



TAIPAN

FORESIGHT

COURAGE

PROFITS

INSIDE:

Six explosive ways to make money in the months ahead

- **Buy this NASDAQ 100 tracking stock at it's 52-week low! Page 4**
- **Turn "Mad Cow" meat scares into cold hard cash... Page 4**
- **This government bond could get you 20%—if you play it right. Page 7**

Your Taipan subscription is now a fully integrated information service— with DAILY email alerts, updates and Special Online Only Profit Opportunities

Signing up is as easy as 1-2-3. Just go to www.247profits.com/BUREAUS/247TAIPAN/Taipan_elist_form.html and fill out the form. Our solemn promise to you: *We'll never rent your email address to anybody.* ANYBODY! Edited by Taipan's Research Director, Dr. Eric Lapp, our daily update will be delivered to your email box every single day of the work week.

"Are We There Yet"

We'll show you six ways to turn stock-market carnage into turn-around profits

by **J. Christoph Amberger**

What a month it's been!

The Swiss army's bicycle brigade is being retired...

An English fruit-and-vegetable vendor was found guilty of selling his wares in pounds and ounces, not in the metric measures demanded by European bureaucrats...

A Chinese aerial cowboy lost his life harassing a U.S. spy plane... and triggered a Chinese relapse into the good old Maoist tradition of demanding public self-criticism from the U.S., before the actual cause of the accident was ever determined.

And both the NASDAQ and the Dow Jones Industrial Index posted impressive rallies... after suffering horrendous decimation only days before.

By now, the slide in the U.S. markets over the last 12 months has cost investors more than US\$5.3 trillion—more than three times the amount of President Bush's original tax cut proposal, before the Senate took a bite out of it last month.

And yet... I'm still waiting for the bad times to arrive. They're fashionably late so far. Gas prices are down from a year ago. Food is cheap and plentiful. And former dot-com ponytails have yet to populate the streets selling #2 pencils and apples to passers-by.

"Can you spare a dime?"

In fact... despite large layoffs at Intel, Cisco, Lucent, Motorola... there are still long waiting lists of people eager to drop US\$60,000+ on the new Lexus convertible. J.D. Powers and Associates thinks 2001

is going to be the 3rd best year in history for car sales. Credit is cheap. And "consumer confidence" is rising along with the temperatures.

And as I write this, the market seems to be following suit. For a day or two at least. Because after stocks hit bottom, they often bounce up and down for weeks. Even months.

Hoping to be persuaded that things have gotten as bad as they're going to get, investors are now scrambling to find signs that the turnaround is imminent... that the bad earnings announcements are finally coming to an end.

Japanese parallel

But there are some who believe the NASDAQ's collapse mirrors that of the Nikkei Dow a decade ago.

Japan's Tokyo Stock Price Index still languishes at 60% of its high at the end of 1989. Japanese premiers are stepping down faster than their Italian counterparts did in the 70s. And the overall state of the economy in the Land of the Rising Sun appears to be teetering on the brink of the abyss.

Sure, they *are* parallels. Both stock market booms were fueled by debt, speculation, and a trance-like belief that nothing could ever go wrong.

Stock prices rose sharply, and with them economic activity. Companies raised new capital at virtually no cost, spending like a mob of drunken Congressmen. And in both countries, the governments

(over, please...)

TAIPAN

Publisher:

J. Christoph Amberger

Editors: Christian DeHaemer, Brian Hicks, Siu-Yee Ng, Briton Ryle, James Passin, Charles Wolpoff, Michael Riska, Bryan Bottarelli, Eric Lapp

Managing Editor:

Ned Humphrey

Webmaster:

Alexander Nosevich

Art: J. Vince Skelley

Marketing Director:

Mark Gardner

Marketing Manager:

Kenneth Salzman

Fulfillment: Tracey Holman

Tours and Conferences:

Barbara Perriello

Customer Care:

Call (410) 234-0691

9 a.m. to 5 p.m. Eastern Time

email: editor@taipanonline.com

Taipan (USPS#008-049) is published monthly for US\$129 per year by Agora, Inc., 808 St. Paul St., Baltimore, MD 21202, USA. Periodicals Postage Paid at Baltimore, MD, and at additional mailing offices. **Postmaster: Send address changes to *Taipan*, 808 St. Paul Street, Baltimore, MD 21202 USA.**

©2001 by Agora, Inc. All rights are reserved. Printed in USA. Information, opinion, research, and commentary contained herein is obtained from sources believed to be reliable; their reliability, however, cannot be guaranteed. The maxim of Caveat Emptor applies—let the buyer beware!

