, global consensus remains against nuclear power, uranium

has been at around 60 (the bottom) for months

-Copper: Fair Value 4.76 currently 3.72 say goodbye to \$3 copper in 2009

-Silver: Fair Value 26.51 currently 18.40 *silver is starting to re-monetize. Americans and Europeans are buying silver coins like there is no tomorrow but it hasn't begun to affect monetary price*

-Gold: Fair Value 2236, currently 964. Gold's current daily global floor support price is 1262, more than \$250 above what daily gold sells for. China became the world's top gold producer in year 07, with 276 metric tons, South Africa is 2nd

-Gold's Transfer Rate: \$962 see NOTES

-Gram & Coin Gold: global= \$32.06/gram, 1 oz gold eagle= \$932.51, 2% inflation in May means the US govt is telling fairy tales about the dollar's strength

-Aluminum: Fair Value 2.63, currently 1.38 FAIR VALUE is MUCH MUCH higher than it was 90 days ago. Daily floor support is around 1.44, aluminum demand has not yet risen enormously, as steel has, but it will begin in 09

-Zinc: Fair Value 1.58, currently 0.86, lower

-Nickel: Fair Value 16.35, currently 9.31 with gold and aluminum currently the most undervalued of metals

-Palladium: Fair Value 412, currently 1834 profoundly undervalued

-Platinum: Fair Value 2536, currently 1852 closest of the precious metals to its Fair Value

-Oil: Fair Value 72, currently \$131, *\$100 oil meant the collapse of Middle Class America and the end of the American Car Culture as well as the demise of the suburban/commuter American lifestyle. \$150-200 oil will bring a global ethanol industry and re-introduce work and transportation animals*

-Steel: global demand for basic steel products is still rising. We did not expect a steel boom to begin until 2010. Iron ore prices are much higher, Rio Tinto negotiated record 09 ore shipment prices with China a week ago. Steel products are backordered in the US. New US pennies are steel. Brazil is becoming a world leader in steel.

-Natural gas: Fair Value 7.28 currently 10.49 and lower, but winter of 08-09 will be expensive for Europeans & Americans

-Corn: Fair Value 6.28, currently 6.07, reflecting a 10-yr best corn crop. *It is not corn ethanol causing high food prices. \$7 corn will become the norm until alternative energy gains momentum and clout.*

-Soybeans: Fair Value 8.67, currently 14.05, reflecting a strong 2008 crop, prices up 50% so far this year

-Rice: Fair Value 15.32, currently 17.07, lower, reflecting strong 08 crops, it is now apparent that a global rice shortage will be a long-term issue

-Wheat: Fair Value 8.55 currently 6.17 prices are substantially lower than a month ago reflecting weather concerns and a guge crop

-Sugar: (global) Fair Value 13.73 currently 12.44, considerably higher than a month ago

-Ethanol: (US) Fair Value 2.14 currently wholesale 2.53 and retail 3.56, US Big Oil is locking out Brazilian ethanol imports

-Gasoline: Fair Value 1.62, currently 3.26 wholesale, 4.33 at the pump, wholesale prices lower, retail prices higher

-Diesel: Fair Value 2.23 currently 4.79- 5.49 at the pump. Diesel is the word's most widely used transport fuel, and now has the biggest futures spread since 1994. Refiners can't make enough, and diesel sells for an average 14% higher, worldwide, than gasoline. Meanwhile: RRs take business from truckers

-Euro: Fair Value \$1.76, currently \$1.59, the European Central Bank refused to lower its prime rate, correctly citing concerns over inflation, so Euro remains very strong against the US dollar. Key dollar proponents Bernanke and Paulson talk the strong dollar talk but it's lipservice because the net-debtor US cannot afford to pay off any of its debt even in today's dollars, much less in more expensive ones

-The Pound: Fair Value 2.16, up another 5%, currently 1.98 Mervyn Leroy is way more concerned about an inflationary UK/Euro spiral than he is about inexpensive expansion and venture capital. Ditto w the Bank of England & Royal Bank of Scotland

-Canadian Dollar: Fair Value \$1.56, currently \$1.02

-Brazilian Real: Fair Value \$0.76, currently \$0.63 now the 2nd strongest currency in western hemisphere behind the Canadian dollar, but is devaluing...making Brazil goods cheaper and more desirable on world market,

-US Dollar: Fair Value is currently around 7 cents below its current value

-Harley Davidson composite price of new and used motorcycles: Fair Value \$7696 currently \$12,128, down about \$900 in a month. Used near-zero mileage "yuppie" Harleys everywhere and dealers are discounting new ones, cash is king on big retail items like boys' toys

-Eggs: Fair Value retail \$0.9124 doz, currently \$1.09 most places but \$0.89 in some, reflecting many supermarkets now are selling eggs "at cost" or even below cost as a "loss leader" in order to get impoverished customers into the supermarkets at all. Higher oil costs mean higher agribiz grain costs which are causing higher retail eggs poultry pork beef cheese cereals etc

-iPhone, 16GB, Fair Value \$230, currently \$199, iPhone price falls dramatically with the July 11 intro of the new 3G iPhone as Apple relents on service providers (AT&T in the US, O2 in England, France Telecom & Deutsche Telekom in Europe) offering subsidies to phone buyers in order to secure contracts and cut into Blackberry's market share. A BIG US & Euro market has opened up for used iPhones. California now fines hand-held phone users who drive

-Marlboro cigarettes: Fair value \$1.28 currently \$4.18, sales of cigarettes are falling as American smokers choose between tobacco and gasoline

-Camel cigarettes: Fair Value \$1.21 currently \$4.28, lower. American tobacco use is being crushed by PC legislation but 1/3 of ALL adults worldwide smoke

-RXs: retail pharmaceutical prices are lower as chainstores compete for Rx business, offering "\$4 prescriptions" to get shoppers into stores and as many Americans "do without"

-Single-family homes: prices now are falling again, as no offers cause for-sale price drops, especially in suburbs or outlying bedroom communities where gas prices now prohibit long-distance commuting. Worst hit: the big metro areas. Home prices in 20 major markets have fallen 14.4% in a year

-Floor support for MSCI World Index is 1522, currently 1434, down dramatically in a month and oversold

-Floor support for the DAX is 6688, currently 6589

-Floor support for the Bovespa is 65826 currently 64588, oversold

- FTSE: floor support is 5128, currently 5376, both are much lower than a month ago

- NYSE: floor support is 8651 currently 8453

- Dow Jones: floor support is 10918 currently 11451 having fallen dramatically, any additional crisis or bad news could take 500 points off the Dow in a day

- Russell 2000: floor support is 697, currently 695 down 5% in a month now flat

-DAX: floor support 6123, currently 6425

-Nikkei: floor support 12221 currently 12803

- Mexico Bolsa: floor support 30124 currently 28091 undersold by 6-7%

- Brazil Bovespa: floor support 63191 currently 60890 undersold by 5%

- S&P 500: floor support is 1158, currently 1259

- NASDAQ: floor support is 1658, having fallen more than 500 points in a month, ALL NASDAQ stocks w high P/E and no dividend are at share price risk

- Reuters CRB Commodities Index (CCI) floor support is 626.28 currently 427.95 OVERSOLD BY 200 points

Notes: A gold “transfer rate” is a useful number to pursue now. A transfer rate number would be a gold ounce “gold as money” equivalency number payable right now, present tense, based on an orderly non-panic transfer of our “store of value” from US dollars to gold. A gramweight or ounce-weight “gold as money right now” transfer number would be based upon various (Europe Australia UK Brazil USA Canada) key economies’ GDPs and prime rates (ECB, FED) and their budget surpluses or deficits (China’s numbers are an utter wildcard, their numbers national numbers cannot be substantiated, ditto Russia) but what we are getting is that gold’s dollar-value “transfer rate” from paper/electronic “money” into gold is now about \$962. That means that gold does NOT have a “real” present-tense value of 1600, 2200, etc. though it may in the future. It has a real value today of \$961 if you were to trade Mexican pesos for gold and then trade gold for dollars, or if you were to trade Japanese Yen for US dollars and then buy gold with the dollars, etc. That means you should not be selling any gold for below \$961, if you do you are de facto losing money.

THE GREEN INDEX: WIND, SOLAR & WATER

We’re in the early stages of a major global shift into non-petroleum, bio-alternative, wind and solar energy sources. This transition will be successful, and it will have some proud cooperative successes and achievements, not unlike watching the Amish put up a barn. But at the start- that means right now- it will be ugly, economically disruptive, will contain some false starts and have some failures. It will be geographically uneven, and it will take a long time. How long is a long time? Much of your lifetime: probably the rest of the first half of this century.

The first wave of new energy was solar, and it occurred in the early 1970s, when the hippies in the US and Europe discovered free sunlight. We are in the 2nd wave now. The Third Wave, a point at which alternatives are cost-comparative and up and running and cutting significantly into the % of energy derived from oil and coal, may take fifteen to thirty years.

Solar is not yet cost-competitive with oil, but wind-turbine electrical generation systems are nearly cost-effective already.

The geniuses in solar say that printed carbon nanotube solar cells are probably what will be the most cost effect and hence what will actually work when it comes to solar.

But hard practical engineering, based on steel, alloys, aluminum, and 100 years of aircraft technology, suggests that wind-generated electricity may be the answer. *ANOTHER ANSWER MAY VERY LIKELY BE WIND-POWERED SHIPPING: THAT’S RIGHT, SAILING SHIPS.*

For the first time, STRONG BUY stocks are beginning to appear on our Green Index. NEARLY ALL

INVESTMENT IN THESE SHARES SHOULD BE CONSIDERED SPECULATIVE. But remember too that \$150 oil makes quite a lot of things cost-effective...

- PowerShares Global Wind Energy ETF (PWND) speculative STRONG long term BUY

- First Trust Global Wind Energy ETF (FAN)

-Claymore/MAC Global Solar Energy ETF (TAN) speculative STRONG long term BUY

-Market Vectors Solar ETF (KWT) mirrors the Ardour solar Energy Index, speculative STRONG long term BUY

-Sunpower (SPWR) solar electric power products, US, Asia and Germany

-MEMC Electronic Materials (WFR) St Joseph Missouri. Call letters say it all. Solar wafers

-ReneSola (SOL) China: solar wafers

-Sunways (SWW.DE)(SWYAF.PK) (Germany) high performance solar cells, solar modules, solar inverters, and photovoltaic products

-Suntech (STP) (China) photovoltaic cells

-Lindsay Corp (LNN) makes highways safety machinery but more importantly makes irrigation systems, stock is currently being played and is in a range of 90-130, but heading into late 2009 it is a \$145 stock

-Siemens AG (SI)(Germany) highly-efficient & highly-reliable wind turbines, new eu100 million wind project in Poland began in April, CEO Klaus Kleinfeld is steering this old-line euro-conglom toward a stunning and successful 21st century place in the sun and wind, P/E 7.44, EPS \$14.69, hard to imagine a large company in a stronger position moving forward into next decade, a long-term bargain

-VeriSun Energy (JUC) ethanol production

-Pacific Ethanol (FPRA) ethanol production

-Marathon oil (MRO) ethanol production

-Archer Daniels Midland (ADM) ethanol production

-Aventine (AVR) ethanol production

-Dupont (DD) ethanol production

- The Andersons (ANDE) ethanol production
- Bunge (BG) ethanol production, has purchased Corn Products International (CPO) for \$4.4 billion
STRONG BUY
- Kenmos Technology (8107.TWO) (Taiwan) photovoltaic cells
- Hemlock Semiconductor (Michigan) world's largest producer of polycrystalline silicon for photovoltaic, subsidiary of Dow-Corning, jointly owned by Dow Chemical (DOW) and Corning (GLW).
- Canadian Solar (CSIQ) Ontario-based, solar electric module products, residential commercial industrial
- First Solar (FSLR) Phoenix-based, solar electric modules films coatings, strong sales in Europe esp Germany. Arguably THE strongest alternative co on the planet, in the black, earning money, P/E around 100 but Q earnings growth YOY is 682%
- LDK Solar (LDK) China, solar cell wafers, \$4 billion market cap
- Evergreen systems (ESLR)
- Vishay Technologies (VSH)
- Daystar (DSTI)
- Advanced Photonics (API)
- Rentek (RTK) ultra-clean synthetic fuels from liquefied coal using technologies begun in Germany during 1930s, USA has more coal than Saudi has oil, but the United States is not yet ready to address synfuel from coal on a large scale
- Cypress Semiconductor (CY)
- Vestas Wind Systems (VWS.CO) (VWDRY.PK) wind generators in 60 countries on five continents, a stunning 28% global market share, based in Denmark, and a long-term STRONG BUY
- SunCor (SU)
- Gamesa Corporacion Tecnologica (GCTAF.PK) (GMA.MCE) wind solar and photovoltaic systems, based in Madrid
- Energy Conversion Devices Inc (ENER) photovoltaic cells, cell systems, and coatings, energy generation and storage products, Michigan-based, \$2.17 billion market cap, 40.31 million shares out, strong growth, near zero debt but red numbers

-ABB Ltd (ABB) Zurich-based, electrical power automation products

-General Electric (GE) environmental solutions, wind turbines, solar, clean-air clean-water & anti pollution technologies at a strong pace, but GE seems to have lost its way and has become too big to manage

-Altair Nanosystems Inc (ALTI) Reno Nevada, advanced energy systems, a new powerful fast-charging and long-life battery developed by wizards here may finally put real electric cars that work on the nation's and the world's highways. Small red-numbers company, shares \$2.41 or so, everyone from GM to GE to Nissan to Honda may want this product...and likely the co as well

-NRG Energy (NRG) builds operates traditional and nuclear powerplants in the US, but has projects underway in Germany Australia and Brazil. They're green if you consider nuclear power green

-Geothermal Resources (GHT: ASX) geothermal energy, Australia. Geothermal quite literally powers Iceland. It can be done, but it takes a huge social project in most places and takes decades; people are not desperate-enough yet

-Uranium Participation Corp (U.TO) this is a Canadian ETF that does the same thing with uranium that GLD an IAU do with gold. Uranium is green compared to oil and coal, but is very much out of fashion and favor in the US.

