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FORESIGHT COURAGE PROFITS

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INSIDE:

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Century of crooks:

How to survive and prosper in the maverick market of 2002

by J. Christoph Amberger

Turn on the TV, open a newspaper, or click on the headlines at your favorite news site, and you get the impression that we're living in the Golden Age of Crooks. Enron. Global Crossing. Allfirst Bank…

Or how about this gem from my hometown of Berlin, Germany? You may recall that last year the Berlin brainiacs elected into public office the unapologetic successors to the old East German communists. And the characterless lot of the leftist Social Democrats kept denying they'd go to bed with them politically… until the day they announced a great commie coalition.

With Gregor Gysi, a former top-level East German communist, being declared Senator for Economic Affairs!

(I am still wondering if this is merely a declaration of ethical, moral, and intellectual bankruptcy on the part of my compatriots… or the equivalent of a giant middle finger from the Social Democrats to the victims of Communist totalitarianism… whose death markers still adorn the banks of the River Spree.)

Hometown hoodlums

Here in Baltimore, we're familiar with brutal murders during stickups, domestic disputes and gang activity. Now, we've added a white-collar hometown crook: a Baltimore-based US$85,000-a-year foreign-exchange dealer for Allfirst Bank is suspected of defrauding Allied Irish Banks of US$750 million to pad his annual bonus. Allied shares collapsed all over world markets on the news.

"He was a solid performer," Allfirst CEO Susan Keating told reporters in Baltimore. "Clearly the controls broke down. We don't fully understand how those broke down."

Hmmm. When First National Bank became Allfirst and adopted an inane logo reminiscent of an open laptop computer—but supposedly depicting an open window (???)—I closed my accounts there. For some reason, the wily teller left me in the system with 2 cents to my name. And for the next year or so, I continued to receive monthly statements (at US$0.33 postage, plus US$0.01 for envelope and paper, times twelve) telling me I had 2 cents in my closed account.

If that's how closely they monitored their traders…

Matters of perspective

But it all pales when compared to the shenanigans practiced at Enron and Anderson. If Cisco's good earnings news can't boost stocks… just how much do investors distrust companies' reporting standards these days? From the looks of the markets, it sure seems like quite a bit!

One can look at Enron not as a more or less isolated case of individual

(over, please...)

TAIPAN

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and corporate corruption, but as a sample of the prevalent mentality of the 1990s.

It's the same "something for nothing" mentality that turned airhead slackers into multimillionaires on the strength of cockamamie Internet business plans that were not worth the cocktail napkins they were scribbled on. If Enron's accounting practices indeed only put into practice what thousands of venture capitalists accepted as the basis of their cost-benefit calculations since the mid 1990s…which grateful opportunists like Mary Meeker used to lure millions of starstruck investors… it may go down in history as the greatest cautionary tale of the Bubble Era.

Thus far, that is. To my knowledge, all the Internet "Cowboy CFOs" who wheeled and dealed at the venture capitalists' cocktail parties between 1996 and 1999 are still at large and unaccounted for.

Which means that as investors, we are pretty much on our own. Because if you can't really trust the accountants, the analysts, and the investment banker, it's up to you—and you alone—to make sure you're covered.

Welcome to globalism

Fortunately, long-time *Taipan* members are no strangers to this basic insight. After all, what U.S. regulators are now declaring to be "irregularities" in Enron's structure and accounting have been perennial standbys in Asian and Eastern European business and investment practices…

And since 1988, we've posted impressive gains in all of these markets!

The key to survival in a world filled with crooks is to minimize your exposure. Trust your instincts. Diversify. And cut your losses early.

As Jesse Jackson and Al Sharpton and the rest of the "usual suspects" converge upon Houston to make themselves advocates of the hapless fools who lost their retirement savings on Enron stocks, let's keep a few things in mind: Nobody forced these ostensibly intelligent folks into almost cultlike subservience. They were not modern-day serfs; they could have bailed out of both their jobs and their stock at almost any time (OK, not during the infamous 401(k)"blackout period"). They all worked there; they had to know something was going on. No, they were blinded by the twin blinkers of greed and pride…

Taipan's investment philosophy is simple: we like to hedge our bets. That's why our team consists of a half-dozen experts, each of whom has a different, widely divergent specialty. And that's why this edition of our monthly members-only bulletin is again chock full of recommendations to help you optimize your potential for stunning gains without having to be unduly exposed to any single risk factor.

We also like to cut our losses before we start hurting.

That's why our standard recommendation for ALL our plays is that you diligently observe a trailing stop in line with your own tolerance for pain. Typically, we apply a 20% stop loss to all our positions. This may on occasion get you out of profitable plays too early… like last year's e-Dispatch recommendation to sell Korean steel maker **Pohang Iron & Steel (PKX:NYSE)**. But making a smaller profit sure beats losing most or all of your principal!

Profit alerts from the past few weeks:

- 167% on half of HANA. On February 6, we alerted our friends and fellow investors through our websites and the e-Dispatch: "The bull in Korea may still be going strong. But the news we're getting from Japan… coupled with the Enron morass in the States… is giving us a hankerin' for some good, old-fashioned gains. Make hay while the sun is shining: Sell HALF of your position in **Hanaro (HANA:NASDAQ)** for at least US$4! That's a 167% profit since we entered October 29! Let's free-ride the rest as our upside insurance policy on Korea's continued strength!"
- Instant profits: If you've been following our daily coverage in your free e-Dispatch, you were able to post a few nifty profits: Argentine telecom **TEOBF:OTC-BB** briefly dipped back into our recommended buying range on January 17… only to soar 112% as Argentineans piled cash into the stock market to keep it from devaluating. We were out of half our position on January 22.
- Just a few days later, we used a brief spike in the stock price of Chinese truck maker **Quingling Motors (QINGF:OTC-BB)** to make a quick 22% profit on a secondary position we entered on December 14 at US$0.14 per share. On January 30, we got out at US$0.17. (That leaves us with our October 30 position in the stock.)
- And our December 5 play on Indonesian telecom giant **TLK:NYSE** (as you may remember,

we played it profitably here in Taipan last year as well) gave readers of the e-Dispatch profits of up to 42%!

