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The simplest and most effective trading strategy just got better: Trade on news and bag 96% from this fast-moving biotech

by Ian L. Cooper

I love trading on news. It's simple, efficient and incredibly profitable. So when I read things that contradict this strategy, such as amateurish commentary never fails to make me laugh. I do it all the time — and enjoy remarkable success in my *Extreme Volatility Speculator* trading service. In fact, last year, I generated 1,975% cumulative gains for my readers.

I'm now going to pass that success on to you, with a stock that's poised to gallop faster on the anticipation of beneficial news.

Oftentimes, what allows you to trade on news is the delay in the dissemination of news to a greater number of investors via television and the Internet. Sometimes the news or rumor we pick up on won't be fully disseminated, meaning that the intended audience won't pick up on it until later in the day when they get home from work. But by that time, we've already bought the stock and are just waiting for the trigger that will launch it.

Three tiers of profits

You see, when you trade on news, you often get two or more price run-ups as the news percolates from a few thousand people, to a few hundred thousand, to millions.

First Tier: By constantly monitoring the early-phase information sources, most of which are online, we learn the important news first and can make a buy for the morning open.

Second Tier: As more investors learn the news, the price and volume soars — and that becomes news.

Third Tier: Then there's a reaction to the reaction. The huge jump in price or the amazing volume makes the nightly news summaries. And the next morning, even more investors jump in. Think of all

the times you've heard a broadcaster say, "Stock XYZ had the third-highest volume today." Or "Widget Co. was among today's top movers on the NASDAQ, with a 40% gain."

February 20 could be a big day for this company

You can even trade on the anticipation of news — which is why I'm recommending Bioenvision (BIVN:NASDAQ) in anticipation of bullish news on Feb. 20, 2006.

This could be a big day for Bioenvision shareholders. You see, back on Dec. 21, 2005, Bioenvision announced that an oral examination before the Committee for Medicinal Products for Human Use had been scheduled for the week commencing

Feb. 20, 2006 in relation to the European Marketing Authorization Application for clofarabine in the treatment of patients with relapsed or refractory acute lymphoblastic leukemia. According to St. Jude Children's Research Hospital: "Lymphoblastic lymphoma is a type of cancer that occurs mainly in children and teenagers. Chemotherapy (anti-cancer drugs) and radiation (X-ray treatments) are effective treatments for many patients, but even with chemotherapy and radiation, some patients have a relapse (the disease comes back)."

On Dec. 12, 2005, the company announced that its ongoing study of clofarabine showed "encouraging" data for certain high-risk groups. According to the reports, "an analysis of the first 44 patients in the mid-stage study showed 36% of those with a high-risk genetic profile responded to Bioenvision's clofarabine drug. In addition, 56% of patients older than 70 responded to the drug."

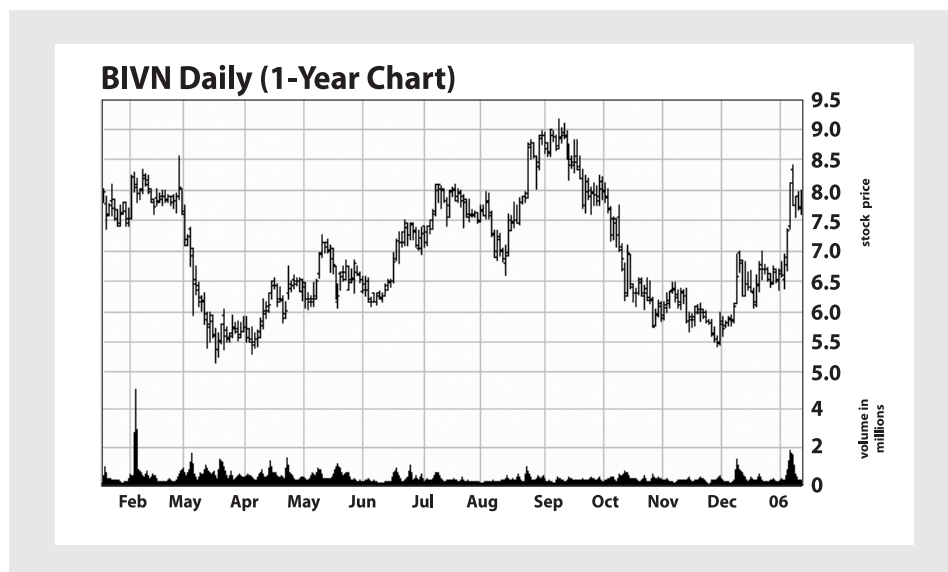
In addition, there's a rumor on Wall Street that

February 20 could be a big day for Bioenvision shareholders

Genzyme, which is developing clofarabine with the company, could offer to buy out Bioenvision. And although that's just a rumor right now, I believe that even if there was no hint of a buyout, following the possible approval of clofarabine, a merger between the two companies would make perfect sense. And even if it never happens, this US\$7.66 stock could easily see US\$15 in the near term on drug approval alone.

I believe that Bioenvision's strong performance throughout December could be the start of a run to at least US\$15 near term.

Buy Bioenvision (BIVN:NASDAQ) under US\$8.50. ■



DYNAMIC WEALTH

With a 40% gain up for grabs within the next six months, you can't afford to miss this "pillar of profits"

by Andrew Snyder

One of the most popular trading philosophies — particularly for more novice investors — is to buy a company whose business you understand or whose product you use on a regular basis. After all, if you use a product on a daily basis, there's a pretty good chance that plenty of other people do too. And where there is big demand, there is bound to be big profits.

Two products I use on a daily basis are my cell phone and computer. After all, I am writing this on a computer and my phone is lying within arm's reach. There are millions of people across the globe who are also dependent on this technology. One thing is sure: Worldwide demand for these products is not going down anytime soon.