-Veolia Environment SA (VE) (Paris) world's largest water services stock, drinking water, waste decontam, environmental services, etc etc \$27.55 billion market cap, global customer base

NOTES: New ETFs abound. Exchange Traded Funds. Two years ago few people had heard of an ETF. As far as equities vehicles go, we're in the age of the ETF. Two of the very newest and very strongest are PWND and FAN. America is turning the energy corner.

Go to Google and type in THE ISLAND IN THE WIND ELIZABETH KOLBERT and it will come right up. This is an article from the July 7-July 14 issue of the *New Yorker* and it is about 21st century energy systems in Denmark. And likely, this corner of Denmark is a model for energy systems that will operate in much of the world in 25-50 years.

This is very much what the future will look like in a best-case scenario. And it is the most important reading. And we haven't suggested any reading to MW readers in a year. No question about it, Americans will have to learn to pare back, as the rest of the world comes up, in terms of energy consumption. Also, note that this will require *the largest infrastructure rebuild and the largest jettisoning of lifestyle in the United States since the US Civil War.*

Some arguments *against* what Elizabeth Kolbert shows us: this requires a rational community a rational state a rational society and a rational world.

A problem: Humans aren't rational. Humans are murderous opportunistic sex-obsessed vain vindictive

warlike narcissistic greedy pirates barely contained by social mores, police, and cultural laws. Wolcott Gibbs, in his introduction to his book *Addams and Evil*, a book about iconic and seminal cartoonist Charles Addams (NYer cartoons re Addams family, books, three movies) wrote that Addams's work is "essentially a denial of all spiritual and physical evolution in the human race."

In a best-case scenario we are looking at the development over the next ¼ or ½ century of a transnational, continental or hemispheric energy grid, built and shared by nations, much on the order of what Elizabeth Kolbert shows us in this article describing a 21st-century prototype.

We were profoundly affected by this article and we highly recommend it as a view of the future. But also read *Lord of the Flies*.

CONSUMER TECH, INFOTECH, & COMMERCIAL HARD SCIENCE

We're living through an unprecedented shift in the global tectonics of the world's economy *and also a foundational shift in the way humans in modern industrial civilizations view energy and have to deal with it energy sources.*

More importantly, closer to home, we're in an unprecedented transformation of the United States from a wealthy prosperous inventive optimistic and cutting-edge nation to an impoverished Third World backwater unable to compete and unable to support a huge prosperous consumer base nor to support the companies, both American and foreign, that seek to sell products to it.

Currently only a very few tech companies are worth even considering as investments. These are the cream-of-the-crop hard technology, consumer tech, wireless and IT stocks.

-Apple (AAPL) America's toy factory. AAPL thought handheld webTV would be a huge hit and it isn't. But Apple's 3G iPhone reached the marketplace July 10th in the United States *and twenty-two other countries*

-Google (GOOG) is staffed by the smartest management and employees of any company in America. That doesn't mean they are the most ambitious or the most profit-oriented. To some extent they are "precious" and have always experienced America as wealth personified. Google views "money" as a byproduct.

The business model: open sourcing: Google projects are *designed* to be hacked into, making them a favorite of 3rd-party developers, *which means Google gets all the benefits of the smartest IT minds on the planet, FOR FREE. No wonder A the market cap is \$150 billion.*

Yet the company seems ruthless. It's because Google employees, execs and owners explore situations and find solutions that inadvertently move other peoples' cheese. A Google operating system for cell phones may wreak havoc on mobile companies with closed app-system technologies.

Google is the world's largest ad agency and hosts 60% of the world's Internet searches. Google will earn an estimated \$16 billion this year from advertising revenues. Bill Gates has explained to everyone now that the "era of the keyboard is over." Google very much "gets" this. No one knows yet whether Yahoo will go to Google or MSFT. But beware this stock because the USA is in a new era, and not even Google's smart people get this. Google shares are worth \$160 unless this stock pays AT LEAST an \$8.65 dividend to support its share price @ around 480

-Baidu (BIDU) imagine Google or Yahoo with govt bureaucrats monitoring every cubicle and all the servers. Arguably the strongest stock in China. But Baidu wants a global presence, not simply a Chinese one. First step is a presence in Japan this summer that we think will be very profitable

-Cisco Systems (CSCO) Networking products. We began investing in Cisco in 1996 and made \$\$\$ from stock runups and splits. Today, videoconferencing fails to adequately describe Cisco's lifelike "virtual meeting" system called TelePresence® which has sold 500+ units in 24 months, and is installed in 95 of the world's major cities.

Fuel costs and the immense hassle of air travel makes teleconferencing a desirable alternative, in most cases, to business travel. TelePresence® units have been set up in Wal-Marts and at US military bases in Iraq so that US troops can see and speak, nearly "live" to their families. Cisco CEO John Chambers would make an ideal US Vice President

-IBM (IBM) the world's most widely recognized Global Superbrand technology company has a huge array of products in its pipeline. Ruined its reputation in the West by selling laptop biz to China, now recovering, making big profits, enormous share buyback. A 'multichip module' is the heart of IBM's new z10 mainframe computer, which packs the power of 85 PC-size servers while using 85% less energy

-Adobe Systems (ADBE) legendary Adobe Acrobat Reader® PDF® and Photoshop® software. Other companies occasionally try to market alternative softwares including Dell MSFT and the horrid Oracle (ORCL), but Adobe is the gold standard

-Microsoft (MSFT) long the most successful IT co in history, loved and hated, manufactures the Windows® software which makes it all run. Gates now runs a foundation & heavy-handed CEO Ballmer is still trying to get MSFT the real foothold in the Internet which would make the company a powerhouse in the 21st rather than the late 20th century. MSFT Q earnings fell 11% as strapped Americans quit buying new Internet Technology software, particularly the much-hated Vista® operating system

-Cerner Corp (CERN) based in Kansas City, how much more American can you get? Global health care info-tech hardware software & services in an era when ALL medical info and data in hospitals MD offices health ins companies etc is fast becoming digital. 80 million shares out, market cap \$3.75 billion, P/E 30 and falling toward 18

-Thermo Fisher Scientific (TMO) based in Waltham Mass, founded in 1956, a genuine hard-science co that provides technologies, lab equipment, disease diagnostic systems, instrumentation and a hundred or so other products to universities govt agencies hospitals etc. \$23 billion market cap, near zero debt, P/E about 32, well-managed, 418 million shares out, reported very high Q earnings growth YOY

-Becton Dickenson (BDX) medical supplies and equipment, instruments diagnostics, reagents etc etc \$20 billion market cap, P/E 20, fwd P/E 16, EPS \$4.01, Q earnings growth YOY 90.1%, 244 million shares out, near zero debt, very strong and solid numbers and management, based in New Jersey

- Sun Hydraulics (SNHY) hydraulic control systems, based in Sarasota Florida, market cap \$648 million, P/E 29, only 16.57 million shares out, excellent management, strong growth

-Danaher (DHR) hard-science technologies and engineering, medical tech, technology systems

-Dow Chemical (DOW) broad chem industrial complex, including agricultural components, strong stable dividend of 4.8%, owns half of DowCorning, very competent management, has just purchased Rohm-Haas, world's # 1 supplier of components for acrylic paints, STRONG long term BUY

-QualComm (QCOM) tech legend Qualcomm, founded in San Diego in 1985, brought wireless to America. Dr Irwin Jacobs, founder, now 74, invented CDMA wireless/mobile technology, was streaming movies to handholds live in moving cars when the rest of the US was on dial-up Internet. His son, Mark, 45, now runs QCOM. \$7 billion market cap, profit margin 36.8%, Q earnings growth YOY 18.4%. Debt: almost zero. Undervalued. QCOM used to make its own phones, but sold the operation to Kyoto Japan's Kyocera (KYO) in 1999, content to make \$\$ from licensure and inventions. KYO, with a P/E of 14 and an EPS of around \$6, also is undervalued.

-Corning (GLW) flatscreen glass (60% market share) and fiber optic cable (which GLW invented) great company, long history, currently incompetent CFO and a CEO who should be doing research instead. 09 earnings will approach GLW's profits during 1999, the company's optical cable boomtimes. Many superb joint venture projects shared with Dow Chem in Dow-Corning Shares are about where they were two years ago, but its time is coming

-Nvidia (NVDA) 3D graphics processors, a monopoly. Shares have fallen so far that NVDA now has a P/E 12... but still has ZERO DEBT and Q earnings growth of 57.2%, US consumer economy is in trouble but Nvidia shares are a STRONG long term BUY into the summer of 2009

-Research in Motion (RIMM) this Canadian company is more than holding its own with its famous Blackberry® technology that first broke through among wealthy workaholic financial specialists and 16-hour a day gotta-stay-connected corporate guys some ten years ago. Analysts thought iPhone would take market share but it didn't. Blackberry® is global. iPhone aspires to be global (3G iPhone has been rolled out in 22 countries) but may not be. Plus a Blackberry costs \$300- sometimes \$200- and has bugs worked out over years of use. Exclusive subscriber contract in USA with AT&T. Now available in South Korea, which is TEN YEARS ahead of the US in wireless technology. STRONG BUY

-Nokia (NOK) builds 40.4% of all new cell phones on the planet but is hurting in a no-fun economy AND may be losing market share to AAPL and RIMM

-Phillips Electronics NV (PHG) (PHG.BA) (PHIL) Holland's extreme premiere global electronics consumer

products conglom, 130 production sites in 26 countries

-Hewlett-Packard (HPQ) currently the world's best mainstream computer and printer co, purchased Electronic Data Systems (EDS) for \$13.9 billion, creating a hardware and info-services company that may rival-and be competitive with- IBM. Former CEO Carly Fiorino may be Republican VP candidate, STRONG long term BUY into the summer and fall of 2009.

-JDSU (JDSU) a survivor, and a photonics products provider headed into better times as the eight-year moratorium on intelligence and education in the USA begins to lift and the rest of the world moves forward into a wired 21st century

-Juniper Networks (JNPR) smaller faster sleeker version of CSCO, Q profits up 66% on new telecom orders, a late-90s star that is coming back strong but may be derailed for a year or more by USA's economic chaos

-Ricoh (7752.T, RICOY.PK) tech hardware, office gear, high-end printers, semiconductors, digital cameras, etc, strong forward guidance, well-managed

-Activision (ATVI) video games

-Take Two Interactive (TTWO) The pull of Grand Theft Auto IV© is so strong that it has affected sales of Microsoft's Xbox360 and Sony's PlayStation3, pulling sales higher by more than 50%. SEE ALSO GameStop (GME) which retails video games from some 4000 stores.

But video games are discretionary-spending playthings, and Americans are finding they will have to give up leisure toys and begin the greatest rebuild/transformation of the US since the "manifest destiny" era of the 1840s

-Nintendo (NTDOY.PK ADR, NTO: XETRA) legendary inventor of video games decades ago, still a player

-Electronic Arts (ERTS) new CEO, largest and best-managed of the video game companies, still working on takeover of TTWO, ERTS is THE competant player in a fierce arena. Grand Theft Auto success means ERTS will have to pay a much higher price for Take-Two, or walk away. ERTS's own hugely popular 'Sims' game continues to have a strong following. Americans haven't yet realized they have to go back to work, and that virtual reality is not reality

NOTES: Floor support for the Nasdaq is at the lowest point we've seen it since the spring of 2001. NO high-P/E NASDAQ stock can maintain its share price in these markets without paying a substantial dividend and most NASDAQ companies can't, which leaves us with a floor support for the NASDAQ of around 1628. You should not be buying any consumer-tech, information-tech, video-game, semiconductor or even hard-science shares with a P/E of 35 and no dividend. The few exceptions here, we think, may be Apple Adobe and IBM, which have big EPS will hold value and even gain some throughout this messy American phase.