Remember, the daily e-Dispatch is FREE to all *Taipan* members. Simply sign up for it at our homepage, www.taipanonline.com.

New lease on life for gold?

As I write this to you, I've been receiving news out of Japan: they're now hoarding gold in Tokyo... where the Nikkei hit another set of 18-year lows last month. Big banks were staggering after Standard and Poor's downgraded Mizuho Holdings' member banks and four other lenders in the first week of February.

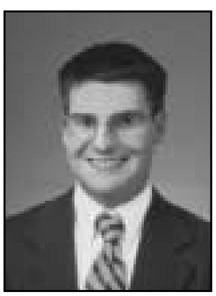
Now the government is considering cutting the equivalent of FDIC insurance. Gold prices briefly soared past US$300 an ounce in London, hitting a two-year high. But gold and precious metals are treacherous commodities... even as an "iron reserve": like any good commodity, they'll be expensive to buy when everyone wants to load up. And ludicrously cheap should the need to cash out arise.

That, after all, is how the markets work. Which is why it is important to look for the best prices and the best, most desirable physical form for your precious metals. And we consider it part of our service commitment to provide you with reliable resources for your coin and precious metals buys.

Over the years, we have worked with dozens of coin dealers. Some were merely good. Most were excellent. But one of our favorite long-term associates stands out for his high commitment to customer value: Mike Fuljenz of Universal Coin & Bullion, in Beaumont, Texas. As a special service to you, we have included additional literature about his current recommendations in *Taipan's* March edition. (Look for it in the envelope! Or use the toll-free number provided at the end of this issue to request more information.)

Bear or bull?

Who cares, when you can make double-digit profits in just a few hours trading index options... no matter which way the market is headed in the long term!

by Adam T. Lass and Bryan Bottarelli

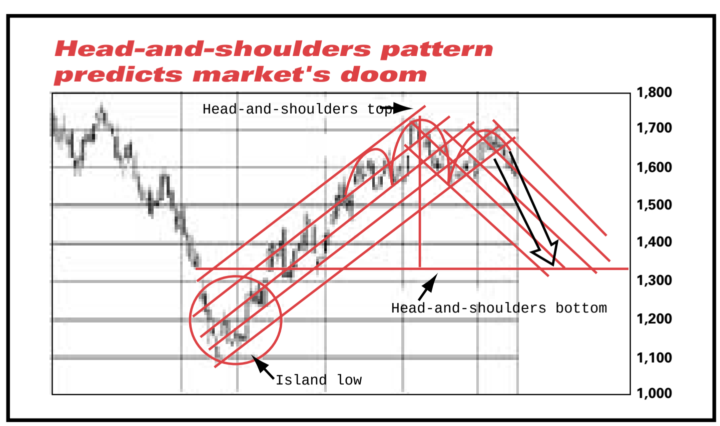
In New York, the big question on everyone's lips is "bull market or bear market?" Is the rally of the past few months a real turnaround, or is it a vicious "bear trap" that will swallow unwary investors' cash?

That's all the Wall Street crowd wants to know: *Is it bear... or bull?* And the answer to the 64-million-dollar question is: who cares? We say who cares, because that long-term forecast could be the most—and least—important piece of information you receive all year. Sounds kind of schizoid? Not in the least, and I'll prove it to you.

We could throw a dozen charts at you that would clearly demonstrate where the market is headed over the next few weeks, months, even years. Heck, that's my business as a market chartist.

Here's one now: when we created the analysis of the NASDAQ 100 (NDX) in the chart below, the main topics on the lips of the pundits and talking heads were whether there would be another Fed rate cut (there wasn't), whether President Bush would choke during his first State of the Union speech (remarkably, he didn't), and how those events would affect the economy (they didn't in any but the most short-term fashion).

What they all missed was that none of those issues was important as a discrete event. The only important thing was the herd's predisposition toward them. In fact, the chart graphic floating behind your favorite CNBC newscasters is far more important than anything they have to say—if you know how to



interpret and use that information.

Head and shoulders above the rest

Here's what we saw: the NDX had just completed the right shoulder of a classic "head-and-shoulders" pattern and was breaking down at the neckline at 1,575.* As this formation played out, we thought, that breakdown would carry the NDX through to either 1,380 or 1,350 by February. An additional confirming signal could be found in the double top formed by the most recent high failing to meet or beat the previous high.

It's particularly interesting that the low indicated by this pattern was a test of the recent bear market low, provided you discount the period between 9/11 and 10/11 as an exceptional island low formation. Also of note was the fact that all of this activity took place as the NDX struggled to beat the 100% bear market line.

This analysis uses NDX numeration. For those of you who prefer NASDAQ figures, that low would be roughly 1,700.