Taipan does not provide individual investment advice, or act as an investment advisor, or individually advocate the purchase or sale of any security or investment. Members of the organization, its officers, directors, employees, and associated individuals may have positions in investments referred to in this newsletter and may add to or dispose of the same.

Investments recommended in this newsletter should be made only after reviewing the prospectus or financial statements of the company. *Taipan* does not necessarily endorse the statements in advertising inserts or classified ads that accompany this publication.

T #123384745

www.taipanonline.com

USERNAME:

taipanmember5

PASSWORD:

5bulls

tried to banish the specter of inflation by hiking interest rates.

But that's really where the parallel ends.

The boom in U.S. technology resulted in an unmistakable rise in productivity... which will be a positive influence on economic growth in the medium to long term. (Japan's asset bubble, conversely, relied heavily on inflated real estate prices.)

Plus, the Federal Reserve has been cutting short-term interest rates since January, which should help stimulate the economy in the medium term. The Bank of Japan, however, kept hiking interest rates for twelve months after the Nikkei began its precipitous slide. And, not to be outdone, the government continued to raise taxes (especially sales taxes) until the country was mired in a full-blown recession. That's a far cry from the tax-cutting climate that moved into Washington with the election of George W. Bush.

When is it going to get better?

Stock prices tend to reflect investors' expectations of future earnings, rather than past earnings performance. At this point, no one expects too much positive news about first-quarter results. (In fact, Amazon's recent announcement that it wouldn't lose quite as much money as projected in Q1-2001 sufficed to trigger a 30% rise in the stock price.)

MARKET OPPORTUNITY

Where there's smoke there's fire:

Making sense of the NASDAQ's future

by Adam T. Lass

Remember "irrational exuberance"?

Alan Greenspan's now famous characterization of the 1999 and 2000 market bubble has now been inverted—into 2001's equally *irrational despondence*.

And yes, a boatload of dot-coms have gone up in smoke. Of course, most were nothing but smoke to begin with, and anyone with an ounce of common sense knew it. But that doesn't mean high tech is dead... even if it doesn't smell that good right now.

But over the next decade, the remaining high-tech players—those with real, useful technologies and a fighting chance at making a profit—really will transform the world. Into what, I have no clue, but no

Even a minor dose of positive news is sometimes enough to do the trick. Dell's announcement of first-quarter earnings estimates, and Alcoa Inc.'s release of slightly better earnings, boosted the entire market for about a week.

Recessions typically last 11 to 18 months. Stocks often rebound halfway through, as investors position themselves for the elusive recovery. And if the U.S. economy succeeds in averting a full-blown recession, this may be the time to start loading up on dirt-cheap stocks.

Then, of course, you can always lose another 99% of your holdings...

At this point, timing and pricing become crucial. Even more so than usual. That's why I asked the *Taipan* team of editors to give you their honest assessment of the current market climate... and their favorite plays for making money out of it.

I also invited Adam Lass, editor of *Options Underground*, to share with you what his proprietary **WaveStrength** system is indicating. (The track record of the *Options Underground* team in calling the highs and lows of the NASDAQ, particularly during the upheavals of February and March, has been nothing less than spectacular.)

All this to prove to you that there's always the opportunity to make money, no matter what direction the markets are moving in!

neo-Luddite wishful thinking can undo the changes already underway.

So the question at hand is not "Will there be a recovery?"

Rather, it's "When will it start?"

And how can you make truckloads of cash off it?