With that in mind, you'd think finding a profitable investment cen-

tered on cell phone and computer technology would be an easy task. Unfortunately, it's not. The winners and losers in the two industries constantly ebb and flow as consumer trends change and evolve. Picking a long-term winner is hard to do. But thanks to my "five pillars of profits" approach, I've uncovered a company poised to do well no matter what consumers are up to.

Flextronics International (FLEX:NASDAQ) is the world's largest electronics manufacturer and assembler. It designs and manufactures computers for many of the world's top brands. It's the only company in its industry that stood up to my rigorous criteria.

"Five pillars of profits"

So what are my "five pillars of profits" grading criteria? Well, basi-

cally, when evaluating an investment, I look at five distinct aspects of a company. They are: the company's industry, its products, its fundamentals, its technical indicators, and the investment's overall risk. If a company has what it takes to make the grade in all five areas, it is worthy of your portfolio. If not, I put it aside until it can.

And here's why Flextronics passed the test with flying colors:

The first thing that caught my eye was its industry. Very few name-brand computer companies assemble or even design their products. Names like Hewlett Packard and Motorola look to Flextronics to assemble and design their products. So no matter who is leading the industry, Flextronics will grab a large and profitable share of their business.

Another aspect of the electronics manufacturing industry is its substan-

tial barrier to entry. New competition won't be popping up anytime soon. Why? Because it takes a huge amount of capital and substantial, cheap labor to compete in this industry.

Flextronics offers something major computer and cell phone manufacturers don't have — the ability to build their products cheaply and efficiently. While these big companies could build and operate their own manufacturing facilities, it is far cheaper for them to send their products to Flextronics.

And precisely because it pulls from many companies, Flextronics can operate significantly cheaper and quicker than any original equipment manufacturer could ever dream about. This keeps its products inexpensive, its manufacturing efficient - and the company's services in high demand.

Technically speaking... this one is huge

A quick glance at FLEX's long-term chart shows that the company's share price makes significant gains any time a new, high-tech computer comes out.

In 1999, for example, the catalyst for the huge gains was the release of Intel's Pentium III processor. It played a large role in creating the huge surge in technology stocks across the board. When the processor hit the market, new computer demand soared, and so did Flextronics' business.

In 2002, FLEX's share price rose considerably again, courtesy of the Pentium IV processor.

So what's the catalyst this time around? Look no further than the boys at Intel! The company just released yet another chip that will have consumers racing to get their hands on new computers. The "duo" is poised to set a new 64-bit industry standard. And as demand for new computers enters another bullish cycle, FLEX's share price will benefit significantly.

So on technical merit alone, this one is a winner. But there are two more pieces to my "five pillars of

profits." And both are very important.

Passing the numbers test with flying colors

The next pillar we need to evaluate is FLEX's fundamentals. Once again, it passed the test with flying colors. This company has some good numbers, and is attractively undervalued. Without running the risk of bombarding you with too many figures, I'll go over two of my favorite fundamental indicators — the P/E ratio and the PEG ratio.

Flextronics has a forward-looking P/E of just 12.6. The industry average is over 25. What does this mean? It's a rare chance to grab shares while they're extremely cheap.

The stock's PEG ratio is even better. In case you are not familiar with this ratio, it's simply the P/E ratio divided by the company's estimated growth rate for the next five years. A

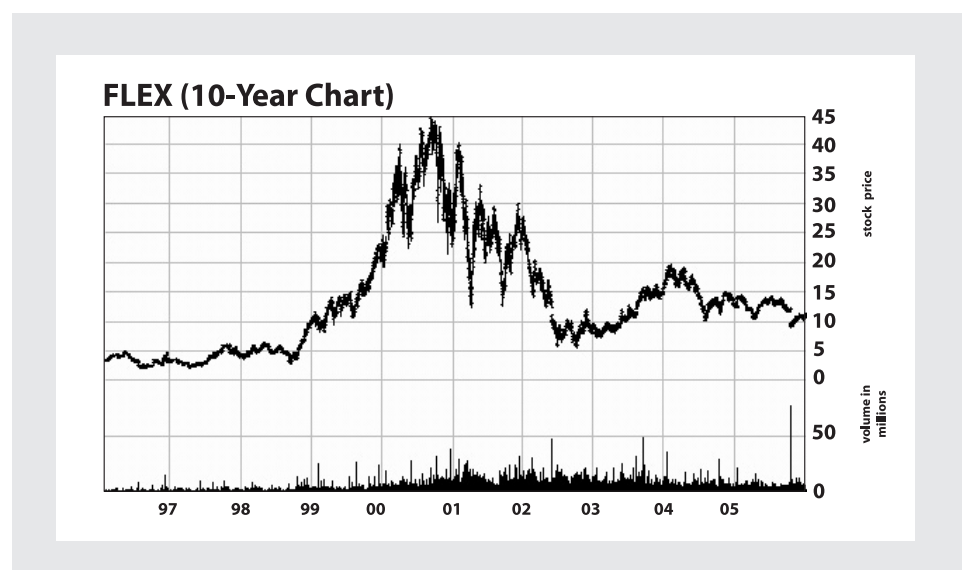
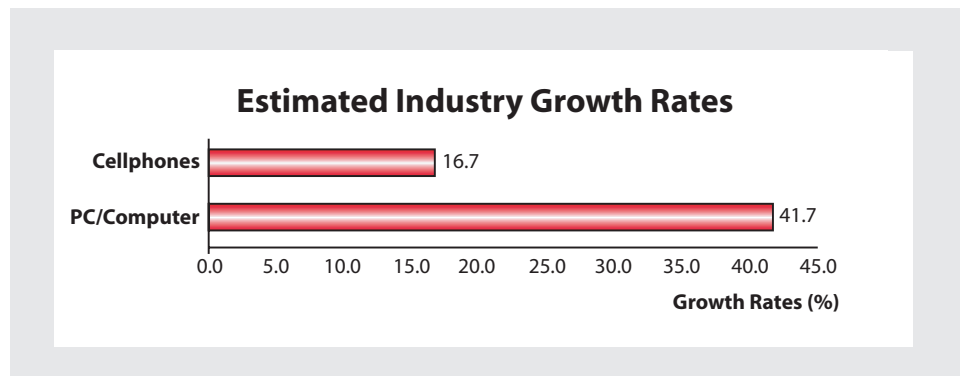
figure of one or higher means shares are overvalued. If the number is less than one, shares are undervalued. And Flextronics boasts a PEG of just 0.75. Shares are cheap!