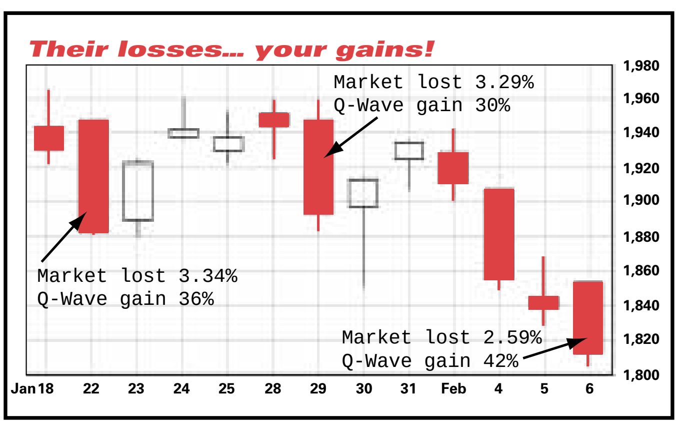
Their loss was our gain

As we told readers of our *X-Wave* and *Q-Wave* services at the time, this is exactly the opportunity we live for. Because this formation enabled us to recommend six profitable plays in row to our subscribers. Better yet, it enabled our readers to make double-digit profits during three of the most brutal single-day drops in the history of the NASDAQ.

For most of January and early February, the markets fell, culminating in three massive selloffs: on January 22, the NASDAQ peeled off 65 points—a full 3.34% of its value in one day—on news of lousy earnings. It did it again on the 29th, falling 3.29% from 1,959 to 1,883. But neither of those drops held a candle to the 137-point 7.05% freefall that was to follow over the next six trading days.

On Wall Street, millions of dollars—maybe even billions—simply vanished overnight. But at the exact same time, *WaveStrength*™ traders were banking as much as 36%, 30% and 42% off a series of "put" options plays. And they made that money in just a few hours' time, with strictly controlled risk.

*For more information on head-and-shoulders patterns, you may wish to refer to page 290 of Bulkowski's *Encyclopedia of Chart Patterns* (Wiley and Sons, 2000).



What are options and how do I make money on them?

With that much money lying on the table, you'd think that brokers and traders would be breaking down doors to play them. And yet, according to a recent conversation I had on the trading floor of the Chicago Board Options Exchange (CBOE), fewer than 25% of brokers know anything about this highly lucrative form of trading. (What's worse, my contact tells me that half of the brokers who claim to be "in the know" actually know just enough to be dangerous.)

So we're going to take a few minutes to explain the basics of options. If you're already well read on the topic, then feel free to skip ahead a few paragraphs.

The major investment houses and funds created options as a means of protecting themselves from short-term market fluctuations. Think of it as fire insurance for a really expensive house. That is to say, the big guys are glad to spend—and lose—hundreds of thousands of dollars… in order to protect billions in investments.

Buying and selling … and buying and selling

Now the terminology gets a little confusing, so read carefully. The first thing you need to know is that an option is a contract that you can *buy* or *sell*. And what you are buying is the right to buy or sell stock before a certain time and at a predetermined price.

In just a moment, I'll show you how the big funds use these contracts to protect themselves from, well, let's just call them really costly mistakes. But the most important thing to remember here is that when you buy a contract, you are buying a right. <u>No one can make you do anything with it if you don't want to</u>.

It's the guy who sold you the contract who has an obligation. Should the value of the contract go your way, you can force him to pay up. Should it go it go against you, <u>all you can lose is the cost of the contract—thus strictly limiting your risk</u>.

The next level: puts and calls

Now let's talk about exactly what those contracts you've bought give you the right to do. And, more importantly, how you can make money on them. A *call option* gives you the right to buy an asset (usually 100 shares of stock) before a certain time (the *expiration* date) and at a set price (the *strike* price).

If the stock's price goes up, the call contract allows you to buy shares at the lower strike price. Then you can immediately sell them for the higher market price. Your profit is the difference between the current price and the strike price. (You can also keep the shares, if you like: options are also a great way to buy stock at better than market prices. But that's a discussion for another day.)

Put options give you the right to sell an asset before a certain time and at a set price (again, those are the expiration date and strike price). If the stock's price falls, you buy shares at the lower market price and sell them at the higher strike price. Your profit is the strike price minus the current price.

In a nutshell: buying options contracts give you the right to buy or sell a stock for a fraction of the market cost.

If buying options can make you rich, why would anyone want to sell them?

Remember: the guy on the other side—the options contract seller—is in essence selling fire insurance. He's betting on little or nothing happening and has spread his risk out over hundreds of contracts.

He makes most of his money off the major funds that are protecting billions in stock wealth. And these funds are perfectly content to lose hundreds of thousands of dollars to you to protect those billions for themselves.

If you have an ace in your hand and know where a stock or index is headed with fair reliability, you can beat him on a regular basis and he won't care. Remember, he makes his money on hundreds of contracts that went nowhere.

The key to the bank vault

But the key for options traders is having a reliable indicator. You can only beat the big players if you know how the market will act with fair precision over a short period of time, and if you have a means of taking rapid advantage of that knowledge. That's where *Q-Wave* comes in.

We have developed a system that allows you to make large profits in the world of options plays. It's called *Q-Wave*, and it uses a proprietary technical analysis system known as *WaveStrength*™ to bank consistent short-term profits. (Regular readers of both *Taipan* and the 247profits e-Dispatch have already seen *WaveStrength*™ demonstrate its ability to predict the market with such eerie accuracy that it has been investigated—and blessed?—by the FBI.)

WaveStrength™ analysis is based on the belief that neither basic value nor news events provide the genuine catalysts for market movements. Rather, price changes are psychological in nature. They are the predictable result of large numbers of buyers' and sellers' attitudes toward those values and news events.

A wealth of information

The *WaveStrength*™ analytic charting system uses several techniques to determine the attitudes of buyers and sellers, including:

- ➤ Classic technical indicators such as rising and falling tops and bottoms, head-and-shoulders formations, and expanding and contracting pennant structures.
- ➤ Japanese candlestick charts and the three centuries of interpretive technique associated with them.
- ➤ Fibonacci sequence-driven fans and retracement grids that reveal hidden support and resistance points.
- ➤ Fractal waveform theories that use years of accumulated data to account for minute-by-minute market moves.