It's hard to turn down a thousand shares of Nvidia for eleven bucks a share and we know that ten thousand shares of Nvidia right now will have been a prescient thing to have done when 2009 or 2010 comes around. But NVDA has a P/E of EIGHT. We couldn't resist, either. But we view even NVDA as speculative. In general, let's just stay out of NASDAQ until we see how far the US economy has to fall before it hits solid ground.

GLOBAL BUSINESS NEWS: THE BUSINESS PAGES FROM EVERY CONTINENT

<http://www.onlinenewspapers.com> The single best guide to the world's online newspapers which are published online

http://www.nla.gov.au/collect/os_news.html

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

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

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

ISLAM

Things are heating up once more. In mid-July, Iran test-fired a series of nine mid-range and long-range (at least by Mid-East standards) rockets, some reportedly capable of carrying a nuclear payload as far as Israel or the US Centcom in Qatar. Meanwhile, the Arabs can only go so far Westward without freaking out: Dubai cracked down on topless beaches last month.

Inside Iran, it now appears that Congress approved a White House request in late 2007 for \$400 million with which to expand US military and black-agency covert operations inside Iran, even though US diplomats deny that this happened. Reportedly US personnel inside Iran are working intelligence-gathering and working to destabilize the current Iranian govt.

The only American writer reporter or media person who ever addresses any of this is Seymour Hersh, who publishes almost exclusively in the *New Yorker*. (see "Preparing the Battlefield: the Bush administration steps up its secret moves against Iran" NYer, July 7& 14, 2008) Hersh approaches all this as a muckraker, and expects readers to be shocked and disapproving of US covert actions inside Iran. Uh well...no. This is something that should have been done during the Jimmy Carter presidency.

Back in the USA, changes underway in the US Dept of Justice will allow the FBI to use terrorist profiling- that means using a terrorist profile that singles out Muslims Arabs Afghanis Pakistanis and other Moslems as higher-risk security threats- in dealing with the threat of terrorist incidents inside the US. All we can say

is, it's about time. Fifteen of the nineteen 9/11 Islamic skypilots were Saudis. And profiling works. Some of this activity based on profiling is going to involve warrantless wiretapping but it will be based on probabilities not random. It makes no sense whatever to treat a 30-year old "graduate student" from Syria and the 50-year old president of the Kalamazoo Rotary Club as equal terrorist threats. It is not cost-effective but more importantly it is morally outrageous. We have advocated terrorist profiling since October of 2001.

Follow Islam 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 UAE (United Arab Emirates) is to the Middle East what Brazil is to South America: the shining light, the seat of economic and intellectual prosperity, an the regional hope of the 21st century, an economic model for the region and proof that the Arab world can not only belong to the world of civilized countries and commerce, but can add to the general value of it all rather than be destructive toward it.

The key turning point will be: what happens when the United States no longer cares about needs or wants Mid East petroleum *and this tipping point is coming much faster than anyone realizes. Quite literally in five years you will be driving an electric car and in fifteen to twenty years the US will be energy-independent.*

Meanwhile, Abu Dhabi and Dubai are becoming to the United Arab Emirates what Sao Paulo and Rio are to Brazil. Dubai has become, over the past 24 months, the world's financial capital and also its party town. Whores and Rolls Royces are everywhere. And so are bankers arbitrageurs, restaurateurs, franchises, jewelers, gold dealers boutique investment houses real estate developers construction companies and brokerages. Dubai has become San Francisco in 1850: a place where anything goes, all is available, price is no object, and money flows into banking, equities, venture capital, commodities futures, real estate, gold markets, and all the rest, skirting the control of the traditional money capitals London Zurich and New York.

And Abu Dhabi is fast becoming the scientific medical and intellectual beacon to the entire region, already with major ties to and tremendous outposts, centers, and adjunct campuses from Harvard, MIT, Stanford and others.

Money flows to where there are: ideas, and investment opportunities.

The UAE has both.

What is needed in order for all this to have a happy ending:

No war. Five years of prosperity and stability. And enough intelligence foresight planning ability and plain old common sense on the part of UAE leaders to “get” that oil prices have moved the United States past the tipping point, and that as the US begins to move on, oil is a thing of the past. That oil is truly a ‘fossil fuel’ and is over as the foundation of a socio-economic era. The Arab world will have to use the oil money that is coming in now-but won’t in only a few more years- to finance build an Arab world future.

WAR STOCKS Defense/Aerospace

Following 9/11 the Defense Dept the various branches of the military, and the DARPA R&D crowd was given a free hand and all the money it needed to create a military machine that would not only crush Islam but would rule both the lands and the seas of the world for a century to come. Over the last 36-48 months this rampup has borne fruit, and the fruits of these labors are awesome.

Lockheed’s F-35, available in three formats, one of them a vertical-take-off-and landing model, will become the standard air superiority weapon for the next three decades. Most armor, including both for humans and for ships and planes, is ceramic. Ships that are essentially all-electric, *in some cases including even the weaponry, which is laser and even rail guns*, have been designed for specific purposes, but the overall intent is for the US to utterly command the oceans, which are 70% of the earth’s surface. There is, however, no real reason to have all this. Or to have spent so much money on it.

There is ultimately no one to fight. Certain factions of Americans saber-rattle about China as a military threat, but China’s woes are economic and environmental, and its hordes of people are at risk to disease and starvation. Russia is busy becoming not a military power but a natural resources commodity tycoon and an energy czar.

To attack Islam with these weapons would be similar to going after the Sioux Indians with tanks. A “war” with Iran would be over in less time than it would take to watch a sitcom on TV.

And any military issues that involve Afghanistan or Pakistan will have to be solved, America will find, in the same old traditional way wars have been fought for 1000s of years: with on-the-ground troops, manpower, soldiers, acre by acre, mile by mile.

-Ceradyne (CRDN) ceramic defense products, market cap 1.07 billion, heavily shorted, a buyout target, shares @40 would move to 51 on a buyout, it is difficult to imagine a key defense co not buying this out

-Raytheon (RTN) world’s foremost maker of missiles and laser weaponry, Q earnings growth YOY 15%,

low debt, probably THE foremost 21st century weapons company

-Navistar (NAVZ.PK) mine-resistant vehicles. 30% market share, not as strong as Aarkvark (privately-held) but strongly funded by yr tax dollars, EPS \$4.12, new \$261 million contract for armor upgrades, PE 79

-General Dynamics (GD) defense products conglom, market cap \$\$59.12 billion, FWD P/E 11.16, Q earnings growth YOY 22.1% low debt superbly managed, a MARKET WITCH long term STRONG BUY

-United Technology (UTX) defense and tech engineering products conglom, \$32.77 market cap, Q earnings growth YOPY 31.8%, FWD P/E 12.57, low debt, a MARKET WITCH long term STRONG BUY

-Northrop Grumman (NOC) nuclear subs, aircraft carriers, \$22.7 bil market cap, low debt, \$500mil in cash reserves, well-managed, \$1.60 dividend, one of USA's great 21st century companies, a MARKET WITCH long term STRONG BUY

-BAE Systems (BA.L) one of the world's great armaments congloms, builds the Typhoon Eurofighter, P/E 18, dividend yield 2.77%, market cap \$33 billion

-EADS (EAD: PA) European defense/aerospace/satellite telecom/navigation conglom, cracked the US market with a \$35 billion contract to provide the US Air Force with refueling tankers in partnership with Northrop Grumman. This contract may be worth \$100 billion. The deal was halted by Congress as lobbyists for Boeing and others balked. Is it safe to give EADS a huge American defense contract? Yes but many people want this contract to stay in the USA. Meanwhile EADS has a new huge powerful heavy lifter cargo plane.

-Textron (TXT) Cessna, Bell Helicopter, Hovercraft, surveillance, armored vehicles, missile control components, etc. \$11.44 billion market cap, highly leveraged, (we don't like all this debt) P/E 12.28 FWD P/E 9.93 Q earnings growth YOY 17.9% STRONG BUY

-Boeing (BA) military & commercial air products, one of America's most corrupt companies in terms of gaining power and contracts via lobbying but knows how to Play the Game, market cap \$49.1 billion, P/E 11.35 FWD P/E 9.39, Q earnings growth YOY 38.1%, \$9.59 bil in cash, well-managed debt, Boeing products are back-ordered, a MARKET WITCH long term STRONG BUY

-AeroVironment (AVAV) unmanned robot war & reconnaissance aircraft and general hard science technologies, new patents for wind energy systems, P/E 31, EPS \$1.00, zero debt, 20.64 million shares out, Q earnings growth YOY 15.1% , a Market Witch long term STRONG BUY

-Honeywell (HON) aerospace/ defense products, P/E 14.7 FWD P/E 11.5, EPS \$3.36 Q earnings growth YOY 22%

-Dyncorp (DCP) security products/ tactical support/ services/supply/expertise contractor to military and various black agencies, P/E 17.8 EPS \$1.00, sharer in a new \$10 billion Air Force contract

- Verint Systems (VRNT)(VTY.DE XETRA) BASED IN Melville NY, the polite term is “data retention” these guys make surveillance systems for police, military, cities, federal “black agencies”, homeland security. Market cap \$734 million, EPS \$0.84, 31.9 million shares out, P/E 27.5, shares were \$16.20 at the start of April, STRONG BUY
- KBR (KBR) energy logistics for military and fed govt agencies, P/E 13.88, recent new Navy contract
- Oshkosh Truck (OSK) ambulances, trucks, bombsquad vehicles, etc, P/E 4.66, EPS \$3.82, \$69.3 million, recent Navy contract for ATVs
- Cummins Engine (CMI) military vehicle engines, STRONG BUY
- Titan (TITN) military tires and wheels, \$471 million market cap, Q earnings growth YOY 338.6%
- Axsys Technologies (AXYS) precision optics for defense aerospace and homeland security, Orwellian surveillance systems, tracking systems, reconnaissance, infrared, \$448 million market cap, FWD PE 24, 10.74 million shares out. A speculative STRONG BUY
- Force Protection Inc (FRPT) MRAP armored vehicles especially the Cougar®. The co’s great small armored vehicles are suited to a 21st century era of skirmishes containment. P/E 5.53, no debt, Q earnings growth YOY 1600%
- Alliant Techsystems (ATK) bullets: munitions warheads weapons systems hardware etc, profit margin is very low but only 32.7 million shares out P/E 15.3, FWD P/E 12 EPS \$6.32 undervalued even at \$107
- Taser (TASR) maker of the first advanced 21st century military handweapon, the weapon is arguably lethal (we think it is) but useful in capturing suspects alive and in subduing problem lawbreakers without gunfire. Police depts. love Taser and say the weapon saves lives. Fem-Taser model that looks like a Barbie® accessory is offered now as a purse model for women. Tasers now are sold via late-night TV. Q earnings growth YOY 146%
- L3 Communications Services (LLL) P/E 14.7, EPS \$6.23, E earnings growth YOY 18.5%, sharing in the new \$10 billion Air Force contract
- General Electric (GE) jet engines, defense & aerospace products. GE is at risk, doesn’t know whether it belongs in medicine, finance, media, energy, or manufacturing, CEO is in trouble, GE is too large to manage, and could benefit from a breakup.
- Rockwell Collins (COL) aerospace & defense products conglom, P/E 11.95 FWD P/E 10,7% EPS \$3.53
- Lockheed Martin (LMT) legendary US aircraft pioneer, historic list of great US war aircraft, maker of the F-35. P/E 13.88 FWD PE 12.17, EPS \$7.26, Q earnings growth YOY 5.80% *shares are undervalued by as much as \$30 even though* guidance is lower for year 08

-American Science and Engineering (ASEI) bomb-detection/ anti-sabotage products inspection systems, P/E 28, FWD P/E 17 EPS \$2.16, this co probably has a half-century of increasing earnings ahead

Notes: Americans are in an ugly mood. Watch the traffic patterns in city streets, the fights, rudeness, the yelling, the anger at gas stations, watch the driving speeds of cars in urban malls (legal speed limit: 5 to 10mph) and watch the number of pedestrians smacked down by cars in malls and waiting for an ambulance and an attorney. Watch the number of Americans in cars on city streets hassling people on bicycles. Ordinary Americans -- with house payments credit card payments jobs parking fees health insurance costs, car payments kids in school, pet food and vet bills property taxes, and gasoline headed toward \$5 -- are watching a way of life that has been supported by cheap oil since the end of WWII and the days when the first young men and women finished college on the GI Bill and began to build the America we've known for nearly sixty years, disappear. They are frightened, furious, and mad enough to go to war over oil.