A risky business? Not here

Finally, I look at a stock's overall risk before it can officially be called a "buy." For an adequate estimate of an investment's risk, you must know what its rewards are. By using the four "pillars" mentioned above, we can get an accurate price target.

And there is no reason shares should not be selling for US\$15 in the next six months. At the current price of US\$10.59, that would give you a gain of over 40%.

But what if things go south? What kind of loss is possible? Well, the last time Flextronics shares dropped, they could not find enough momentum to



drop below US\$9. Now, the company is even stronger and a drop below US\$9.50 is unlikely. At that price, the loss would total around 10%. But the

rewards are four times greater than the risk. This one aces the final test. After subjecting Flextronics to my "five pillars of profits" it is obvious

the company offers a great investment opportunity.

Buy shares of Flextronics (FLEX:NASDAQ) under US\$12.25. ■

STRATEGIC WEALTH

An old blue-chip chemical company spins its fourth-quarter earnings and creates a perfect "buy the dips" opportunity for possible gains of 400%

by Ann Sosnowski

A favorite phrase of stock investors and traders is "buy on dips." More than ever, that simple three-word action has spawned unlikely rallies and uncommon strength in stocks that usually don't deserve it. It only proves the obvious: the stock may be cheaper than it was a few weeks ago but its value has not increased. Mostly all you have is a herd mentality: if they'll buy it, I'll buy it.

Whenever I advise an investor to buy options on a stock dip, I want to have plenty of evidence to enhance the argument. Just because it's cheap doesn't mean it's worth it. But when you add to the argument that a dividend payout is right around the corner, and the stock has exhibited the same behavior prior to a dividend payout in the same period the year before, well you have a perfect reason to jump on the bandwagon.

While many have doubted that **El DuPont de Nemours & Co. (DD:NYSE)** is worth its current value, and that its fourth-quarter earnings guidance makes the shares look "deceptively cheap," I find it's a perfect time to go ahead and play a short-term upside position on the company.

A healthy dose of dividends

It always pays to have a few good dividend-yielding stocks in your port-

folio. They're reliable, regular and cyclical. And smart companies know that dividends build loyalty. They also know that dividend announcements often drive up the stock price. With dividends, once they're announced, there's no turning back. The company can't reverse the payout, it can't ignore it, and it sure as heck wouldn't want to. Dividends are good for the company's bottom line.

The trick to making quick and regular money during the year is to buy a stock before it declares a dividend payout and then sell it after the record date.

DuPont has declared quarterly dividends for its shareholders since 1993. Its first dividend was US\$0.22 per share. At that time, DD stock traded for around US\$25. Today, DD's price is US\$40.

The trick to making quick and regular money during the year is to

buy a stock before it declares a dividend payout and then sell it after the record date.

According to DuPont's regular dividend payouts, history shows that it's set to declare another quarterly payout on or around Jan. 26, 2006 for US\$0.37 per each share owned as of February 15. The payout will occur around March 14.

Without fail, when companies announce to shareholders that they will receive an extra payout if they are holding by a specific date, the company's stock always increases. That's what happened when Microsoft announced a dividend of US\$0.08 per share payable to shareholders as of August 17. The stock climbed 9%. Same thing with Texas Instruments. The stock jumped 11% when it announced it was paying a 25-cent dividend.

Damage control and some wicked spin

On January 11, DuPont revised its fourth-quarter earnings guidance. Having projected US\$0.20-0.25 per share in October 2005, it now says that figure will slide all the way down to US\$0.10 per share. Of course, the big reason for such a drop in profits was hurricanes Katrina and Rita — events totally out of the company's control.

Additionally, DuPont cited "tem-

porary unplanned production interruptions at three of the company's plants in Brazil, the Netherlands and the United States."

Naturally, investors were anything but excited. On January 10, prior to the announcement, DD closed at US\$42.55 per share. The following morning, it gapped down to US\$41.18 at the opening bell and by the end of the day, closed as a doji (a daily candlestick where the stock's open and close are ultimately the same price).

Rewind a little further, back to Jan. 25, 2005. On that day, DuPont announced its 2004 fourth-quarter earnings. It didn't beat estimates. Analysts had expected US\$0.33 cents per share and instead got US\$0.28 cents per share. "Despite a big drop in revenue," DD was able to offset its "higher energy and raw material costs" with "higher selling prices and volume growth." The company offered in-line guidance for the year of 2005.

If you ask me, it sounds like buying on the dips is an opportunity DuPont banks on every January. It offers a perfect opportunity not only to get in at a lower price, but also to be rewarded US\$0.37 per share owned on the dividend payout dates. Interestingly enough, two days before last year's fourth-quarter announcement, DD dropped US\$1.13. And before that, the stock had already dropped US\$2.63 from Jan. 3, 2005.

Imitation is the best strategy for profits

Take a look at DuPont's weekly chart throughout 2005 and I'll show you how similar last year's January and this past January are.

Here's what you need to know: prior to last January 24, when DD released its earnings and declared a quarterly dividend of US\$0.37, DD dropped for five straight weeks — a total loss of US\$3.76. After the divi-

dent announcement, DD rose by US\$9.16 leading up to the dividend payout date.

