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CAPITAL®

Party like it's 1999...

Thursday, August 28, 2007

Cuz they say 2000 zero zero party over, oops, out of time !

— Prince —



Running out of time is now the prevalent state of mind of many caught on the wrong side. Time will fix the matter so they say. In this case time will bring forward more liquidity pressure events constituting an unwind of truly massive proportion. True it will not be in a straight line and will create many whiplashes. We have closed successfully our short NASDAQ

position and are open to play this market from both sides. Terrific value play are starting to appear. Some of our indicators namely thrust analysis are at screaming buy levels. The liquidity tap is open and the Fed is there to act. A trading bottom will probably be at hand. We recently added to banks and on the first drop of the discount window shorts ran for cover. I turn my attention to longer term issue this week with the following graph. One of the problem we had to face was the lack of return from traditional assets namely bonds. Asia with massive savings would have had to contribute to this low yielding environment.

What if Asian markets go down severely. What impact is expected? I would contend that it adds to the liquidity implosion problems.

Interestingly every 1,000 points move in the Shanghai Index is done faster than the previous one. It took approximately 67 weeks to move from 1,000 to 2,000. It took about 9 weeks from 2,000 to 3,000 and about 8 weeks from 3,000 to 4,000. I hope you get the picture by now; the market is taking on an exponential path. The last move from 4,000 to 5,000 took only 6 weeks. So tonight I'm gonna party like its 1999!

— Yves Lamoureux, Investment Advisor, Blackmont Capital Inc.  
Host of the show *Lamoureux des Finances*, writer and regular media commentator

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