The question is: to war with whom?

If we were to have gone to war with (in the world's first ten-minute war) and occupied Saudi Arabia (15 of the 19 of the 9/11 arab crowd were Saudis) we should have done it Sept 12th 2001. It's a bit late now.

The USA's adventurist ploy with Iraq (depose the govt, turn the country into a puppet 'democracy', and commandeer the oil) required a REAL army, not reservists, and no one in the Bush regime counted on having to deal not only with an unanticipated aftermath in Iraq but also having to face hostilities both overt and covert from Syria Lebanon and Iran. Saudi's? Now it's too late.

Who else has oil? Iran. Lots of it. Iran also poses a very real nuclear threat, and is betting regime change in the US will get the country off the hook and allow it to carry on with its nuclear agenda.

The combination of oil for the taking plus the elimination of a nuclear threat may be too strong a temptation for the United States, the world's most overtly militaristic country, (40% of all the world's military expenditures are made by the USA) to pass up.

Americans are furious and frightened. Frightened and furious. They want someone to blame. They *should* be blaming Nixon and Ford-era bureaucrats who refused to create a future oriented energy policy in the 70s. They should be blaming the Bush administration and its coziness with oil companies and their combined continuing tariffs on Brazilian ethanol. But that's not who they wish to blame.

They may not be willing to elect a President (Obama) who seeks to establish a dialogue with Iran. What they want is \$1.99 gasoline and to be able to feed their kids and take them to soccer games go to their jobs make their house payments buy their groceries and live in a continuance of the America they've always known.

Americans want things put back the way they were: jobs, steaks, bbqs, soccermom travel events, drag racing, NASCAR, Sturgis, road-trip vacations, house payments met easily, \$1.89 gas.

Berk Breathed, cartoonist and author of *Opus*, coined a new phrase recently: *oil grief*. Nostalgia for what once was, and for what seemed neverending even only a year or two ago. Big American cars, SUVs, Ford F150s, a travel in luxury style and overkill made possible by the internal combustion engine and cheap oil.

Not everyone is a gentle and sensitive cartoonist however and not everyone experiences all this as grief. Many more people are not so gentle and sensitive and they are full of rage. They are furious.

Couple that with the fear ordinary Americans now have that they cannot provide for their families, cant afford to get to their jobs. Watch out. This may get unpleasant. Who will be the recipient of America's anger?

MARKET RESEARCH CENTERS, ACADEMIA, & THINK TANKS

<http://www.battelle.org/> (Battelle) world's largest non-profit R&D organization, world's best tech innovations, world's best futurists, contracts w/ 1100 govt and industrial clients, has doubled size and revenue in 7 years, new CEO Jeffrey Wadsworth. *R&D* magazine gives 100 Best awards every year for the top 100 most significant scientific and technological innovations. This year Battelle won 20 of the 100 awards. Including trophies for reactor technology that reduces the size and cost of 2nd generation biofuel facilities, non-toxic de-icer chems for aircraft and runways, a water-purification process and a bio-based powder coating for metals. Since 1969 Batelle has won 191 of these prizes.

<http://www.darpa.mil/> US govt's best futurists

<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.stratfor.com>

<http://www.technologyreview.com/> (Massachusetts Institute of Technology)

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

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

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

<http://www.victorhanson.com/> our favorite Stanford prof

<http://www.interbrand.com>

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

<http://www.tomshardware.com/us/> the number-one one-stop website for innovations and news in

information technology

<http://www.OOO.com/> the world's most advanced PC notebooks and handhelds. Outside the mainstream, but builds the machinery geeks infotekies and webheads find most advanced. What they build is what you'll use in five years or ten

<http://www.youthintelligence.com/> The *Intelligence Group*, a market research crew based in LA and NYC, has become America's foremost authority on Gen X and Gen Y Americans (age 14-39) and their consumer habits

<http://www.luxuryinstitute.com/> The Luxury Institute, a socio-think tank which focuses on the upper 10% of consumers

NOTES: A pathway toward the future came from a very surprising place: from Boone Pickens, who is (a) 80 years old and (b) one of America's most legendary oil-industry icons. Pickens fired a broadside article last month outlining how to get a new wind-energy grid going in heartland America that would when up and running supply most of the USA's electricity needs. Now there is a website and we urge you to visit it. <http://www.pickensplan.com/>

What the world's electricity movie looks like now:

-40% of the world's electricity is now generated by coal

-19% is generated from hydro- damming rivers etc

-16% is generated via nuclear power plants, if the world stays stable and does not descend into war, this will increase

-15% is from generators fire by natural gas

-10% is from generators fired by petroleum (heating oil etc)

-100%

Wind and solar do not yet even constitute a single 1% per centage number. But look for wind and solar to generate 30% in ten years and 60-70% in 20 years. We are in the 21st century, not the 20th Wind and Solar ETFs are a prescient investment if you have vision and patience. PWND, FAN, TAN, KWT

INFORMED INVESTING

A Worldview, not a New York View: Here's what *WE* read

THE AUSTRALIAN STOCK EXCHANGE:

<http://www.asx.com.au/> everything you need to know about Australia's business community and a website & worldview extremely conducive to making money

THE AUSTRALIAN: BUSINESS PAGES:

<http://www.theaustralian.news.com.au/> Rupert Murdoch's national Aussie daily paper, this is like USA TODAY but with *really good business pages*. The link is to the home page: click "business" and take your pick of categories, all well-handled and providing a broader view than you'll find in American financial media

THE ARAB WORLD:

<http://www.arabtimesonline.com> The world as it looks from Dubai

<http://www.kuwaittimes.net> The Gulf's first and only daily

REUTERS:

<http://www.reuters.com/finance> A bigger view than you'll ever see in IBD, which we only read when we're on vacation in some place that has no media or Internet. Want to find out about companies in Indonesia? Reuters is where to look

BLOOMBERG:

<http://www.bloomberg.com> features one of the world's great global business overviews by region. In ten minutes you can find out "what's out there this morning." We'd like to see more coverage of Indonesia and Mexico but the rest is all you could ask for from a mainstream viewpoint. Bloomberg himself, now Mayor of New York is on short list for Republican VP, and what a brilliant choice it would be

BRAZIL'S STOCK MARKET:

<http://www.site-by-site.com/latin/brazil/astock.htm> SA plus global view, click on English if you cannot read Brazilian portuguese, if you can read Spanish you can manage

THE FTSE: <http://www.ftse.com/> data here beyond your wildest imaginings if you are paying attention only to American stocks and markets

LONDON FINANCIAL TIMES' VIEW OF SOUTH AMERICA AND AFRICA:

<http://www.ft.com/home/us> the link is to the home page; click on AMERICAS, and if there is something you wish to learn about in more detail go to a South American online paper. Ditto with Africa

GRAIN STORE ELEVATORS:

<http://www.grainstore.net/index.cfm>

All the news that's fit to print about American heartland commodity agriculture, plus commodity prices, worldview, and a lot more

MINING WEEKLY:

<http://www.miningweekly.co.za/>

THE best overview

MINEWEB:

<http://www.mineweb.com>

The world's premiere mining and investment journal. Worldwide. Comprehensive. Good barometric/future view. VERY readable

THE NORTHERN MINER:

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

Based in Canada, global reach

GULF NEWS

<http://www.gulf-news.com/>

The worldview from the United Arab Emirate (UAE)

THE NATION

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

Bangkok's major independent newspaper, one of the key windows into the world of Southeast Asia

SEEKING ALPHA

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

A Wall Street-centric financial news archive. See especially daily "Wall Street Breakfast"

THE NIKKEI

<http://www.nni.nikkei.co.jp/>

What the financial world looks like from (and in) Japan

EMIRATES BUSINESS 24-7

<http://www.business24-7.ae/cs/>

The daily online business paper of the United Arab Emirates, based in Dubai, which we believe is moving into the same financial league as London Sao Paulo Shanghai and New York. Will the region sustain this position? Or will the Financial Capitol title move to London, Moscow or ???

ECONOMIC TIMES

<http://economictimes.indiatimes.com/>

The financial picture as it appears from India. What the *London Financial Times* is to UK, Europe, and to us, this is to India

THE ECONOMIST

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

Mainstream Western economic thinking with some occasional breakthrough journalism and ideas, read by White House advisors, senators, brokers, CEOs, professors, and the staff of MW

THE E-GOLD HOME PAGE

<http://www.egold.com>

Digital gold is the new global currency, and e-gold, a major metals dealership with more than 2 million accounts and electronic capacity, is about to become one of the 21st century's major new banking houses, give this three to five years and you will be astonished. In many parts of the world you can already get and use a digital-gold ATM card

THE SUGAR MARKETS

<http://www.sugaronline.com> an overview of global sugar: markets, prices, news, etc etc. *Sugar prices have risen dramatically over last 90-120 days and will rise much more. The only real way to take advantage of this inside USA is to go into the DowJones-AIG Sugar Sub-Index (DJAIGSB) commodities. A Sugar ETF has been opened in London, ETSF Sugar (SUGA) that tracks the DJ-AIG sugar sub-index and offers capitalized interest that cumulates daily, only available on LSE*

THE OQO WEBSITE

<http://www.oqo.com/> OQO, small and privately held, is the company our own mister fixits- the tekkies who keep the MW computers working- follow. Based in San Francisco, annual sales of around \$15 million, OQO is the world's most advanced computer hardware co. OQO's award-winning laptops are much like what most people will be using... in twenty-five years

NOTES: You'll find that these days, we at Market Witch are also doing "updates" as well as our now 14-year-old monthly. Our friend Neil Batho at *TraderReview* had been on our case for months to do these, maintaining that it's very valuable information we'd be telling people at dinner or posting somewhere anyway, and our readers deserve these insights first. The updates are supposed to be "weekly" but actually they're random, and we now post them when someone sees a company or a situation we ought to buy into. Recent we are finding we're writing them more than once a week. And if you sign up for these updates, you'll receive these insights almost as soon as we have them.

THE AMERICAS

Brazil is a "net profit" nation (budget surplus). We are not. Case closed. *HERE'S ALL YOU NEED TO KNOW: BRAZIL IS HEADED FOR 5.7% ECONOMIC GROWTH IN 2008, AND THIS GROWTH IS SUSTAINABLE FOR AS FAR INTO THE FUTURE AS WE CAN SEE, IE TO AROUND 2015. China's economic growth is at risk (ie dependent on US consumer markets) and subject to disease famine pollution and bad government. DO NOT be deluded into viewing Shanghai or Peking as "China."*

Meanwhile: South America's crazy quilt of developed and profitable countries, immense poverty, and the political turmoil of corrupt militarist or geographically-ambitious regimes presents an overall future, outside economic-powerhouse Brazil and mining motherlodes Peru and Chile, that still promises a bumpy ride.

Hugo Chavez, with his oil, his AK47 factory from Russia, and his politics borrowed from Fidel Castro, is working hard against the Brazil model of industry, tourism, banking, growth, and the creation of a new and prosperous middle class much like the one the USA has lost. The continuing target of Venezuela's destabilizing activities is Colombia. But there are others, and Chavez is dead-set on turning South America into a Marxist, dot a democratic, zone.

An interesting idea that has been bandied about in think tanks recently is that of establishing a league of democratic nations, something like the UN only with democracies-only membership, to help spread democracy in the world. It certainly might be a good idea in South America, because ultimately one of these

two paths is the one South America will take.

Much celebration occurred last month when hostages held by the powerful Colombian rebel group FARC, were freed through the intelligence and bravado of covert pro-govt forces, some of them American, inside Colombia. An important question to ask: *how did the world allow these people to remain prisoners for six years?* It all harks back to Jimmy Carter and Iran, nearly three decades ago. And it is a question that Colombia, which is very much in line to become South America's next Brazil, will have to answer. And a problem Colombia will have to solve.

EUROPE

The European Central Bank raised its prime interest rate by 25 basis points last month, correctly reasoning that inflation represents a much stronger threat to the Euro, which like the dollar, is a paper currency backed by leverage and air, than does the aftermath of the US dollar and banking crises which affect Europe but are not Europe's fault. The Euro is steady at about \$1.60 but we think the Euro may rise to \$1.84. To take advantage of this, buy FXE.

Meanwhile, Switzerland's UBS is set to enlarge its Middle East operations soon after receiving a license to operate in Saudi Arabia as the banks investment services units begin to tap into the oil-soaked wealth in the boom region. UBS will offer investment banking, asset management and wealth management services in Saudiland and will more than double its Saudi-based staff by Jan 2009. This comes at a time when UBS announced 5500 job cuts in Europe after a huge \$38 billion writedown of the value of US subprime assets the company gullibly bought from American hustlers selling bundled financial instruments. UBS also has applied for a license to operate in Qatar, and has established a regional equities research team in the United Arab Emirates.