From my calculations if DD trades at US\$49.36 at end of March these options could trade for \$10 — good for a 400% gain

I think we're in for a repeat performance this time around. As I write, just two weeks into 2006, DD has already lost US\$3.18. The drop is already close to that of last year, so I expect to see the stock trade around US\$40 for the remainder of January before its official fourth-quarter earnings report and regular dividend payout of US\$0.37 per share.

Getting your ducks in a row... to the tune of 400% profits

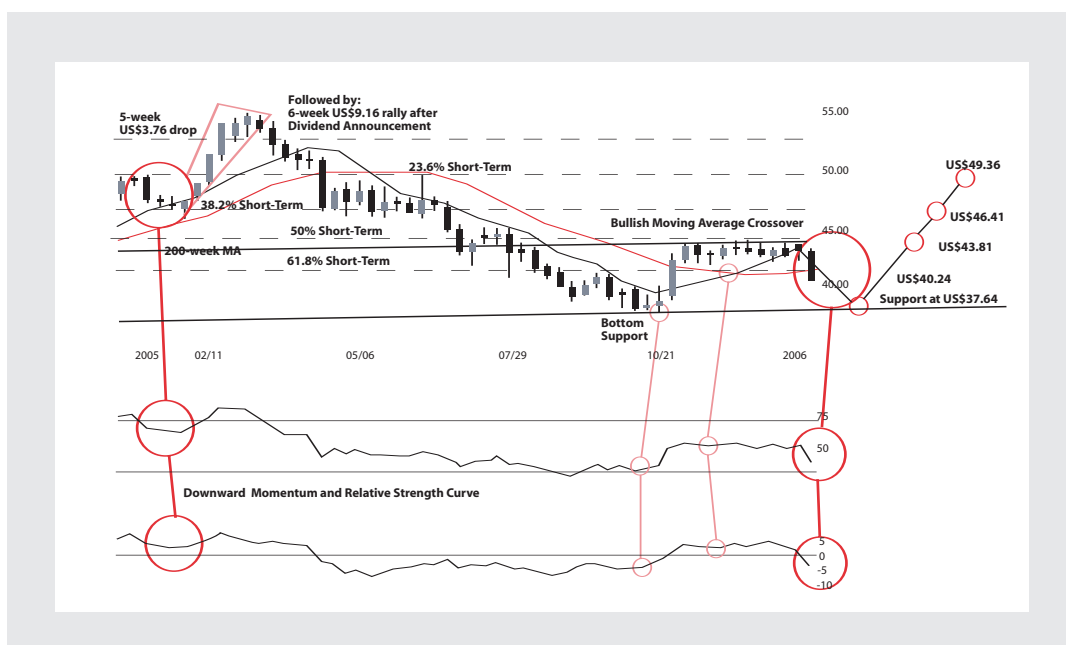
To be on the safe side, let's say that DD ends its current price retracement in support of US\$37.64

per share. From there, a rally of roughly US\$10 should bring DD trading up to US\$47.64, above the strong technical support of a short-term 38.2% Fibonacci retracement.

But to truly maximize gains (although this does carry a little more risk), I'm willing to play from its current price to US\$49.36 — the midway point for last year's rally. That's a gain of 31% on the stock if it drops to our lower target of US\$37.64 per share before the dividend announcement.

With a bullish 10-week over 20-week moving average crossover, and an upward momentum/relative strength curve, I recommend that you buy some short-term April 40 Calls on (DDD) and hold from immediately after its dividend payout announcement until the day that it pays said dividend out. Although you won't earn the dividend payout on stock shares, I doubt that will even faze you when you see the return you can make on a simple option trade!

In order to take advantage of the stock run-up from its dividend announcement to the payout date, **buy the DuPont April 40 Calls (DD DH) under US\$2.** From my calculations, if DD trades around US\$39 at the end of January to US\$49.36 in March, these options could trade for US\$10 — good for a 400% gain! ■



The hidden gem in the mud along the Detroit River: Three ways to snag excellent profits from the under-rating of an American giant

by Adam Lass

Are American car companies hopeless dinosaurs doomed to bury investors' dollars? Or are there hidden opportunities lurking like dirty diamonds in a fossil bed?

There is certainly no doubt that the two big boys — General Motors and Ford — have dug themselves big holes.

For decades, both have survived by convincing Americans that a vehicle was inconvenient if it didn't weigh as much as a small tank, was not manly, and could not carry more kids and gear than a school bus. Of course, this was great when gas was US\$1 a gallon.

Pension problems

It's a well-known fact, though, that beasts like the Hummer H2 GM also carry a significantly higher profit margin. In fact, the profit on each one comes very close to exceeding the total ticket price of a low-end Asian econobox. And who can blame the auto execs for dancing a jig and eyeing dollar signs when they thought about what these monsters would do for the corporate bottom line, however shortsighted it may have been? But that bottom line does need a serious shot in the arm, as GM in particular, has a strong need for big profits per car: this has an enormous impact on the pension fund.

You see, while most modern American companies depend on defined contribution plans as a means of enticing employees to remain on board (where the company contributes a relatively modest amount of cash into workers' tax-deferred accounts), auto manufactur-

ers, on the other hand, are saddled with old-school pension plans and are entirely responsible for funding a defined benefit that lasts a lifetime.

When Detroit conceded this benefit to the unions, it anticipated post-retirement lifespans of 10 years max and barely funded the investments that would be required to provide benefits over that span. But thanks to remarkable improvements in medicine, retired autoworkers now draw pension checks for much longer. And there is simply no way the auto companies can set aside enough gains to cover promised benefits.

And this scenario is driving the ratings companies nuts.

The big downgrade

The ratings folks at Moody's and Standard and Poor's claim that their repeated downgrading of Ford and GM bonds to junk status has to do with eroding market share. But they're actually terrified that one of the two giants will simply declare bankruptcy, as a means of escaping from its pension responsibilities. It's not that they would deliberately stiff bond holders. They love the folks who underwrite their debt, but bankruptcy would pretty much nuke the playing field — and both stockholders and bondholders could get easily caught in the crossfire.