When applied to specific indices, these tools give us a scenario we can then use to develop options plays—plays that take best advantage of the most likely outcomes.

32%—9 times in a row

From our point of view, *WaveStrength*™ analysis is an extremely complex method of determining which of several possible market scenarios is most likely to come to pass. But from your point of view as a trader, our system is all about one thing: making quick, consistent profits day after day… week after week…

The door's still open on this basket of oil-patch players

Mild winter temperatures continue to play a major role in low crude oil and natural gas prices—good news for investors looking for a second entry point. But don't expect that price suppression to continue much longer.

While I don't claim to have a rock-solid weather prediction system, I do know that if this warm spell continues into the summer months, it will have the exact opposite effect on energy prices, as folks in the Southern half of the country crank up their air conditioners to survive what promises to be a record-breaking heat wave.

If this surge in usage coincides with even a mild economic recovery and the usual summer driving season, you can be sure that crude and pump prices will spike, along with our oil-patch stock basket.

Gas-Price Plays

Entry Date	Symbol	Status	Entry Price	Recent Price	Gains	Recent High	-20% Stop
01/17/02	CRZO	Open/Hold	$4.16	$4.60	11%	$5.00	$4.00
01/17/02	DVN	Buy	$36.75	$36.51	-1%	$39.62	$31.70
01/17/02	EPEX	Buy	$5.16	$4.98	-4%	$5.40	$4.32
01/17/02	THX	Open/Hold	$31.71	$28.10	-11%	$27.32	$21.86
01/17/02	KP	Buy	$16.10	$14.95	-7%	$16.23	$12.98
01/17/02	NFX	Buy	$31.92	$33.78	6%	$34.17	$27.34
01/17/02	TNT	Open/Hold	$11.35	$10.00	-12%	$11.87	$9.50

month after month.

As we pointed out earlier, *Q-Wave* traders don't really care whether it's a bull or bear, because they take their money off the table at such short intervals that the mega-situation is only a small permutation in the overall calculations.

Our goal is to enable our subscribers to take 25% gains off the table every trading week, while risking as little as US$300 per trade. Sound ambitious? You bet! It's also completely achievable.

In fact, if you knew exactly which option to pick (and there are thousands to choose from), you could have put down as little as US$5K and pocketed a quick two grand in less than three hours flat, which was exactly what new *Q-Wave* player Mike D. did:

Dear Bryan,
New member of Q-Wave *and followed your lead this morning for the first time. Bought 30 QQQ NM at US$1.80 and sold them just now for US$2.45. Let's see… US$1,950 in about three hours… sure beats bagging groceries!*
Thanks. I believe!
Michael D.

And this play was no fluke: *Q-Wave* has nailed average gains of 32% for the past nine plays in a row. And not a single one of these plays cost readers more than US$300 per contract!

That's the essence of the *Q-Wave* system. Should you decide to trade QQQ options along with us, you'll soon see just how much money you could make in an otherwise stale market.

How the system works

You receive a fax or email alert. We tell you exactly which QQQ option to buy, exactly how much to pay, and exactly when our forecasting system predicts you'll be able to sell for a profit.

All you have to do is simply enter the trade… watch the market move up or down… and in a matter of days—or even hours—you're selling for profits. Badda bing. Just like that.

And the beauty is this: With QQQ options, you're making a bet on the overall direction of the entire market. That means you don't have to get bogged down in puzzling through cryptic analysts' reports or cheerleading corporate press releases.

You don't have to get punished should your stock be hit with a "downgrade." And best of all, QQQ options allow you to profit whether the market goes up or down. **For the first time, you can play a two-way market. Just imagine profiting off the next 100-point selloff, and you'll understand why we just don't care if it's a bull or a bear.**

For more information on *Q-Wave*, visit http://www.q-wave.net or call Howie at 410-454-0425.

IPO TRADER

A trip to the dentist: Making money off other people's pain!

by Siu-Yee Ng

Most folks dread going to the dentist. But not everything to do with picks and drills has to be painful. This US$60 million company is on a mission to save your pearly whites and to wipe out periodontitis, a leading cause of adult tooth loss. And it could make you a bundle in the process.

Let me tell you why it's a booming market for oral care pharmaceuticals.

The wait in dentists' offices is getting longer all the time. You see, the number of oral exams in the U.S. has nearly doubled, from 131 million in 1979 to 256 million in 1997, according to the American Dental Association.

There are too many patients and not enough dentists. An aging population, heightened concern for good oral hygiene, increased demand for new cosmetic services, and improved reimbursement are some of the reasons behind this rise in the patient-dentist ratio.

Worse than a root canal

Why does the dentist always tell you to brush and floss your teeth? It's to get the plaque off. When plaque builds up on teeth, periodontitis can result. The gums and surrounding tissues begin to swell, and infection sets in.

Most people know about the mildest form of the disease, gingivitis, which results in swollen, bleeding gums. Left untreated, it often progresses to full-blown periodontitis.

This chronic infection and inflammation is no laughing matter. The tooth's supporting structures—primarily bone and periodontal ligament—deteriorate, and periodontal pockets, or spaces between the gums and teeth, begin to develop. They provide a place for disease-causing bacteria to accumulate.

An average case of periodontitis affects three to four teeth, according to *The Journal of Periodontology*. It's estimated that the average periodontal patient has 12 periodontal pockets.

At this point, brushing, flossing and routine cleanings won't remove the bacterial plaque. If left untreated, periodontitis will continue to progress and eventually lead to tooth and bone loss.