AMERICANA

About those \$1200 checks...an unforeseen surprising and primary beneficiary of those \$1200 checks from the Bush regime's Economic Stimulus Plan, a plan that the White House contends will "boost our economy and encourage job creation" has been...the online porn industry.

A key market research company which specializes in tracking economic activity in the online sex industry, AIMRco (Adult Internet Market Research Co) reports that many adult/erotic/BDSM/ porn websites which charge monthly subscriber fees for membership/access have experienced a huge surge of new business new subscribers in recent weeks since those \$1200 checks have appeared in many millions of US mailboxes. AIMRco reports that many hot skin sites have reported a 20%-40% increase in subscribers since mid-May, when those \$600 for individuals and \$1200 for couples checks were mailed. Typically, heading into the summer, monthly subscriptions to online video porn sites decline and it is a slow time for online porn.

GOLD

Digital gold in gramweight is the new global currency, and digital gold is the new standard measurement of value and the new prime content of e-currency. Digital gold is now in the early stages of being actually offered as an option by such highly reputable organizations as the London Gold Exchange. We would refer you yet again to e-Gold Ltd, <http://www.egold.com>, a major digital precious metals dealer, becoming a banker, which has more than 2 million accounts. *MEANWHILE: the early stages of the remonetization of silver are upon us. It's time to begin investing seriously in silver. We tell MW readers about once a year: figure out what your 'serious commitment figure is. 5K? 10K? 50K? 100K? Whatever your serious 'commitment' figure is, apply that number to ALL stocks you look at. If you are not willing to put that much money on the nose of a stock or company, then DO NOT BUY IT. It's commitment time for silver. Whatever commitment number you have, its time to put that much money into silver.*

Digital gold however is already far underway as the new global currency has its enemies. Among them, certainly, the US govt, the Treasury Secretary, Bernanke and the Fed, et al, all of whom are not thrilled at the prospect of the end of the dollar's reign and the establishment of a dollar whose value is far down the food chain among nations and their currencies and which would make the enormous US debts and deficits and debts loom even larger if they were to have to be paid off in "real" or "hard" metal currencies instead of "electronic" or "paper" money.

But also, of course, enemies of gold include "Olde" Europe especially the Swiss and German/Austrian banking communities, who invented our centuries-old paper/credit banking and trade system and weaned the civilized world off gold coins and barter and into the world of highly profitable credit-leveraged banking.

"Digital gold" means "real" money, money that is not denominated within the context of a 'national' currency but is truly global, functioning inside outside and beyond sovereign borders and which can be moved around, ie past those national borders, by logging on to accounts and pushing send on a laptop or an enhanced phone.

We saw all this coming almost a decade ago. Here's why. We have since the mid-90s paid attention to the movements in the Outlaw Economy, which always a portent of things to come. In late 2005-early 2006 the global Outlaw Economy switched from using the US \$100 bill as its standard currency to using the Euro500 note. When that happened, we knew the US dollar's days as the world's sovereign currency were ending. The global Outlaw Economy now has switched from the Euro500 to digital gold. That means gold is here to stay. And silver's turn is nearly upon us. BUY GLD IAU SLV PHAU.LSE and PHPL.LSE

TRADITIONAL INVESTMENT SKILLS

No Traditions to Follow: We're in Uncharted Territory

Few people are alive today who have experienced anything remotely similar to what's occurring in the USA today.

Yes there are some precedents that go all the way back to the First Great Depression of the 1930s.

And yes there are economic crises and upheavals even earlier, events that go all the way back into the mid- and late-19th centuries. A banking crisis in the Victorian gilded age and an equities market crash during the Edwardian period occurred when the US dollar, backed by decades of gold and silver pouring out of the mining camps of the American West had become the strongest currency in the world.

Then, as now, distribution of wealth in the US was very uneven and inequitable and if you were an American worker you had no collective bargaining system to help you. But if you had a dollar you could buy a great deal with it.

In the 1930s, an equities market crash followed by a stubborn and ignorant banking community unwilling to do what was necessary (the very thing Bernanke, a student of the 30s depression, is trying to avoid now) to get money flow moving again. But you had fifty cents you could buy enough bread to feed multitudes and if you had fifty dollars, in some places you could buy a small working farm.

So much for comparisons about economic depressions.

This is however NOT a Depression, nor a recession.

Those terms imply a temporary condition, part of a cycle.

This is something entirely different: this is not what America is temporarily going through, this is what America has become and will be from now on: A New Third World Country.

The United States not only is experiencing a changing- much depleted- position in the world's economy, thanks to a ruined manufacturing and a collapsing currency, but also is caught in the middle of the world's shift from a credit-based, leverage-powered banking economy based on a currency- the US dollar- that inherently valueless, to a return to a gold and silver-based global economy.

How it will play out:

(A) The world has since the early 1950s, when the Marshall Plan was in effect and Japan and Germany first started getting back on their feet, relied on one engine to pull the world economy: the US consumer economy, which bought everything the world could bring to it. Now, the world will rely not on one powerhouse economic engine- it's gone- but upon many small ones.

(B) The dollar will continue to collapse until it becomes tied to gold and silver. That means a US dollar payable to the bearer on demand in silver or gold. Or it means no dollar at all.

We are moving into a global economy that is much like the mediterranean economy of 2500 years ago. And also based on gold and silver as money. Worldwide.

Nothing even remotely like this has happened in our lifetimes. There are precedents but you must go back dozens of centuries to find them.

About five years ago a Goldman-Sachs economic team invented BRIC. Brazil Russia India China. At that time, GS staffers projected that in 2050:

(A) The added-up BRIC GNP could be double the size of the GNP of the 20th Century Powerhouse Economy, comprised of USA Japan the UK Germany France and Italy.

(B) China would have become the world's largest economy

(C) The world's largest GNPs in order would be China, USA, India, Japan, Russia, and Brazil.

(D) And that the BRIC countries would have become not only the world's manufacturing powerhouses as well as of course being a major supplier of commodities but also would have become significant consumer economies.

We would beg to differ with this and we would substitute something we might begin to call SACCAM©: South America Canada Central America and Mexico.

We are very skeptical about China and India ruling the world economy.

We see NO companies in India we would invest in. At this point not even Tata Motors (TTM) because almost all automotive companies now are at risk.

In China, we like Baidu (BIDU) but not nearly enough to invest in an Internet company with a P/E of 105 and no dividend.

We also do not trust the numbers we get from China or India. In Russia, though we are strong believers in a few Russian mining and steel companies, it is hard to get numbers at all.

Yes Russia and Brazil, of the four BRIC countries, will be major commodity providers.

But we see both China and India as both enormously at risk over health disease water and environmental issues.

Both India and China are far more likely to experience a catastrophic disease epidemic with enormous loss of life and population depletion (and economic capability) than anywhere in SACCAM©.

Look for Africa Russia Canada Mexico and South America to provide the world's commodities.

Look for SACCAM© -- an economic unit based on the Brazil model and including all the countries of South America, all the countries of Central America, plus Mexico and Canada -- to rule the world economy in coming decades.

STOCKS WE'RE WATCHING

-Cameco (CCJ) Saskatchewan-based, world's largest supplier of uranium, four mines in USA and Canada, two more under development, one in Canada one in central Asia

-Copa Holdings (CPA) Panama-based, air travel in Caribbean, Central America and South America, P/E 9, EPS \$3.48, but what do we do for aviation fuel?

- Polymet (PLM) development-stage mining co, Vancouver
- Bancolombia (CIB) when will things stabilize?
- Lindsay Corp (LNN)
- Tata Motors (TTM)
- Jones Lang LaSalle (JLL) REIT w strong holdings, esp commercial real estate, outside USA
- Entre Gold (ETI)
- Ezraz Group SA (EVGPF.PK) (EVR:LSE) mining, esp. vanadium, a key component in lightweight steel which will be much sought-after this next decade, based in Luxembourg, mines in Russia
- Severstal (SVJTF)(SVST:LSE) Russian, steel
- Marfrig (MFRG3.SA) Brazil, meat processing
- Illinois Tool Works (ITW) diversified industrial conglom
- NYSE Euronext (NYX) an “exchange” stock with a stunning and profound future
- GOL Linhas Aereas Inteligentes (GOL) air cargo services, South America.
- Reliance Steel (RS) Los Angeles, metals processing, 100,000 metals products, P/E 13.39, EPS \$5.36
- General Motors (GM) can the co build a viable electric car? Will the petroleum industry let them?
- Ford Motor co (F) Ford sold Jaguar to India, Ford’s income has come from F-150 truck sales for a generation. Can Ford build a 21st-century Mustang that runs on biofuel? Kirk Kerkorian, age 91 and a wheeler-dealer, owns 6.9% of the stock

THE STRONG BUY LIST

SIGN UP FOR OUR UPDATES ON THE WEBSITE, YOU CAN STAY WAY AHEAD OF THIS GAME.

HERE IS EXACTLY what WE are doing. What WE are buying. COME ALONG with us, BUY what WE'RE buying and make a small (or a large) fortune. We don't wear stupid hats, we don't appear on financial television, we don't court financial editors. We don't short stocks, we don't buy on margin, we don't buy puts calls or futures. We pick companies based on our perception of what the actual future will be, and we can see at least five years ahead. We invest cash in those stocks, and wait for the outcome. Our track record is amazing, by industry standards. By comparison, Motley Fool® is clueless. we make money on more than

94% of our stock purchases.

Our current holdings, in descending order of current value, are:

SID (Companhia Siderurgicas SA)
Southern Copper (PCU)
Rio Tinto (RTP)
Anglo American (AAUK)
Vale (RIO)
Frontline (FRO)
Gerdau Steel (GGB)
Buenaventura (BVN)
Market Vectors Steel ETF (SLX)
iShares MSCI Brazil (EWZ)
Arcelor Mittal (MT)
BHP Billiton (BHP)
Freeport McMoran Copper & Gold (FCX)
Petrobras (PBR)
Greif (GEF)
Gerdau AmeriSteel (GNA)
Monsanto (MON)
Ship Finance Ltd (SFL)
Terra Nitrogen (TNH)

-iShares Silver (SLV) new
SPDR metals and Mining (XME)

-Nvidia (NVDA) new
Exxon Mobil (XOM)
Banco Bradesco (BBD)
Deutsche Bank PowerShares Agriculture (DBA)
Diana Shipping (DSX)
Alcoa (AA)
GoldCorp (GG)

We've sold down some shares of MT and AAUK to buy SLV and NVDA. NVDA is a speculative wheel n deal now, sell @ 16. With additional profits dividends or cash we would be immediate long-term buyers of ANY stock on our Strong Buy List, but especially right now of: in this order: GGB, SLV, AAUK, PCU, BVN, ABX, IBM, ADBE, RIMM, RIO, POT, TNH, FRO, MON, SID, IAU, GLD, IAU, DBA, DBC, MT, NUE

At Market Witch, take a *long-term* view.

Our BIG profits come from seeing into the future clearly –this is not magic, it's global research- 2 3 4 5 years ahead, investing into it, and then being patient while we wait for that future to materialize, and for

our opportunity to take those big gains.

There are other profitable ways to go about this.

And YOU may want or need more action than we can provide.

If you like trading profitably on moves that may take from a few days to a few weeks, we recommend Neil Batho's TraderReview, <http://www.traderreview.com/>.

Go immediately to "strategies" on Neil's website and you'll find a methodology that is quite different from ours, but is also the BEST there is at what it does. You'll also find that you can subscribe to a FREE equities update letter.

Neil will show you EXACTLY what to buy- i.e. what HE's BUYING- *with trade parameters, and short-term price objectives. And he will show you WHAT PRICE to PAY for both shares AND options.*

Simply follow the directions and take your profits.

TraderReview ALSO comments on what will likely happen over the next 24-48-72 hours. We pay a lot of attention to these comments. You should too.

We have been writing about a New Third World America for several years.

Since around 2002, the US has been moving forward in the classic tradition of the Titanic.

That has stopped. The titanic has hit the iceberg. No one in power is yet sure what to do.

But WE do. YOU WILL FIND that the only things that hold value are gold, silver (silver soon will re-monetize) hard commodities like copper coal and aluminum, soft commodities like wheat corn rice and soybeans, and agricultural-assist companies like TNH, Monsanto, and Potash. And, especially heading into the next decade, steel.

We turn on CNBC and "experts" (we have earned 5X on our investments since 2004) tell us we should be investing in health care, in Cardinal Health, and in information technologies like Cisco and Oracle. Are you crazy? These views are provincial, globally myopic, useless to investors, and destructive.