Threat or opportunity?

Diminishing market share... obsolete product lines... pension overhangs... possible bankruptcy! Is this a recipe for disaster? Or for opportunity?

For the answer, look no further than the folks at the top of each company. At GM, you have Rick Wagoner and Bob Lutz. Certainly an improvement over previous teams, who released a parade of poorly designed, poorly assembled losers, without an ounce of sex appeal or common sense appeal.

But Wagoner now has a series of his very own debacles he can lay personal claim to. He totally blew the sale of the coveted Hughes tech division and stupidly plowed billions more into Fuji and the legendary black hole, Fiat, without any real hope of decent return.

Finally, he and Lutz have no exit plan from their addiction to the profits from SUVs and trucks, despite the fact that gas prices are now prohibitively high. GM is now forced to deeply discount inventory to get it off the lot, thus bankrupting the strategy and quite possibly the company.

Hello, Henry?

At Ford, however, there's a visionary crusader. For nearly a decade, Bill Ford watched in horror as functionaries dragged his family legacy into the mud. They, too, were addicted to truck and SUV sales, having completely ceded the small car market to the Japanese and Germans.

After a string of debacles similar to those at GM, the board has finally put a Ford back in charge of Ford. And he is carving out a path to the future.

For example, Bill Ford is using a remarkable new transmission, capable of delivering power far more

effectively, in a hybrid-powered version of the Freedom crossover chassis. He's now sending a fleet of these beasts to New York City to serve as yellow cabs. Millions of folks will know just how smooth, clean, quiet, comfortable and roomy these new beasts are.

One going down, one going up: How you can profit

Here's the deal: GM is going down. And Ford is going to pick up the market share.

Right now you can buy **Ford (F:NYSE) stock under US\$10** a share — an absurd discount against its true long-term value. Do it and then sit on it. Don't panic if it loses a dollar or two. There will be difficult times ahead as it revamps. But when Ford has regained its normal price range between US\$25-30, you won't care whether you bought for US\$8 or US\$9 a share.

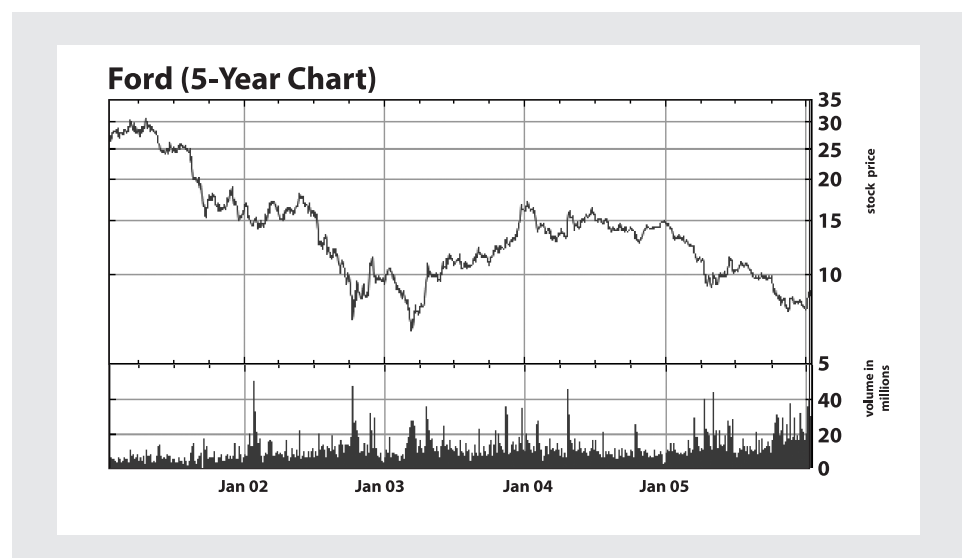
The same story holds for Ford bonds. The only reason they are considered "junk" is because rating services can't paint a portrait of GM troubles without placing Ford in the same picture.

My opinion is that Bill Ford would quit before he would default on his bonds and attach the stigma of bankruptcy to his name. Therefore, they're hugely underrated, and a fabulous buy. **The 2021 series is offering 11.47% current yield and should not be sporting a BB rating. This is a buy below US\$90.**

Normally, I would advise a trailing stop no bigger than 20%. But that might very well get you put out in the initial phase of this play and, as I said earlier, a dollar or two would be irrelevant in the long run. **Therefore I recommend a 30% trailing stop until the**

stock price is clear of US\$12.50. At that point, revert to 20%.

For speculators only! Finally, if you're open to a little more risk — but vast potential reward — look to the **Ford January 2007 US\$12.50 Call leaps (VFOAV.X)**. They can be purchased for under US\$0.50 per contract. Any upward movement for the underlying Ford stock would easily double this, and a prolonged recovery will quadruple. **I would certainly recommend purchasing them as high as US\$0.75**, and I may very well raise that target as this play progresses. ■



COMMODITIES WEALTH

Gold is great... but silver is sizzling too — and this company could deliver a 15% gain in just 2-3 months

by Executive Editor Martin Denholm and special guest contributor, John Wilkinson

Hi ho silver! With many of the world's commodities enjoying a very healthy bullish run recently, we've unearthed a profitable investment opportunity for you in the silver market. That's why I've decided to enlist the services of John Wilkinson for this article, who prior to becoming a col-

league of mine, ran a successful financial-planning practice.

Scour the financial media these days and you're bound to come across some of the following fears: Global inflation, geopolitical unrest and military conflicts, a stock market downturn and the rampant demand

for raw materials coming from thriving emerging markets like China and India. Much of this doesn't make for particularly happy reading, but one thing they all have in common is attributing to the price of silver rising.