To get a better feeling for the timing of inevitable market currents, I recommend the thoughts of an obscure 12th-century mathematician, Leonardo da Pisa, aka Fibonacci.

Best known for introducing Arabic numerals to Western Europe, Fibonacci was also the creator of the Fibonacci sequence, a number series that accurately predicts a wide range of natural phenomena such as the pat-

tern of branches on trees, petals on flowers, the spirals of a nautilus shell and the retinal patterns of the human eye.

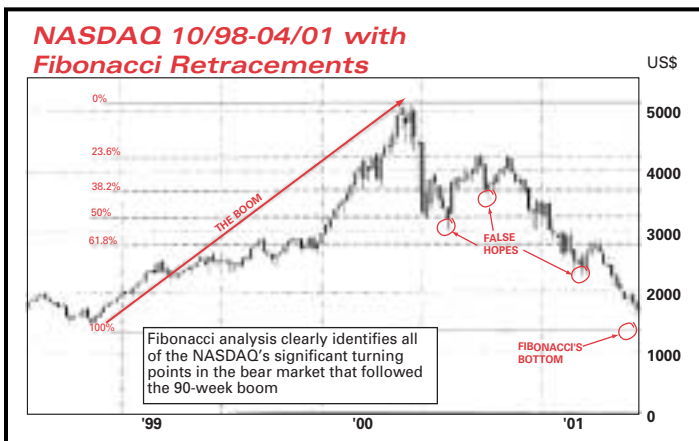
Fibonacci-based analysis is equally revealing when applied to the stock market. It shows that the period following any market boom will exhibit a predictable series of pivotal support and resistance points based on a line from the rally's lowest trough to its highest peak.

The falling knife's final target

As noted on the accompanying chart, these Fibonacci points clearly identify all of the NASDAQ's significant turning points in the bear market that followed the 90-week boom from 10/9/98 to 3/10/00—including May 2000's bottoms at the Fibonacci 50% mark and the double-top failure of July and September 2000 at the 23.6% mark.

Fibonacci analysis even predicted this January's failed rally at the 61.8% mark, and the subsequent hideous plunge that followed. **More significantly, it also forecasts a likely end to the bloodshed with the 100% mark at 1357.**

By that point, the NASDAQ will have peeled away 74% of its value—if you accept that value as genuine. (I don't). But it leaves intact the solid incremental gains of the previous decade. And the survivors of the last few months of carnage are tan, fit and primed for another ten-year growth cycle.



With a bull market in sight, the issue is no longer “when to buy” but “what to buy.” Using my proprietary CXS computer screening system, I’ve isolated a single stock that will take off regardless of which high-tech sector leads the rebound. Let’s make no mistake about it. This is a highly speculative investment. But one that has a substantial upside. Just bear with me for a moment...

Harris & Harris Group, Inc. (HHGP:NASDAQ) is a venture capital investment firm that has the majority of its assets in start-up companies.

Wait. *It gets even worse.*

These start-ups tend to be small, thinly capitalized, unproven companies hanging everything on risky technologies. These pie-in-the-sky companies frequently lack management depth. Most have never generated a nickel in profits.

Back to exuberance?

I know what you’re thinking right now. HHGP is exactly the sort of company that I wouldn’t have touched with a ten-foot pole a year ago—when it was at its high of US\$35.

But now that it’s available for a mere two bucks and change, HHGP’s broad portfolio of potential rockets deserves a second look.

Incorporated in August 1981, HHGP has invested a substantial portion of its assets in companies at the private development or start-up stages. Usually, Harris owns all of the stock of a start-up for a substantial period, and likes to get heavily involved in recruiting management, formulating operating strategies, product development, marketing and advertising, assisting with financial plans, and establishing corporate goals for these fledgling companies.

Harris also assists in raising additional capital for its babies from other investors, introduces these companies to potential joint-venture partners, suppliers, and customers, and helps them establish relationships with investment bankers and other professionals.

As a venture company emerges from the developmental stage with greater management depth and experience, and launches into the public arena via IPO or is sold outright to larger companies, Harris expects its role in the company’s operations to taper off.