Our efforts continue to show that the million-dollar portfolio has basic-metals & big global mining companies as a foundation component, agricultural commodities as a secondary component, and has strong ties to gold, silver, steel, copper, and the Brazilian economy. This will hold true for at least an additional five to ten years.

America is right at the start of a major shift, a major turning point, and this has to do with moving from oil as an energy base to electricity from wind and solar, and a transportation economy based on biofuels.

We are poised to invest into this major shift. But not yet. That one is not underway yet. The one that IS

underway is the shift from the US dollar to gold, coupled with the remonetization of silver. Right now you should be moving toward having 10% of your portfolio value in gold (IAU GLD ABX BVN PHAU.LSE) and 10% of your portfolio value in silver (SLV, PHPL.LSE).

-Petroleo Brasileiro (PBR) Brazil, oil in a safe part of the world and in a booming economy, huge new oil and gas discoveries, P/E 24, Q revenue growth YOY 10.7% 2:1 stock split May 8 put shares in low 70s

-Unilever (UL) based in London, brand- name foods and consumer goods giant, markets products in US Europe Latin America & Africa, strong emphasis on sales in booming “emerging markets” EPS \$8.82 Q earnings growth YOY 32.2%

-ETFS Sugar (LSE: SUGA) a sugar ETF in London that mirrors the Dow Jones-AIG Sugar Sub-index (DJAIGSB) profits from sugar in the global commodities markets, and offers capitalized interest that cumulates daily. Only available via the LSE, check to see if your broker can do this for you

-Vestas Wind Systems (VWS.CO)(VWDRY.PK) wind generator systems, founded in 1898, based in Denmark, 16,000 employees, projects and subsidiaries worldwide, revenue growth YOY 26.2% net income growth YOY 162%, shares up 113% in a year, and will go much higher

-A Brazilian Real ETF? Similar to FXE FXF? Not yet! Where is it?? We are waiting on a Brazil currency ETF the way you would wait for a taxicab if you are late to the airport. Meanwhile, to move your cash into Brazilian currency, open an account at Everbank, (<http://www.everbank.com>) and specify that your account be held in Brazilian currency

-Petroquest Energy (PQ)(speculative) small-cap wildcatter, onshore (Arkansas Oklahoma Texas) and off, based in Lafayette Louisiana, Q earnings growth YOY 42.8%, 50.2 million shares out, well managed, debt under control

-Atwood Oceanics (ATW) (speculative) offshore oil drilling, based in Houston, \$1.72 billion market cap, profit margin 37.45%, Q earnings growth YOY 31.50, 2:1 stock split July14, well-managed, near-zero debt

-United States Oil ETF (USO) (speculative) US Oil Fund ETF. As long-time MW readers know, we tend to stay away from oil stocks, we view the US oil industry as utterly corrupt, but all global market may be held hostage by oil prices for the next 4-6 months, (and USO may be a 20% gainer during that period) and to be subject to oil prices and issues for a year or more (and over a year USO may be a 40% mover during that period) See also Powershares DB Oil (DBO)

-Big Lots (BIG) (speculative) Third World America, the first of the New Third World Countries, shops at Big Lots. P/E 20, strong revenue growth YOY, Q earnings growth YOY projected at 20% we think that's low. Low debt and well-managed. We may see this stock move from 30 to 50 in no time. Bottom -feeder retailers are going to be America's stores in 2009 10 11 USA but most (United Dairy Farmers, 7-11, etc) are privately-held

-Nvidia (NVDA) (speculative and our one NASDAQ exception) 3D graphic chipsets and microprocessors,

makers of the most advanced microprocessors of our time, share price trashed down from \$30 to \$11 by USA financial chaos. If you are willing to stare chaos right in the face this is a great bargain. Did we do it? You bet

-MarketVectors Coal ETF (KOL) buy Patriot Coal (PCX) buy Massey Energy (MEE) Buy International Coal (ICO) buy Arch Coal (ACI) buy Alliance Resources (ARLP) or buy Peabody Coal (BTU) ...or buy this ETF which contains the top 39 coal stocks, and likely make easy money. Coal is not going away, the US has enormous quantities of it, and "green" methodologies enable coal's use.

NOTES: South Africa's Sasol (SOLJ.J) and China's Shenhua Group (1088.HK) (world's 4th largest mining co) have contracted to produce motor fuel from coal by 2016. Shenhua is the world's top coal producer. USA's Rentek (RTK) also offers this technology (liquification of coal into diesel fuel and jet fuel) but has been stonewalled in the US by Big Oil, which *owns* the current US govt

-Aracruz Cellulose (ARA) (Brazil) paper products: bathroom tissue, packaging, specialty papers, sales all over the Americas, 12,000 employees, market cap \$9.3 billion, P/E 16.29, EPS \$5.53, dividend \$4.88, yield 5.6% reasonable debt, well managed, profit margin 24.28%

-Goldman Sachs S&P GSCI Enhanced Return Commodity Total Return Strategy Index Fund (GSC) (ETF), a long name for a simple product: this is an unleveraged commodities futures fund indexed to the GSCI components

-Chicago Bridge and Iron (CBI) (speculative) In a collapsed US 21st century, a slum-filled suburb-abandoned, poorly-dressed, poorly-educated and much-impooverished USA is likely going through its most major economic transition since the US Civil War. CBI is a bet that the Democrats will win the White House and Congress and will initiate a huge infrastructure rebuild. A potential Dem win would cause us to create an "Infrastructure Index"

-Transocean (RIG) (speculative) the world's largest offshore oil and gas driller has superb black numbers (Q earnings growth YOY 115%, profit margin 46.17%, P/E 10.71, EPS \$15.13) but the company is leveraged, and for all its huge profits pays no dividend. Shares at \$160 are worth more than 200

-Cal-Maine Foods (CALM) wholesale eggs, based in Jackson Mississippi, small cap, P/E 5.96, ROE 69.01%, Q earnings growth YOY 228.6% EPS \$5.64, current FWD dividend \$3.23 yield 9.90%, shares in \$33 range

-Metallica (MEA) Small-cap American steel, ferrous & non-ferrous scrap metal recycling and processing into basic steel products, based in Cranford New Jersey, \$584 million market cap, 35.4 million shares outstanding, Q earnings growth YOY 95.3%

-Steel Dynamics (STLD) mid-cap American steel, \$7.37 billion market cap co in Ft Wayne Indiana, scrap plus strong business in hot and cold rolled, I-beams, bar, galvanized, etc, leveraged but well-managed, Q earnings growth YOY 39.5%. 2:1 split March 31st 08. Buyout target. STLD and Gerdau AmeriSteel (GNA) are almost exactly the same size. Who will buy STLD? We're betting it's Gerdau but it may be US Steel (X) or NuCor (NUE)

Nucor (NUE) large-cap American steel, \$24.06 billion market cap, P/E 16.36, EPS \$5.10, Q earnings growth YOY 32%, a better buy now than US Steel and also, we think, a buyout candidate, shares at around 70 are worth around 104, A MARKET WITCH BEST BUY

-US Steel (X) FWD P/E 8.45, going into 09 US Steel is one of the best investments of our time

Sadia SA (SDA) We've followed this foods company since 2004: small-cap (\$1.49 billion) meat processing in Brazil, pork and poultry, plus branded products, a cross between Hormel, Tyson and ConAgra, sales in Latin America, Middle East, Asia and Europe. When we started coverage Brazil's per capita income was \$7700, now it's \$11,800 and Brazilians are eating higher on the food chain. Sadia has 67.3 million shares out, a P/E of TEN, Q earnings growth YOY of 123.4% and is a bargain

-Rio Tinto (RTP) THE most important British company, the #2 of the world's Big Six global mining companies. We have listed RTP as a STRONG BUY for four years. Superb management, enormous global resources, broad global mining interests. Recent huge increase/upgrade in its proven copper reserves at its wholly-owned Kennecott Utah Bingham Canyon mines of some 628 million tons. RTP shares have been trading in a range of 440-560 for more than a year but plunged to \$400 in July. Shares are worth \$525-625 and this will become apparent if BHP tries to close a buyout deal. RTP's purchase of Alcan (now Rio Tinto Alcan of Montreal) still hasn't shown up yet in Rio Tinto's EPS... and the proposed BHP/RTP merger chugs on. 14% increase in iron ore production in a record Q

-BHP Billiton (BHP) Number One of the Big Six global mining companies, huge source of world coal, China can't live without BHP. CEO is a hard-nosed South African, no longer a bargain but a superb long-term investment. Various govts now are mulling over the consequences of a BHP/RTP company that would literally control much of global mining and would give the company pricing power over many commodities

-Freeport McMoran Copper and Gold (FCX) bought Phelps Dodge, owns huge mines in Papua New Guinea, superbly-managed, buyout/consolidation candidate, no longer a bargain but a superb long-term investment. The Big Six: BHP, Rio Tinto, Vale, Shenhua (1088.HK), AAUK, & Xstrata

-CPFL Energia SA (CPL) Sao Paulo. Brazil's electric company. EPS \$6.18, P/E 11.65. Dividend \$5.47, yield 8.90% a sublime long term investment and A MARKET WITCH BEST BUY

-ABB LTD (ABB) Zurich, founded in 1887, electrical infrastructure products, automated manufacturing systems, industrial robotics, global sales, Q earnings growth YOY 86.8%, Q revenue growth YOY 28%, low debt, net income of \$3.63 billion on sales of \$30.95 billion

-Banco Bradesco (BBD) Brazilians' own favorite consumer bank has made strong inroads into broad Latin American investment banking. Post-split shares in low 20s are a MARKET WITCH BEST BUY

-Philip Morris International (PM) all those Health Nazis who love to tell everyone else how to live have destroyed Americans' personal freedoms and turned the US into an uptight ruin. But humans have been using tobacco for 60,000 years. Globally, tobacco will NEVER go away. Altria knows this. Profit margin 27.3%, 1st Q profits up 29%, a MARKET WITCH BEST BUY

-Buenaventura (BVN) operates six mines including the largest gold mine in South America. The company mines gold of course but also silver lead zinc and copper. An announced 2:1 ADR stock split scheduled for May finally went into effect July 23 (welcome to Peru), a MARKET WITCH BEST BUY

-ETF Securities' Physical Gold (PHAU: LSE) an ETF that actually holds gold in vaults

-Gold Fields Ltd (GFI) (South Africa) world's 4th largest gold mining co, proven reserves of 89.7 million oz, P/E 22, joint venture partnership in China

-AngloGold Ashanti (JSE: ANG) (AU) on and off our lists for six years, a component of AAUK a MARKET WITCH BEST BUY

Centerra Gold TO: CG) smaller, very strong numbers

-Barrick Gold (ABX) enormous proven gold & silver reserves, one of the world's strongest gold investments into the coming decade, a MARKET WITCH BEST BUY

-Seabridge Gold (SA) (Toronto) \$787 million small-cap. Projects in British Columbia, Nevada, Mexico, huge 67,000 acre project in Canada's NW Territories, 37.3 million shares outstanding, ZERO debt, well-managed

-Market Vector Gold Miners ETF (GDX) a fund of 44 of the world's strongest public gold mining co's

-Amex Goldbugs Index Fund (HUI) an index fund of the "Lucky Thirteen" strongest goldminers

-StreetTRACKS Gold Shares (GLD) gold ETF

-iShares COMEX Gold Trust (IAU)

NOTES: we'd like to see our readers holding at least 5% of their portfolio value assets in gold ETFs for the next few months

AMERICANA:

-Cummins Engine (CMI) world's largest maker of high-horsepower diesel engines, gas engines for trucks and military, high-power electric generators etc etc

-General Mills (GIS) market cap \$21.54 billion, Q revenue growth YOY 13.40%

-IBM (IBM) Legendary iconic tech co now defining its place in the new century, shares at 125 are worth 145

-Apple (AAPL) new 3G iPhone sold a million units in 3 days, iPhone is being marketed in 22 countries

-Adobe Systems (ADBE) inventors of global-standards Adobe Acrobat®(the PDF) and Photoshop®, Q earnings growth YOY 52.5%

-PepsiCo (PEP) food pop and snack foods dynasty offers enormous product list including Frito-Lay, Quaker, Gatorade, Tropicana, Lipton, Dole & AquaFina, global revenues, 14% a year growth for a decade, A MARKET WITCH BEST BUY

Coke (KO) still enjoys very strong, and still growing, global sales. P/E 20.6, FWD PE 16, profit margin 20.64% Q earnings growth YOY 18.9% dividend \$1.52 low debt,

-McDonalds (MCD) 31,377 restaurants in 118 countries, same-store sales worldwide up 7.7% in May, 4.3% in the US. This once staple food in the US is becoming a luxury as Americans grow poorer

-Burger King (BKC) home of the Whopper® America's favorite commercial hamburger. Higher profit margin than MCD, 11283 restaurants in 69 countries, the two last things Americans will ever give up are their cars and their Whoppers, shares up 10% this year,