Students of the silver market will also tell you that like many commodi-

ties and resources these days, demand is strongly outpacing supply, and price per ounce has only one way to go... up. Need further proof? This is arguably why renowned investment guru Warren Buffett has accumulated almost 130 million ounces of silver for his Berkshire Hathaway shareholders.

This silver miner is set to shine

I have to be honest with you. As I was running the rule over several silver stocks, many of the financials looked like a 2 a.m. drunk — battered! However, there's one company whose numbers stand out from the rest of the crowd and whose prospects for future growth are significantly better.

You may have heard of this company before. After all, it's the clear industry leader and the world's largest silver producer. Based in the Coeur d'Alene mining region of Idaho, **Coeur d'Alene Mines Corp (CDE:NYSE)** has well-diversified silver and gold operations in several countries. Besides the underground Galena mine at its home base in Coeur d'Alene, its other most notable locations are Rochester mine in Nevada, which explores and mines both gold and silver, similar operations at Cerro Bayo in Chile, and the Martha mine in Argentina. It also has mines at the Kensington Property in Alaska, the San Bartolome interest in Bolivia, Tanzania in Africa and a new operation in Australia.

However, Coeur d'Alene's South American facilities have made the most news recently and project a promising upside for the stock. During exploration operations at the Cerro Bayo mine in Chile and Martha mine in Argentina in the fourth quarter, the company announced that it has discovered two very profitable areas of gold and silver. This extends a hugely successful run for both locations, with Chile having boosted its reserves and resources around 200% since 2001, and the Argentinean operations having more than tripled since 2002.

Impressive third quarter turnaround... with new fourth-quarter discoveries set to add more

Those new fourth-quarter discoveries bode well for a company whose third-quarter results already showed a fabulous improvement in performance.

From an US\$18.1 million net loss for Q3 2004, Coeur picked up the pace and recorded net income of US\$3.5 million on revenues of US\$44.1 million. The latter figure was a 41% leap from the US\$31.3 million reported a year earlier. Through the first nine months of 2005, revenues totaled US\$120.8 million — a 38% jump over the same period in 2004. And over the past trailing 12 months, the company has notched up US\$167.4 million in sales, blowing well past the industry average of US\$63.5 million. That translates to US\$8.3 million in net income.

In all, Coeur produced 3.8 million ounces of silver and 39,000 ounces of gold during the quarter. But besides the company benefiting from its main operations, it also managed to seal a lucrative acquisition — that of the silver production reserves at the Broken Hill mine in Australia. This US\$36 million deal was, in fact, nominated for *Mining Journal's* "Deal of the Year" award. And you can see why, given

the news that the 2.3 million ounces of reserves has boosted Coeur's total silver holdings by 17%.

Shiny financials: While competitors stay bogged down, Coeur looks good in black

Coeur's successful operations up to now have resulted in a 5% net profit margin, compared to a mere 1% average for the rest of the industry and US\$257.5 million in cash on the books. But that looks like that could be just the tip of the iceberg, given that CDE is expected to rack up 50% earnings growth for fiscal year 2005 and a massive 233% jump in fiscal 2006. No doubt that's due in large part to the new gold and silver resources in Chile and Argentina, as well as the Australian deal kicking in. And although return-on-equity is only 3.4% at the moment, it's better than the industry average, which is a rather unappetizing zero.

In the current economic climate, adding a silver stock to your portfolio makes good sense. And you can't go wrong with this industry leader, poised for some solid progress. At a current price around US\$4.35, I see CDE surpassing its 52-week high of US\$4.70 and up to US\$5 within the next few months — a tidy 15% gain.

Buy Coeur d'Alene Mines Corp (CDE:NYSE) under US\$4.50. ■

CDE Daily (1-Year Chart)



Construction spending at all-time high and a US\$100 million payout produces solid gains for *Taipan's* recent cement pick

by *Martin Denholm*

When US\$1.146 trillion worth of investment filters down to the companies affected, it produces some outstanding gains.

Figures released recently showed that U.S. construction spending last November galloped to an all-time high of US\$1.146 trillion. That's naturally having a positive effect on suppliers of construction materials.

That's exactly the case with Erin Beale's **Cemex (CX:NYSE)** recommendation back in the December 2005 newsletter. Erin advised you to buy shares of the Mexican cement company based on the massive Gulf Coast regeneration after Hurricane Katrina, and the lifting of a 15-year-old 80% tariff that would significantly help companies in the industry — particularly since the United States is in the midst of a severe cement shortage.

After years of speculation, political lobbying and union petitioning, a deal has finally been reached. The United States has agreed to slash duties on Mexican cement imports — from US\$26.28 per tonne to a mere US\$3 per tonne — an 89% drop. After three years, the duty will be eliminated completely.

For the past 15 years, the U.S. has levied an outrageous 80% duty on Mexican cement imports. Then, in 1990, the U.S. government accused the Mexican cement industry of “dumping” cement in the States, thereby stealing business from domestic cement companies.

The Mexicans were then punished with an 80% “anti-dumping” duty on cement imports to the U.S.

Even before Hurricane Katrina rav-

aged the Gulf Coast, the U.S. was in the midst of a cement shortage due to the booming housing market. At least 35 states had reported shortages. But the massive necessary rebuilding efforts in the Gulf Coast finally prompted action to lessen the duty.

So with the tariff lifted, not only will Cemex save more than US\$23 per tonne on its cement exports to the U.S., it's also expecting a cash refund in back-duties totaling US\$100 million.

According to a Cemex representative: “The settlement comes not only at a time when key litigation decisions are soon to be issued but also at a time when the United States is experiencing critical cement shortages.”

In Erin's original article, she advised you to buy the regular stock “under US\$58” and two separate options plays — the **April 2006 50 Calls (CXDJ.X)** under US\$10 and the **April 2005 55 Calls (CXDK.X)** under US\$6.50.

The official entry price on the stock was US\$56 on December 1 and it's been a strong performer, nailing a new 52-week high of US\$63.05 on January 20. That's a 12% gain so far.