Uncovering your roots

Don't worry. There's hope for saving your teeth. The most common treatment, scaling and root planing, is a mechanical procedure used to remove accumulated plaque above and below the gum line. This may require anesthetics.

Treatment typically involves two scaling and root planing procedures annually. In more serious cases, it may include various forms of gum surgery. It's painful, may increase gum recession and root sensitivity, and can also affect appearance.

But don't think you're cured yet. Unfortunately, bacteria typically return and the infection recurs. That's why oral care professionals often place patients on maintenance programs that involve frequent evaluation and regular scaling and root planing.

Extending the practice

But the aging patient base with increasingly complicated medical histories is forcing oral care professionals to move beyond late-stage mechanical interventions.

Besides oral conditions like tooth decay and periodontal disease, oral care professionals focus on problems like oral cancer diagnosis, treatment of precancerous lesions, xerostomia (severe dry mouth) and oral mucositis.

Diseases such as xerostomia and oral mucositis are serious complications for cancer patients receiving chemotherapy and head and neck radiation therapy. Oral care pharmaceuticals may be able to help treat or prevent some of these conditions.

Researchers now believe that there's a relationship between oral health and medical problems elsewhere in the human body. Recent studies suggest that patients with periodontal disease are at higher risk for cardiovascular illness and diabetes. These same studies suggest that periodontitis in pregnant women may contribute to low infant birth weight.

While the demand for oral care services is increasing, the supply of professionals has not kept pace. So how can we fix this growing supply and demand imbalance? Maybe, just maybe, the patient's stay in the dentist office can be minimized. Wouldn't that be great? People would spend less time in the dreaded chair.

And, as it turns out, an increasing number of pharmaceuticals are being developed to offer oral care professionals faster solutions for treating patients.

Many existing drugs for treating oral conditions come in the form of pills, injections, creams or ointments, none of which are optimal for delivery in the oral cavity. As they are reformulated, the demand for oral care pharmaceuticals will increase.

Oral exam

A little company called **OraPharma, Inc. (OPHM:NASDAQ)** develops pharmaceutical products for the treatment of oral diseases and disorders. The company's first product, Arestin, focuses on periodontal disease.

Arestin can be used together with the current standard of care, scaling and root planing. The drug uses a patented delivery system, licensed from American Home Products, that allows both precise placement at the desired site and release over several days or weeks. A specially designed dispenser places an antibiotic, minocycline, at the site of periodontal infection.

Systemic antibiotics have occasionally been used in conjunction with scaling and root planing to treat periodontitis. But side effects and drug resistance have prompted the search for alternatives. Several new therapies have already been approved by the FDA for the treatment of periodontitis.

For example, Atridox is a biodegradable gel that delivers the antibiotic doxycycline into periodontal pockets. Atridox is made of a powder and a gel, which must be refrigerated and then mixed immediately prior to use. The mixing can be a pain. Oral care professionals must manually pump the powder and gel 100 times between two interconnected syringes. After mixing, the practitioner draws the product into one syringe, removes the other syringe, and replaces it with an application tip.

The product is then injected into the periodontal pockets. The practitioner is then instructed to cover those Atridox-filled pockets with either a periodontal dressing or a dental adhesive. FDA labeling also specifies that the patient should not brush any treated areas for seven days.

An alternative is to use a PerioChip, a sustained-release biodegradable collagen chip containing chlorhexidine. This antimicrobial drug is then released over seven to 10 days. The practitioner inserts a chip into each periodontal pocket. FDA labeling limits each treatment to eight chips, and the product must be refrigerated before use. The label also indicates that mild to moderate sensitivity is normal during the first week after placement, and patients are advised to promptly notify the practitioner if a chip dislodges.

A third alternative is Periostat, a 20-mg systemic doxycycline capsule taken orally twice daily for up to nine months. This is intended to suppress collagenase,

IPO Sells

- It's getting close to **Cross Country, Inc.'s (CCRN:NASDAQ)** lock-up expiration date. This means that institutions and hedge-fund managers will begin to unload their shares in anticipation of a selloff. Let's take our IPO profits off the table. Sell Cross Country above US$26 for a 53% profit.
- As I write this, **Kraft Foods, Inc. (KFT:NYSE)** is trading close to its high at US$38.00. Kraft reported strong Q4 earnings, triggering a series of analyst upgrades. This gives us the opportunity to free up some capital. Sell Kraft Foods above US$37 for a 19% profit.
- Since **Netscreen Technologies, Inc.'s (NSCN:NASDAQ)** debut on December 12, 2001, it's been on a steady downtrend. This reminds me of those high-flying Internet stocks that priced and opened high, then crashed. And it doesn't help that institutions have been selling. Take the 25% profit off the table. Sell Netscreen Technologies above US$20.

an enzyme that causes tissue destruction. The product is a prescription drug, not a chairside treatment. And if you're as bad as I am in remembering to take a daily medicine, then you're in trouble.

Faster is better

OraPharma's Arestin is easier and faster to administer. Arestin is a dry powder packaged in a small disposable tip that attaches to the specially designed dispenser. The oral care professional simply removes the disposable tip from its package, connects it to the dispenser, and then inserts the treatment directly into the periodontal pocket.

Each tip contains a metered dose for one periodontal pocket, and can be administered in only a few seconds. Exposure to moisture causes the treatment to adhere to the periodontal pocket, and then begin to break down. This releases the active ingredient at a sustained rate. OraPharma designed the system to maintain drug levels sufficient to kill bacteria for at least 14 days.

Arestin totally disintegrates, eliminating the need for a return visit to remove it. OraPharma's system is designed to eliminate the restricted dosage, refrigeration, mixing, dental dressing and non-chairside limitations of the other recently introduced treatments.