-iShares S&P GSCI Commodities Indexed Share Trust (GSG) an unleveraged ETF futures commodities fund indexed to the GSCI, YTD return 9.71%

-iShares MSCI Singapore (EWS) ETF of shares traded on Singapore stock exchange. Singapore is *not* an 'emerging' place but rather a spectacular 21st century development, the Switzerland of Asia, and a thriving Far East outpost with ties to both the West and the East. ETF net asset value \$1.73 billion. EWS is gaining value at the rate of around 6% a month

-Anglo Eastern Plantations (LSE: AEP) London-based agribiz: farming, rubber and palm oil properties and production in Malaysia and Indonesia, shares are up 63% in a year but are still profoundly undervalued, A MARKET WITCH BEST BUY

-Malaysia Fund (MAY) ETF, Morgan Stanley basket of top Indonesian companies

-Anglo-Pacific Group (LSE:APF) coal, energy, diamonds, gold, platinum, base metals, operations in Queensland (Australia) and British Columbia, shares are up 33% in a year and moving strongly

-Redecard SA (RDCD3.SA) RDCDL.PK) a 2007 IPO, Sao Paulo-based Redecard® is THE major domestic Brazil consumer credit card, much like USA's VISA®. Banco Itau and Citibank SA own big stakes in the stock, which is undervalued, we think, by about 50% headed into 2009

-Banco Bilbao Vizcaya Argentaria SA (BBV) based in Bilbao, Spain, consumer and commercial banking, Spain Mexico, Portugal & South America, crowding out smaller local banks in SA, market cap \$79 billion, P/E 8.94, div.\$2.62, yield 5.50%, new branches, new programs for commercial customers. In the ugly world of 2008 banking this one is a good buy

-Owens-Illinois (OI) back on our list after three years. Glass bottles. 70% of revenues from outside the US. P/E 6.44, EPS \$8.59, div \$2.30, yield 4.2%, strong Q earnings & strong fwd guidance

-Tele Norte Participacoes (TNE)(called “Telemar”) Brazil, fixed-line and mobile telecom services in a booming economy, EPS \$3.76, P/E 6.49, A MARKET WITCH BEST BUY

-Telefonica SA (TEF) Madrid-based, world’s 5th largest telecom co, operations on 3 continents and in 23 countries, leading telecom provider in Brazil, Argentina, Peru and Chile, P/E 10, EPS \$8.75, div \$3.10, Q1 profits up 22%, A MARKET WITCH BEST BUY

-Emerging Markets Telecommunications Fund (ETF) an exchange-traded fund of telecoms in Latin America and Asia. NYC-based, managed by Credit Suisse, shares are gaining value at the rate of about 3% a month

-Companhia Vale Rio Doce (RIO) now called “Vale”, sometimes still called “CVRD”, RIO now is the world’s 3rd largest mining company. Owns nickel co Inco. Brazil-based, and one of world’s largest iron ore sources, plus hydroelectric power. Has engineered huge iron ore price increases this year. 2nd half of a bonus dividend will be paid to shareholders in Sept. Q PROFITS of \$2.915 BILLION on SALES of \$8.048 BILLION. Reported: a possible buy of AAUK by RIO, both are MARKET WITCH BEST BUYS

-Xstrata (XTA:LSE, XSRAF) the world’s#6 largest mining company. Swiss-based and widely diversified, market cap \$77.5 billion, P/E 13.88, Xstrata is a buyout/consolidation target for one of larger the mining giants, while doing very well on its own. A buyout/merger deal would put a 10%-15% premium on Xstrata shares.

-Alcoa (AA) is the world’s orphan aluminum miner after RTP bought Alcan. Shares are up nicely, 15% or so in 2 months, only major issue is which global major mining company buys AA. Look for aluminum to become more important soon and to stay important for years

-Cleveland Cliffs (CLF) iron ore pellets ready for the steel blast furnaces, USA and Australia, fwd P/E of 10.6, 2:1 stock split May 16, shares are a bargain going into 2009. Buying Alpha Natural Resources for \$10 billion in cash to provide its own coal supply, a smart move

-Anglo-American (AAUK) world’s 5th largest mining company, one of the Big Six global miners. Legendary South African company, London based. Full-year 2007 profits up 18% to \$7.3 billion or \$5.58 a share, 50/50 partnership w/NAK to develop a huge metals find near Alaska/Yukon border. Owns 70% of Anglo-Platinum. Recent dividend hike. A rumored buyout of AAUK could add 25% to share value, we believe the shares are worth around \$60, the American market doesn’t “get” AAUK but one day it will

-Zinifex (ZFX: ASX)(speculative) Australian based mining small-cap., zinc lead and precious metals, mines AU & Tasmania, development projects in AU, Canada, China, Mexico Sweden & Tunisia, merger with Oxiana, buyout candidate

-Market Vectors Steel ETF (SLX) a basket of the world’s premiere global steel companies. Very low P/E means even at 115-120 SLX shares are undervalued

-Grupo Mexico (GMEXICOB.MX) broadbased mining

(silver copper lead zinc molybdenum gold) and also railroads. \$192.77 billion market cap, strong dividend and yield, parent co of PCU owns about 70% of PCU shares. We favor the real Mexican shares available on the MX Mexican stock market (your broker has to be able to trade on this exchange) over the US “pink sheet” shares (GMBXF.PK) although it is important to note that although the real MX shares are up 21% in a year, the American ADR shares are up 30.9%

-Cemex (CX) (speculative) P/E 9.15, EPS \$3.14, this is quite literally a bet that Democrats will win big in November & will usher in a huge domestic infrastructure-rebuild era in the US, making these shares a bargain now. But Cemex markets to a much larger world than simply USA

-iShares MSCI Mexico Index (EWW)(speculative) a broad-based ETF of Mexican Index companies. Mexico is quite strong and holding its own in the face of nearby USA economic implosion, central banks will soon raise interest rates to combat inflation. EWW fund owns 12% of outstanding Cemex shares

-iShares S&P Latin American 40 (ILF) ETF of the S&P Latin American 40 index of Latin America’s best and strongest companies

-Latin American Discovery Fund (LDF) Morgan Stanley ETF benchmarks the MS International Emerging Markets Free Latin American America Index

Companhia Siderurgica Nacional (SID) Brazil’s strongest steel company, plus packaging, railroads and hydroelectric power (Brazil get 95% of its electricity from hydroelectric) extremely well-managed, a 3:1 stock split Feb 11th put shares into the mid 40s, full-year net profits up 150%, reported June 08 stock buyback of 10.8 million shares or 2.8% of outstanding stock, A MARKET WITCH BEST BUY

Arcelor Mittal Steel (MT) World’s largest steel co, now owns its own coal (coke) mines in Russia, looking for iron ore sources to buy. Luxembourg-based, superbly managed by father- and- son team. Shares are undervalued more now than they were a month ago, MT has a P/E of only 11.9 and a FWD P/E of around 10

-AK STEEL (AKS) Ohio-based small/midcap steel, \$7.99 billion market cap, finished steel products, P/E 18, FWD PE 12, EPS \$3.80, Q earnings up 61% sales up 4%, buyout/merger candidate

-Ternium SA (TX) small midcap steel co, market cap \$8.99 billion, based in Luxembourg, steel products, sales throughout Latin America, P/E 8.50, FWD P/E 7.5, EPS \$4.91, Q earnings growth YOY 90%

-Teck Cominco (TCK) Vancouver-based mining, copper gold silver zinc coal exotic metals mineral fertilizers and chemicals, also sells excess electric power it produces, \$18 billion market cap, P/E 13, FWD P/E 8.73, EPS CD\$3.64 div USD \$0.98, low debt, well-managed, has been on and off our buy list for years, looking very strong into 2009

-Posco (PKX) steel, Korea, widely diversified steel products, world’s 3rd largest steelmaker behind Arcelor Mittal and Nippon, P/E 11.3, EPS \$11.35, div \$3.30, a MARKET WITCH BEST BUY

-Usinas Siderurgicas de Minas Gerais SA (SAO:USIM5/SA) (ADR USNZY) (usually called "Usiminas") basic Brazilian steel: slab, plate, hot n cold rolled sheet and coil, galvanized, etc etc, market cap around \$5 billion, sales all over Latin America plus USA China S Korea etc, P/E 13.34, EPS around \$5.58, shares reached an all time high again last month and are up 123.25% in a year but still are undervalued, A MARKET WITCH BEST BUY

-Gerdau Steel (GGB) founded in 1904, now one of THE strongest steelmakers in western Hemisphere, global steel with sales in 61 countries, expanding strongly in western hemisphere via acquisitions, now controls majority of steel production in Mexico, 2:1 stock split June 19 put shares into mid 20s range and the company is still expanding, we expect to see a 2nd 2:1 stock split inside 24 months, A MARKET WITCH BEST BUY and has been since 2004.

-Gerdau AmeriSteel (GNA) subsidiary of GGB, US-based, acquired Chaparral Steel, USA's largest maker of I-beams, last year, we think shares are worth \$28-30 right now, we expect GNA to make more steelco purchases inside the US, using GGB parentco money, A MARKET WITCH BEST BUY

-Southern Peru Copper (PCU) Copper prices are headed for \$5 in 2009. PCU already mines gold, and is turning more attention to gold production via major shared-mine partnerships. A 3:1 July 10th brought shares down into the 30s, but they'll be in the 50s in 2009. If you've been a MW reader since 05 and stayed with us and followed our positions with your own you've now had two enormous stock runups and splits from a starting cost basis of around \$54. This success is nowhere near over. PCU's progress is nowhere near over. PCU is predator not prey as mining consolidation continues. Demand for copper will grow at 4% annually for the next twenty years. Fwd P/E 10, A MARKET WITCH BEST BUY

-Norilsk Nickel (MMC Norilsk Nickel)(GMKN:RTS) (MNOD:LSE) (NILSF.PK (speculative) Russia's giant miner is the world's largest supplier of nickel and palladium. As the global commodities supercycle rages on, fat dividend plus rising commodities prices assure share price advances. Norilsk delivers 20% of world's nickel and 50% of its palladium. Russia's giant aluminum company RUSAL has just taken a 25% stake. Shares at USD\$162 are up 55% in a year, or more than 1% a week, 798% over 5 years. We are always mildly concerned about the difficulty of getting hard financial data on Russian companies, but these shares have no where to go but up

-Mechel (MTL) Another Russian co with hard-to get numbers. Moscow based, self-contained Russian mining and steel conglom one of the world's most self-sufficient companies, steel products plus huge reserves of coal, iron ore and nickel, P/E 22, FWD P/E 10.3, EPS \$6.75, profit margin 22%, Q revenue growth YOY 62.2%, OWNS ITS OWN SEAPORT, building a new one in Russia's Far East, coal production up 60% YOY. American ADR shares are approx USD\$55, dividend is \$2.27 yield is 4.11%. 3:1 stock split May of 08 puts that shares at around \$50, A MARKET WITCH BEST BUY

-Bucyrus International (BUCY Milwaukee-based, just like Harley Davidson. Manufacturer of mining machinery: electric mining shovels, drag lines, rotary blast-hole drills, and other heavy-industrial mining equipment. Strong sales in Australia Brazil Canada Chile Peru UK India and S Africa, big repeat sales for replacement parts. Market cap \$3.6 billion, P/E 31, FWD P/E 19, EPS \$4.32, Q revenue growth YOY 171.6%, A MARKET WITCH BEST BUY, watch also Joy Global (JOYG) but we think BUCY is the one to

invest in

-iShares Brazil Index (EWZ) a basket ETF of Brazil's BEST companies, this fund has a composite P/E of 12.88 shares in the high 80s low 90s are heading toward \$120 in 09, A MARKET WITCH BEST BUY

SHIPPING:

NOTES: oceanic shipping, like RRs, passes fuel costs on. Meaning: big profits.

-Frontline (FRO) global transoceanic shipping, Bermuda-based. Share price no longer a bargain, but a P/E even now of only 8.78 means we could see share price move reasonably to 90. Plus huge \$8 dividend, yield 12.17%. Demand for global shipping remains enormous

-Ship Finance Ltd (SFL) subsidiary of FRO, global oceanic shipping, Bermuda based, conservatively managed, 1st Q profits up 8%, shares now in low 30s still show a P/E of only 13.5, div \$2.24, yield 7%, conservatively-managed

-Double Hull Tankers (DHT) small, solidly-managed, petroleum transport, based in Channel Islands, share price \$10-11, P/E 12, EPS 91 cents, huge 8.80% dividend,

-Diana Shipping (DSX) small drybulk cargo shipping: coal ore grain and bulk containers, global, based in Athens, Greece, P/E 14, Q revenue growth YOY 148.6%, dividend \$3.40, yield 11%

-Dryships Inc (DRYS) global drybulk commodities EPS \$16.03 P/E 4,8, dividend 80 cents

RAILROADS:

NOTES: \$4.79-\$5.39 diesel has made trains far more cost-competitive than trucking. Watch when you wait for freight trains at a crossing: What you'll see now: entire trains of flatcars carrying full truck tractor-trailers and ocean dryshipping cargo containers being hauled from one end of the country to the other. The RRs are making \$\$\$\$ and especially so since they pass on any fuel cost increase. USA's RRs will have to be rebuilt next decade. Which is why we say suggest buying steel.