You should have also got into April 50 Calls at US\$10 and the April 55 Calls at US\$6.40.

Back on January 11 — before the lifting of tariff duties was announced, Erin sent an e-mail alert, advising you to cash out on half of each options position, as speculation swirled that an agreement would soon be reached. That resulted in gains of 45% on the April 50 Calls and 61% on the April 55 Calls.

Continue to hold the second half, as they still have time left on them.

In addition, Erin believes there's plenty more upside in this fundamentally sound, undervalued (trading for less than nine times earnings), debt-free company that is growing at a 77% clip and with US\$522.8 million in cash. There's plenty of upside left here. According to Reuters, Cemex expects a 63% increase in fourth-quarter earnings to US\$950 million after a major acquisition boosted sales. An US\$80 price tag in the next few months is entirely likely.

Return of the “arschgewei!” Palomar beats forecast ahead of time and lasers its way to 34% gains

It was back in August 2005 that you became familiar with “arschgewei!” — a rather humorous German term for those folks who get tattoos on the small of their back... only to see it sag with age and turn into “ass antlers” instead.

Dig up your *Taipan* issue from then and you'll see that I used it in reference to a flourishing company (ranked fourth in Business Week's annual “Top 100 Hot Growth Companies” list) called **Palomar Medical Technologies (PMTI:NASDAQ)**.

Among other things, part of Palomar's business is to remove unwanted tattoos. Through its cutting-edge, laser-based technology, Palomar provides safe, cosmetic treatment used for removing excess hair, treating acne and smoothing wrinkles. It also combats more seri-

ous cosmetic problems such as removing varicose veins, benign lesions and relieving deep muscle/tissue pain.

Over the past nine quarters, revenue has swelled by 25% to 60%, while earnings have shot up between 50% and 500%. Third quarter sales jumped 38% to US\$19.3 million, producing a 100% leap in earnings-per-share (24 cents). So it's hardly surprising that Palomar sports a very healthy profit margin and a boatload of cash. Its astute management is rewarded with a similarly bloated return-on-equity.

In my original article, when Palomar traded around US\$27-28, I said that all this set the stage for some very good potential gains around 25% by this time. How wrong I was! They're even better! On the back of a growing consensus who believe it will win its patent infringement lawsuit against rival Cutera, including some positive press from CNBC's Jim Cramer, Palomar has

surged to US\$37.95 — putting stellar 34% profits in your pocket.

Palomar actually brought the original lawsuit against Cutera four years ago when the company believed Cutera was treading on its patent protection. In mid-December 2005, a court rejected Cutera's motion to invalidate the patent and throw out the lawsuit. That has set the stage for a full trial beginning May 30, with many believing Palomar will emerge victorious. Some have speculated that it could receive triple liability damages and has already said it will deny future licenses to Cutera.

Success for Palomar might also set a precedent. Since it owns many different patents, it's effectively laying down the gauntlet to anyone who messes with them and could lead to further lawsuits. Even if Palomar loses, its downside is limited, since it's still faring excellently, despite the infringing products. It's expected to see profits soar 69% to 91 cents-per-share in 2005 and grow by a further 29% this year.

Palomar's partners in the home-based laser hair removal business include Proctor & Gamble/Gillette and Johnson & Johnson and is working with both to get FDA approval for home-based laser hair removal treatment products. Approval with Gillette is expected this August and is huge because it would spark a vast wave of marketing and distribution from Gillette's powerful resources. Gillette would pay Palomar 6% of global sales, as well as US\$10 million a year.

And what really stands out is the fact that while only 10% of the US population knows about cosmetic laser treatment and less than 1% use it, this is a market that hauls in US\$8 billion per year. This stock is a big winner and is poised for more gains as it goes after more of its patent-breaching competition and because of those key collaborations with the big boys. Continue holding for now. I'll keep you posted on this one. ■

THE TAIWAN TELECONFERENCE

Elite investment forum reveals unique opportunity to turn US\$5,000 into US\$37,000 in 2006

"A bubble occurs when too much money has been invested to get an adequate return on that money. And from that perspective I think China is rapidly approaching the point where it's a bubble. That's simply because its export economy has grown to where the world is saturated with Chinese goods. There isn't really room for more growth of their goods. And they have to either have domestic demand... or they don't really have much potential for much more growth on an economic level."

— Brit Ryle, Dec. 6, 2005 —
Taipan VIP Teleconference

"I think long term, there's potential for a bit of a crisis in China."

— Brit Ryle, Dec. 6, 2005 —
Taipan VIP Teleconference

Those are just two nuggets of extremely profitable information that *Taipan* editor and *Money-Flow Matrix* founder and chief strategist Brit Ryle discussed in a first-of-its-kind teleconference with *Taipan VIP* members back on Dec. 6, 2005.

At the end of the conference Brit revealed two specific investments to take advantage of the unwinding of the juggernaut known as the Chinese economy.

Already both positions are showing gains.

One of these picks could be worth 748% all by itself — enough to turn an initial US\$5,000 investment into over US\$37,000 by the end of 2006. So you don't want to let this opportunity slip away.

The good news for you is that we'll send you a recording of the teleconference with Brit, one of America's most respected investment analysts, containing a pick worth 748% for just US\$49.

Brit was one of the first analysts to recommend investing in China, even beating the world-famous Warren Buffett to the punch by a full 12 months! In January 2002, Brit wrote an in-depth — and highly profitable — Investment Report on China entitled *"Riding the Red*

Dragon." He told his readers that Chinese stocks were about to become the hottest investment in the world. We now know, of course, that he was exactly right.

But now Brit sees the writing on the wall. He knows exactly what's going on in China, and he's heeding the warning signs. The information he'll share with you on this CD could very well change the shape of your portfolio for the next 10 years. On it, you'll find out:

- What's working and what isn't in China?
- Is China still a communist state — even though it looks like one of the best capitalists around today?
- Can China possibly employ all of its citizens who want to work?
- How is China consuming all these commodities? Is it paying market price or is it cutting deals?