Arestin offers significant advantages over existing therapies, particularly speed and convenience of administration. Also, the drug precisely targets the infection site, resulting in high drug concentration for an extended time period. This will reduce the risk of drug resistance. And the oral care professional can administer it while you are in sitting in the chair.

This is a huge market for OraPharma. The American Dental Association says that approximately 50 million Americans have periodontal disease, while only 7.5 million Americans are receiving treatment. Industry sources indicate that more than US$6 billion is spent annually on products and services to treat this condition.

For sale

The FDA approved Arestin on February 16, 2001. OraPharma began selling it in the U.S. on April 2, 2001. The company is waiting for approval to sell Arestin in Sweden.

This is OraPharma's first product on the market. So the company didn't see any revenues before the sale of Arestin. For the nine months ended September 30, 2001, it generated revenues of approximately US$4.2 million. Q4 revenues from the sale of Arestin came in at US$3.5 million.

Approximately 8,500 dental professionals have tried this new drug. More importantly, over 35% of them have already reordered the product.

It will be important to see a steady sales growth of Arestin, since this is OraPharma's bread-and-butter drug. The company does have other products in the pipeline, though.

In December 1998, OraPharma licensed patents and related methods for two additional product programs. The first, initially developed at Brigham and Women's Hospital, is for the treatment of oral mucositis. This is a condition that occurs in more than 40% of patients receiving standard chemotherapy and virtually all patients who receive head and neck radiation therapy, according to an article published in *Principles and Practice of Oncology* in January 1995. In August 2001, the company started a Phase 1 clinical trial for the mucositis product.

The second product, initially developed at Children's Hospital of Boston, is for the regeneration of bone and soft tissue to support dental implants and dentures. In September 30, 2001, OraPharma completed preclinical trials on this new product candidate.

But what really caught my attention is the institutional buying. Institutions have been buying since January 1, 2002, at prices anywhere between US$3.50 and US$4.50. OraPharma is still a small company, but the growth potential is enormous.

OraPharma, Inc. (OPHM:NASDAQ) is a buy under US$4.25.

For more information, contact OraPharma at 732 Louis Dr., Warminster, PA 18974, tel. 215-956-2200, fax 215-443-9531, website http://www.orapharma.com.

WORLD INVESTOR

Gold, Big Macs and stunning potential—profit from fears of a secular bear market

by Christian DeHaemer

Congress subpoenas Enron's Lay—who says he'll plead the fifth like John Gotti. The Japanese devalue the yen, and Grandma Suzuki buys gold in bulk. Argentine unemployment hits 22%. China admits that 122 million Chinamen are out of work. Kmart greets Chapter 11. Allied Irish Bank misplaces US$750 million. The markets are flashing back to September 11 lows, and to top it all off, "Moulin Rouge" wins a Golden Globe.

Here at *Taipan*, we see everything as opportunity. Give me a fear-induced selloff based on machete-wielding cannibals in Indonesia, or a massive economic disaster in Turkey, or an election-day massacre in Jamaica, and I'll tell you where the profits lie.

The rich will always be among us

I'm not one to revel in misfortune, but since it exists anyway, I'll be the guy standing coolly in the mob picking up the sell orders on the bottom. I've been in this business long enough to know that the time to buy is when everyone is selling. When life gives you lemons… make gin and tonics.

There is more than one way to profit from the markets, just as there is more than one trade to profit from. The key is understanding what species of buttonwood tree you happen to be standing under.

Bearish buttonwoods

It is very possible that we are in the throes of a secular bear market. By secular, I mean a more unusual definition of the word—"once in a century or age." For 18 of the last 20 years, the world has undergone traumatic political, technological and financial changes. The cosmic energies were aligned in such a way that they altered the face of the globe. This was a virtuous circulation of prosperity that extended the bull market to one of historic length and breadth.

These forces have now run their course. The momentum is exhausted. Let's pause for a moment and check off the accomplishments.

Communism defeated, Berlin wall torn down, nationalism in retreat, Euroland joined together with a single currency, globalization of trade, NAFTA a done deal, China in the WTO.

Where have you gone, metaphoric Tojo?

Despotic leaders were kicked out of office, from Indonesia to Haiti, from the Philippines to Yugoslavia. They've been replaced by capitalist democracies. Rampant fraud and cronyism in Southeast Asia is in decline.

Global communication systems were established using a variety of conveyances from satellites to fiber optics. These gains were subsidized by the generous investors of Global Crossing and Global Star.

Low-cost energy and a plethora of airlines make trips to distant places like Bangalore, India, seem humdrum. Data is sent around the world, value added and sent back. The 24-hour multi-country shift is a reality. Big government, high tariffs and overbearing regulation have crumbled. The idea of lower taxes and smaller government finds mass acceptance. Deficit spending has ended. Unemployment is down to 5%. Inflation is non-existent.

If I knew it was Nirvana, I would have paid more attention

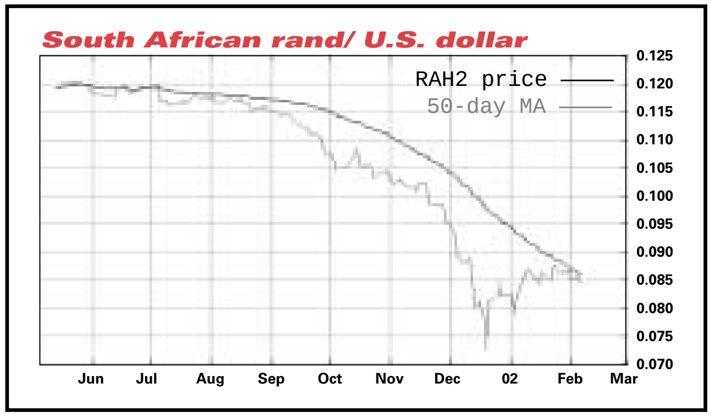
If you believe in the inevitable ebb and flow of life, you must place your bets on the waning, not the waxing, of such propitious conditions. Corporate earnings have fallen faster than at any other period in history, from 5.7% growth in Q2 2000 to negative 1.3% in Q3 2001. The P/E ratio of the S&P 500 hit a ludicrous 60 in the last few weeks. This is much higher than the 35 at the top of the bubble. Such high numbers can only be explained by the massive decline in corporate earnings.