-Norfolk Southern RR (NSC) Q earnings \$1.02, 12 cents above estimates, P/E 17, EPS \$3.74, new 4% price freight hike in effect, strong fwd guidance, shares undervalued by 15%

-CSX RR (CSX) net Q earnings \$365 million, 86 cents a share, 5% rise in 4Q profit, strong fwd guidance, recent stock buyback, well- managed, P/E 20, EPS \$3.32, fwd P/E falling strongly, shares undervalued by 10%

-Union Pacific (UNP) Q earnings growth YOY 26.7%, P/E 21.5, EPS \$7.60, superbly managed, shares now are above our sell point of 148 but still undervalued by 15-17%, A MARKET WITCH BEST BUY

-Burlington Northern Santa Fe (BNI) Warren Buffett bought 1,246,000 shares for Berkshire Hathaway in

January and now owns 18% of BNI. P/E 19.79 EPS \$5.44, STRONG 1st Q numbers STRONG fwd guidance, fwd P/E 15, Q earnings growth YOY 30.4%, profit margin almost 12%, A MARKET WITCH BEST BUY

NOTE: all four will raise freight prices by 4-8% during 2008, essentially a fuel surcharge. But ALSO, all four will gain business as trucking industry falters over fuel costs. A depressing (to us) fact is that the TTX corp, which builds most of the country's RR cars, is privately held by a consortium of 15 American RR companies

-Research in Motion (RIMM) Canadian-based, North America's best wireless handheld device, a new global status symbol and global market share, favored by the wealthy powerful responsible and the busy in almost every country for a decade, new 3G model called the Bold® just introduced is a sensation and will be introduced worldwide later this year. In North America RIMM has an exclusive subscriber contract agreement with AT&T and is A MARKET WITCH BEST BUY

-AT&T (T) The phone company, now as "21st century" as it was "1950s" and these rive provider for the iPhone. P/E 10, EPS \$1.93, dividend yield around 5% Q earnings growth YOY 61.8%, Q revenue growth YOY 91%. 16% of all US households now use only cell phone wireless. Another 13% still have landline phones but take almost all their calls via wireless. Wireless is gaining at more than 5% a year. The beneficiary? AT&T. This co's comparative Internet and "cable TV" services now are beginning to challenge AOL/Roadrunner® and Warner Cable, A MARKET WITCH BEST BUY

-Koninklijke Philips Electronics NV (PHG) (PHIL) Amsterdam-based conglom, domestic appliances, personal care, electronics, lighting, medical technologies, manufacturing in 29 countries, sales and service in 150. P/E 7.53, EPS 5.08, Q earnings growth down but profit margin 13%, div 87 cents

-Companhia de Bebidas das Americas (ABV) Sao Paulo-based, beverages inc beer and Pepsi franchise, throughout Latin America, EPS \$2.74 P/E 25 FWD P/E 17, Q earnings growth YOY 15%, buy and hold into early 09 for a 20%++ gain over April 1 08 as Latin America prospers

-Diageo (DGE: LSE) (DEO ADR) name-brand alcoholic beverages world wide, increasing both sales and profits. P/E 16.66, FWD P/E 14.4, profit margin 20%. When big economies go to hell, humans drink (DGE) smoke PM) gamble (WYNN) fool around (LTD) and buy expensive gifts (TIF) for their lovers. *The same thing happens when boom times occur: Diageo wins either way.* Shares are undervalued and should go to at least 113

AGRICULTURE, COMMODITIES, & "EXCHANGE" STOCKS

-Monsanto (MON) one of America's preeminent hard science/tech companies. It now falls to Monsanto to save the world from starvation via genetically-engineered seeds. Bioengineering, agricultural genetic engineering, seeds, agricultural products etc, global sales. There ARE aspects of Monsanto that various social groups think are corrupt: a big one is plants whose seeds are engineered to die so that additional seeds can't be harvested but must be bought from the company, a practice comparative to patent enforcement. P/E is 38...but Monsanto expects to DOUBLE its gross revenues by 2012. Q revenue growth YOY 44.8%

Q earnings growth YOY 107.9%. Shares are up 958% in five years, A MARKET WITCH BEST BUY

-Deere (DE) Deere agricultural machinery is globally marketed and sold, is back-ordered for weeks, and so much in demand in South America that some products are backordered for months, A MARKET WITCH BEST BUY

-Mosaic (MOS) fertilizers P/E 39, EPS \$3.20, Q revenue growth YOY 67.9%, Q earnings growth YOY obscenely high, demand for fertilizers is skyrocketing

-Potash (POT) Canadian, fertilizers, P/E 48, FWD P/E 10.77, Q earnings growth YOY 185.7, possibly THE strongest fertilizer co on the planet, A MARKET WITCH BEST BUY

-CF Industries (CF) nitrogen and phosphate fertilizers, P/E 20, EPS \$6.57, q revenue growth YOY 61.9%, Q earnings growth so high you won't believe it if we tell you, only 56 million shares out, A MARKET WITCH BEST BUY

- Sociedad Quimica y Minera de Chile (SQM) nitrate fertilizers, also world's major source of lithium, Q earnings growth YOY 50.4%, we began following SQM some years ago when shares were about 90; they rose to 270. An unprecedented 10:1 stock split 3/31/08 brought shares down to \$27, already up to \$31, shares will just not quite appreciating, A MARKET WITCH BEST BUY

-Agrium (AGU) based in Calgary, Alberta, chemicals and nutrients, sales in Canada USA Chile and Argentina, P/E 18.5, EPS \$4.54, Q revenue growth YOY 58.6%

-Terra Nitrogen (TNH) nitrogen fertilizers, based in Sioux City, superbly managed, Q earnings growth YOY 286.4%, EPS 10.90, huge dividend \$16.80, yield 11.5%, there is some concern that the dividend may fall some, but into each life some rain must fall, A MARKET WITCH BEST BUY. See also parent company Terra Industries (TRA) Q earnings growth YOY 1300%, shares at 54 are undervalued by around \$20

-BOVESPA HOLDINGS SA SAO: BOVH3) (BOVH) (BVSPF:PK) The Sao Paulo commodities and stock exchanges, which IPO'd last autumn, includes a fully-electronic Bolsa. Handles all ADR transactions in Brazil. Net profit margin 70.4%, return on equity 77.04%, A MARKET WITCH BEST BUY

-Intercontinental Exchange Inc (ICE) outsider Atlanta-based Internet global electronic OTC commodities and futures exchange, fast gaining recognition and clout, has become seriously profitable, New: access to European markets. Profit margin 41.9%, Q revenue growth YOY 67.2%, only 70 million shares out, A MARKET WITCH BEST BUY

-CME Group (CME) Chicago Mercantile Exchange bought CBOT in July 07, creating a formidable 21st century commodities and electronic exchange. 53.24 million shares out. CME is buying NYMEX for \$9 billion, consolidating an already iron grip on commodities sales in the US. The deal will close in Nov or Dec of 08. These shares are profoundly down recently, reflecting American turmoil but not CME's huge black numbers. Profit margin 39.63%, EPS \$16.64, Q revenue growth YOY 88.1%, Q earnings growth YOY 118.1%

-NYSE Euronext (NYX) the world's strongest global electronic exchange, is buying up pieces of other exchanges on the world market in anticipation of a new century of trading, most recent purchase has been 25% of the Qatar stock and commodities exchange, we love this company, we like its leadership, an increasing % of its revenues come from outside the US, and we think its undervalued

-DAX Global Agribusiness Index ETF (DXAG) a broad basket of the best global agricultural companies with a market cap of at least \$150 million each, strong share price runup all spring, this should continue over the summer

-Deere (DE) legendary-brand green-and-yellow farm equipment giant, wonderfully-managed, 60% increase in Q profits, EPS \$4.69, shares up 39.91% in a year, and A MARKET WITCH BEST BUY

-Powershares Deutsche Bank Commodities Index (DBC) an broad ETF of exchange-traded commodities futures in crude oil, heating oil, aluminum, wheat, gold and corn, net asset value \$2.15 billion, YTD return 13.34%

-SPDR S&P Metals & Mining (XME) called a "spider" on Wall Street, this one is an ETF of the most representative mining and metals stocks, PE 14.88 due for stronger share appreciation later this year

-Freeport McMoran Copper & Gold (FCX) American based, operates huge Grasberg gold and copper operations in Papua New Guinea. Purchased copper giant Phelps Dodge. P/E 15, Q revenue growth 154.7%, Q earnings growth 8.1%, profit margin 17.58%, co wants to increase shares available for issue to 1.8 billion, which means a stock split is coming. Henry Kissinger is on FCX's board

-Greif (GEF) the world's top industrial packaging company. 2:1 stock split April 07. A boring, necessary, wonderfully-run company in Delaware Ohio that chugs along and makes money. P/E 20, EPS \$3.08, 46.68 million shares out, just opened Asia-Pacific HQ in Shanghai along w/ packaging operations plant for the Far East, Q earnings growth YOY 78.6%

-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 gave Nestle a 60% share of the global baby food market. 1st half profits up 18.5%, huge stock buyback. *Currently vying with Mittal Steel as the strongest stock in Europe.*

HIGHEST DIVIDENDS

Data from *London Financial Times*, Google Financial, Reuters
Yahoo Financial, Hoover's, Bloomberg, & Others

Your money MUST work harder this year. America's most calamitous financial crisis comes to a head, including an epic global change in how the world views uses and accepts the US dollar. In 08 stocks which pay big dividends are absolutely necessary.

- Southern Peru Copper (PCU) dividend \$6.80, yield 6.30%
- Tomkins plc (TKS) (engineering/industrial/automotive- mechanics products, London) P/E 11 div \$1.30 yield 8.8%

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

- CPFL Energia SA (Brazil) div. \$5.47 yield 8.90%

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

- Dow Chemical (DOW) div \$1.68 yield 4.8%

- Biovail (BVF) (Ontario) pharmaceuticals (Wellbutrin® Zovirax® etc), P/E 12.24, div \$1.50 yield 12.4%

- Mesabi Trust (MSB) div \$1.14, yield 8.50%

- Frontline (FRO) (Bermuda, tankers & at-sea shipping) div \$8.00 yield 18%. March 2008's \$2 Q dividend was added to by a surprise payoff of shares of FRO's subsidiary Independent Tanker Corp (ITC) for American holders of FRO stock. Shareholders rec'd 1 share of ITC for every five shares they hold of FRO. Frontline also owns subsidiary SFL

- Ship Finance Ltd (SFL) div \$2.20 yield 8.80%

- Double Hull Tankers (DHT) (Channel Islands) div \$1.40 yield 12.50%

- Terra Nitrogen (TNH) dividend \$17.80, yield 11.2%

- Knightsbridge Tankers LTS (Bermuda) div \$3 yield 12.40%

- Seaspan Corp (SSW) (shipping) div \$1.90 yield 6.90%

- Kinder Morgan Energy Partners (KMP) div \$3.52 yield 6.60%

- Diana Shipping (DSX) div \$2.40 yield, 8.90%

- Dominion Resources (D) (gas and electric dist) div \$3.16 yield 6.60%

- GSC Investment Corp (GNV) small cap speculative co does buyouts acquisitions refinancing/rollovers, div \$1.52 yield 14.5%

- Reynolds American (RAI) (tobacco) div \$3.40 yield 5.00% one of America's most trusted stocks

- Fifth Third Bank (FITB) div \$1.76 yield 7.75%

- Bank of America (BAC) div \$2.36, yield 7.00%
- Penn Virginia Resource Partners (PVR) (coal) dividend \$1.76 yield 6.40%
- Fording Canadian Coal (FDG)(Canada, minerals) dividend \$2.16 yield 5.70%
- Alliance Resources (ARLP) coal, dividend \$2.34, yield 6.00%
- Norsk Hydro (NHY, NHYDY.PK) div \$0.82, yield 5.92%
- American Capital Strategies (ACAS) (distressed financials) div \$4.00 yield 11.00%
- Realty Income (O) dividend \$1.68 yield 6.67%
- Health Care Property Investors Inc (HCP) dividend \$1.82 yield 5.8%
- Veolia Environnement SA (VE) (Paris) world's largest water services stock, div \$3.12 yield 5.1%

Best Wishes,

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

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