You're fully aware of how much oil prices have risen. Most other commodities have made similar gains. But it's a no-

brainer that when demand from China slows down, commodity prices will fall too. And Brit will tell you about one commodity that's going to see a dramatic reversal in supply and demand economics and get hit worse than all the others combined. He'll explain what was behind the 130% increase in this commodity's price over the last two years. And he'll show you exactly why that gain is about to reverse. Even better, he'll explain how you could make as much as 748% as prices plummet for this commodity.

So clearly the longer you wait to hear what Brit has to tell you about China, the less money you'll make from the situation. We urge you to take advantage of this great offer immediately, because there's no telling how soon Brit's predictions on China will come to fruition.

To find out more, plus details on how you can purchase this CD, simply visit this link: <http://www.iseconline.com/reports/500SCHINAC/E500G100> or call 888-811-9492. ■

CORE PORTFOLIO

Ignore the "shift to large cap" talk: Remain long on small caps as Russell 2000 Growth Index hits new 52-week high

by *Bryan Bottarelli*

With 2006 just getting started, the financial media is littered with analysts recommending that you "shift to large cap" stocks in your core portfolio. These are probably the same experts who dished out the same advice 12 months ago, arguing that large-cap value will be the upcoming leadership group and the subsequent laggard group would be the small-cap growth market.

Was this analysis correct? You be the judge...

As the chart demonstrates, the **iShares Russell 2000 Small-Cap Growth Index (IWO)** walloped the Dow Jones Industrial

Average in 2005, as the small caps inked a 15% gain compared to the Dow's 0.06% yearly loss.

This is merely proof that the small-cap sector continues to out-perform the large-cap sector. And it's also proof that you should ignore the allure to jump into big positions in the large caps.

Simply take a look at that chart and it's all the rationale you should need to continue holding a core position in IWO.

The index fund is designed to give you returns that correspond to the small capitalization growth sector in the U.S. equity

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market. But instead of holding each and every stock in the Russell 2000, the IWO trims off only the best stocks within that group. Accounting for their new portfolio balancing to begin in 2006, the IWO Index represents 50% of the Russell 2000 Index. And as you can see, you get a complete, diversified cross-section of only the very best small-cap stocks on the market.

As of Jan. 5, 2006, the top five sectors held in the IWO include:

Consumer Discretionary (20.98%), Health Care (19.26%), Technology (18.43%), Financial Services (12.38%) and Producer Durables (7.95%). The top five holdings in the IWO include: Amylin Pharmaceuticals Inc. (AMLN:NASDAQ), Intuitive Surgical Inc. (ISRG:NASDAQ), Cal Dive International Inc. (CDIS:NASDAQ), JLG Industries Inc. (JLG:NYSE) and Neurocrine Biosciences Inc. (NBIX:NASDAQ)

Other notable small-cap holdings in the top ten include Eagle Materials (EXP:NYSE), Frontier Oil (FTO:NYSE), Pediatrix Medical Group (PDX:NYSE), Cypress Semiconductor (CY:NYSE), and Acxiom (ACXM:NASDAQ).

Our recommendation: Continue to hold your position in the iShares Russell 2000 Growth Index (IWO). The new 52-week high of US\$74.75 set on January 20 signals a six-month upswing that could lead to it breaking US\$80. ■

INVESTMENT RECOMMENDATION	BUY DATE	BUY PRICE	CURRENT PRICE	TOTAL GAIN (excluding dividends)	CURRENT DIVIDEND & YIELD	INVESTMENT RECOMMENDATION
REAL WEALTH						
AMERICA FIRST APARTMENT INVESTORS (APRO)	10/1/04	\$11.58	\$14.01	21%	\$1 PER SHARE/7%	BUY BETWEEN \$11.50 AND \$12.50
ANTHRACITE CAPITAL INC (AHR)	11/29/04	\$11.78	\$10.73	-8.7%	\$1.12 PER SHARE/10.3%	BUY UNDER \$12
ENERGY PLAYS						
SOUTHERN COMPANY (SO)	8/2/04	\$29.20	\$35.01	19.9%	\$1.49 PER SHARE/4.2%	HOLD AT CURRENT LEVELS
SUNCOR ENERGY (SU)	8/31/04	\$27.80	\$72.55	161%	\$0.21 PER SHARE/0.3%	HOLD AT CURRENT LEVELS
DAWSON GEOPHYSICAL COMPANY (DWSN)	5/3/05	\$19.70	\$33.22	68.6%	—	HOLD AT CURRENT LEVELS
TECHNOLOGY PLAYS						
iVILLAGE (IVIL)	10/4/05	\$7.48	\$7.86	5%	—	BUY UNDER \$7.50
SYMANTEC (SYMC)	5/3/05	\$18.91	\$18.63	-1.5%	—	BUY UNDER \$20
HEALTHCARE & OTHER PLAYS						
GENEREX BIOTECHNOLOGY (GNBT)	9/1/05	\$0.59	\$1.02	72.8%	—	BUY UNDER \$1
PHARMACEUTICAL HOLDERS (PPH)	5/1/05	\$75.00	\$71.38	-4.8%	—	BUY AT CURRENT LEVELS
iSHARES RUSSELL 2000 GROWTH INDEX (IWO)	7/22/05	\$68.85	\$74.75	8.5%	—	HOLD AT CURRENT LEVELS
COMPANHIA SIDERURGICA NACIONAL (SID)	8/31/04	\$15.45	\$24.10	56%	\$3.05 PER SHARE/13.3%	HOLD AT CURRENT LEVELS
TELEFONOS de MEXICO (TMX)	9/1/05	\$19.25	\$23.81	23.6%	US\$0.70 PER SHARE/2.9%	BUY UNDER \$22