I am not a doom-and-gloom type of guy. I haven't (yet) built a bunker in my basement, or buried gasmasks and an AK-47 in my back yard. What I am is a 33-year-old guy who watches the markets on a daily basis. Personally, I have witnessed only one business cycle—a rather long one.

Credence to the gold-bug revival?

But my financial library contains more than 1,500 books. And I read, and listen to what the graybeards have to say. Every once in a great while, certain long-dead prognosticators of economic truth seem to make sense. And right now, the crusty old gold bugs are dusting off their swagger.

I've played gold once already this year, buying Franco-Nevada in the low 20s in my trading service, the *Flying V Lock-up Trader*. It is now at US$32. In *Taipan*, we've bought a couple of South African companies that will benefit from a recovery in that economy (more below). As the world's largest producer, South Africa is always tied to gold.



The rand/gold irony

As you can see from this chart, South Africa's currency, the rand, has undergone a systematic devaluation. This destruction of the local currency has gone so far and so fast that South Africa is cheaper than any other county in dollar terms. In fact, it ranks 18 on *The*

Christian DeHaemer's Dow Dogs and Global Bargains

Ticker	Buy Date	Buy price	Current Price	Gain/Loss
SPP	3-Jan-02	$10.30	$12.12	18%
SASOY	3-Jan-02	$8.50	$9.85	16%
HAL			Buy under 11.50	
ABY	28-Jan-02	$7.31	$8.28	13%
BOS			Buy under 11.00	
EK	28-Jan-02	$28.71	$28.07	-2%
IP	28-Jan-02	$41.67	$44.36	6%
SBC	28-Jan-02	$35.55	$36.70	3%
XOM	28-Jan-02	$38.71	$38.52	-1%
JPM	28-Jan-02	$33.45	$30.49	-9%
IC	11-Jan-02	$5.35	$5.86	10%

Economist's "Big Mac" index.

Gold is going up in dollar terms… but in terms of currencies that are devaluing, like the rand or the yen, it is skyrocketing.

There are several ways to play this trend. The most obvious would be to buy an unhedged gold production stock like Placer Dome, Newmont mining, or Ashanti Goldfields (ASL:NYSE). ASL offers a neat opportunity in this merger-happy segment. But all of these companies have had a fantastic run of late, and are due for some profit-taking. Like Mike Tyson, I suggest the oblique approach.

Our old friend SAB

I've played **South African Breweries** maybe five times over the past few years, and we always manage to make 30%-50%. In fact, I've never lost with this company. I *own* this sucker. SAB is my prison bitch. It's not hard to understand, when you look at the chart.

Buy low, sell high

In terms of volume, SAB is always among the top five beer producers in the world. It is also the leading producer in the fastest growing developmental regions. Their problem always lies in unfavorable currency conversion rates.

In 2001, EPS grew by 23% in rand terms, but only 4% in dollar terms. In the six months ending in September, SAB grew total volume by 10%. They increased EBITA margins by a fat 50%, with the strongest growth coming out of their European holdings, notably the Czech Republic, Poland and Russia (75% volume growth).

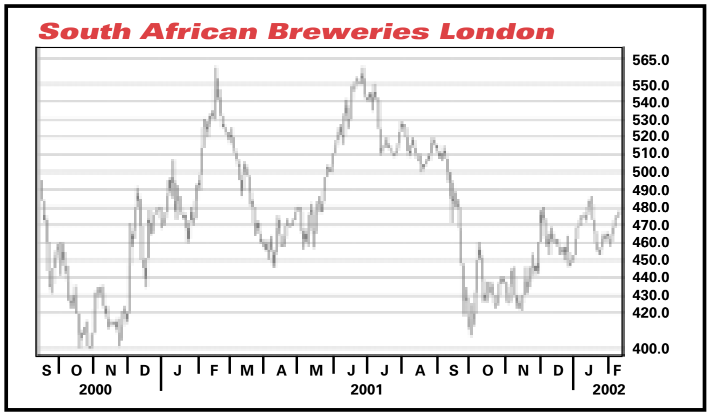
South African Breweries is a conservative company that is used to producing in global backwaters. I like it because it makes a nice proxy for developing markets. I know of no other company that is involved in so many countries… from China to Botswana… and yet has no exposure to the U.S.

I recommend SAB as a long-term hold against the possibility of a falling dollar and the continued growth of emerging markets. In this case, though, we are going to play it as a proxy for the rebound of the rand as gold revives.

SAB Financials

	2001 US$m	2000 US$m	%change US$	£
Turnover	**2,176**	2,106	3	8
Trading profit	**348**	334	4	9
–before amortisation (EBITA)	**365**	343	6	11
Profit before tax 302	**310**	(3)	2	
Adjusted earnings per share*				
US cents	**25.7**	24.8	4	8
SA cents (up 23%)	**213.0**	172.6		
Dividend per share (US cents)	**6.5**	6.5	—	

** Prior year restated for change in accounting policy - deferred tax*



You see, gold is everything in South Africa. You don't quite realize it without going to Johannesburg. Just like you don't realize the extent of American hegemony without traveling overseas. But gold, in South Africa, is the economic lifeblood of the country. It is still a labor-intensive operation, and it means jobs. It has a ripple effect.

Ripple on clear water

When the gold price increases by just US$10, the earnings of gold producers go up fourfold. Unprofitable mines become profitable. Recently, gold has gone from US$270 to US$307. It is unclear whether it will stay at those levels, but with people continuing to lose money in the stock market, and the U.S. Fed maintaining an expansive monetary base, gold looks like a logical place to be.

I'd buy any of the big producers on a pullback. But I'd also buy South African Breweries as a safe play on a revived South African economy, with the neat possibility of a rand increase against the dollar.

SAB trades in London under the ticker symbol SAB.L. It's a buy under 480 pence. It also trades in Johannesburg under SAB. If you want full rand exposure, buy it in Jo-burg under 7,100 rand. For more information, the website is www.sab.co.za/investfr.asp.

Updates:

Sappi Ltd. (**SPP:NYSE**), which we bought at US$10.30, is now up more than 14% as it trades at US$11.70. The world's largest producer of coated paper recently reported that it expects order levels to improve as the U.S. economy rebounds from its current bout of Enronitis.

In the long term, the company believes that the geographic spread of its assets will allow it to take advantage of stronger markets and weak currencies in today's challenging global environment. It also expects EPS for 2002 to improve and hit levels last seen in Q4 2001. For now, continue to hold.

Our **Sasol** (**SASOY:NASDAQ**) play is also starting to move up nicely. If you bought in at US$8.50, you're now up more than 16% as it trades at US$9.85. This play also remains a hold.

Six of won, a half-dozen of the other

by Briton L. Ryle

Judging from recent coverage in the popular media, China's pretty much dropped off the map. Same with South Korea. Obsessed with the U.S. economy, investors are missing a sizable bull run in Seoul.

Perhaps I should say they already missed it.

The KOSPI's up 50% from September lows. South Korea's economy is expected to grow 5% this year. Foreign investment is up, and consumer spending is high. Bad debt held by banks is at record lows, which means the restructuring of the financial sector in the wake of the financial crisis 5 years ago is progressing smoothly.

All of this is favorable to continued economic growth. But there's evidence that South Korea's stock markets have come too far, too fast. The economists at Morgan Stanley believe that consumers have taken on too much debt, creating bubbles in real estate and stocks.

Plus, there's been a jump in wholesale prices recently, especially agricultural products. Inflation is the last thing South Korea needs.

Now, it's not like South Korea is in danger of seeing the kind of rampant inflation that helped bring down its economy. But even a little inflation could slow spending enough to put 5% growth out of reach. And a GDP slowdown will make stock prices look even higher than they are right now. In other words, chances are good that South Korea's stock markets are at their highs for the year.

This is why I recently advised selling half your position in **Hanaro Telecom (HANA:NASDAQ).** By selling half your position, you're essentially playing with the house's money. Hanaro still represents a value in the telecom space. But it *is* a telecom. And the negative stigma surrounding telecoms will continue to weigh on Hanaro's price.

The year of the horse

I'm beginning to wonder about this astrology stuff. I started the year very bullish on the Chinese economy. But so far, my expectations have gone unfulfilled.

In Chinese astrology, 2002 is the Year of the Horse. The best fortune-cookie advice for people born in the horse years is to be cautious in 2002, especially when it comes to financial matters.

Hmmm… that sounds an awful lot like what I see going on in China.

With so much uncertainty in the world, investors shun risk in favor of safe investments. In other words, the rally in U.S. stocks since September came at the expense of riskier economies, like China's. And if my economic (and bakery) sources can be believed, this trend could continue for several months.

Which is actually not such a bad thing. Despite China's stock markets being down for the year, only one of

Brit Ryle's Definitive 5 for 2002 Update

- **Sprint PCS (PCS:NYSE)**—stopped out at US$13.50. But guess what? You should buy it back below US$13.
- **Crown Cork & Seal (CCK:NYSE)**—Crown Cork is closing in on US$6 a share. If you bought at US$4, you're up 50%.
- **PetroChina (PTR:NYSE)**—No gain. Cheap oil will keep share price low. But that 10% dividend is tasty.
- **Immersion (IMMR:NASDAQ)**—Range-bound small-cap stock. Will continue to trade between US$4 and US$6.
- **Telecommunication Systems (TSYS:NASDAQ)**—Low debt, growing revenues, low valuations—what's not to love?

my recommendations from *Taipan's* 2002 Forecast Issue is down more than 10%—**Brilliance China (CBA:NYSE)**. And that should soon change.

Sedan sales hit a record in 2001. And early signs are that 2002 will be even better. But the immediate catalyst for Brilliance is the joint venture with BMW. This deal should be approved in March. I don't expect the stock to trade lower than US$17.50 between now and then. **Once it gets the green light, I expect Brilliance to move above US$20 in short order.**

Agora Wealth Symposium

A special 4-day program for investors, entrepreneurs, and businessmen, August 14-18, 2002, at the Palace Hotel, San Francisco, California

by Siu-Yee Ng

Dear Friends,

Recession, the war on terrorism, Enron's accounting debacle, globalization…

There's no doubt that great transformations will take place over the next months and years. And if you're a savvy investor, you see the explosive profit potential each of these "cataclysmic" events could have…

Don't get me wrong. Making these profits will not be easy. More people than ever are trying to squeeze a profit out of a finite number of stocks and markets. More people than ever are following the mantra of main-stream investment wisdom… pouring their money into stocks that pop for a second on CNN. And with all the countless financial shows, more people than ever know (or think they know) what everybody else knows, too.

But if you want to make money—and I mean real money!—and hold onto the wealth you've created and accumulated over the years, you need to stay several steps ahead of the masses.

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