Enough jargon for a moment

Here’s what that means: Harris buys companies with good ideas but no cash or biz smarts. They set them up with some cash to get moving, guide them through the maze of bankers, lawyers, accountants and government bureaucrats. Then they sell them for major green (and maybe keep a chunk of stock for their own portfolios).

Take a look at a list of Harris’s current nestlings. I will gladly concede that some of these are totally out to lunch. But that’s OK, for a number of reasons I’ll get to in a moment:

- *essential.com, inc.*: resells services and commodities like long distance phone service, Internet access, electricity, natural gas, propane, heating oil and satellite TV.
- *Experion Systems, Inc.*: provides e-business selling platforms that enable manufacturers and service providers to replicate a retail selling experience on their websites.
- *Exponential Business Development Company*: more venture capital (talk about wheels within wheels...).
- *Genomica Corporation*: a leading pharmacogenomics software company. Their tools combine epidemiology, genetics, molecular biology, biochemistry and clinical applications into a single software environment that enables scientists to accelerate genetic discoveries and pharmacogenomics. This one’s about to go IPO.
- *Informio, Inc.*: enables dot-coms to extend their Internet presence to 1.5 billion telephones.

- *Kana Communications, Inc.*: more incomprehensible e-biz.
- *Kriton Medical, Inc.*: sitting on a hot new medical device.
- *MedLogic Global Corporation*: wound closure devices (high-tech band aids).
- *Nanophase Technologies Corporation*: patented and proprietary nanocrystalline technology.
- *NeuroMetrix, Inc.*: provides physicians with immediate and cost-effective information to aid in the diagnosis of common neuromuscular conditions, including repetitive stress injuries, diabetic and toxic neuropathies, and low back pain.
- *Questech Corporation*: makes cool new-era construction materials.
- *Schwoo, Inc.*: really esoteric computer security. (Schwoo? Weren't they those edible creatures in Li'l Abner?)

Clearly, some of these companies—perhaps even most of them—are going nowhere fast.

That's okay, because Harris's VC business model doesn't depend on across-the-board success. **It just needs one or two winners a year to push the value of HHGP up tenfold.**

Darn close to free money

And there's another interesting twist to the story. Harris is sitting on a good-sized chunk of cash, which it

occasionally invests in fast-moving junk bonds and the like. And they usually do all right at it. In fact, as of last December, Harris's net asset value per share (NAV) was US\$3.51, compared to a current stock price of US\$2.25. Let's look at that number for a moment.

After the nominal market value of the company's discounted publicly held securities (closing year-end stock prices multiplied by number of shares) was reduced from US\$11,263,256 to US\$9,702,547, to reflect appropriate "haircuts" or discounts, the company's gross assets totaled US\$43,343,423. Reserves totaling US\$11,509,948 for taxes, employee profit-sharing and other liabilities reduced net assets to US\$31,833,475, for a NAV of US\$3.51.

The upshot is that even without a major VC success, HHGP's stock is undervalued by 56%. In many ways, HHGP is clearly riskier than I would have tolerated in the final phase of the previous growth cycle. Price to sales is an outrageous 49.79, forty times higher than what I usually look for. But its cash position is healthy, management is crafty, and shares are dirt-cheap.

ACTION ALERT

Buy **Harris & Harris Group, Inc. (HHGP)** under US\$2.50, with a six-month target of US\$5 and a -25% trailing stop.

WORLD INVESTOR

Santeria, the three Qs of happiness, and a 402 percent gain

by *Christian DeHaemer*

Most investors base their trades on the speculative idea of a future increase in demand. They weigh risk and value and search for some factor that will make the shares go up. In other words, the traditional means of picking stocks is speculating that some future catalyst will push share prices higher. That catalyst can be better earnings, new technology, mergers, positive press, or any number of other events.

There is another way

The traditional method has some obvious pitfalls, since predicting the future is an imperfect art. Most pundits would tell you that market timing is a sucker's game. And it's true that most market-timers end up losing money because they base their buys and sells on the traditional methods of stock picking—combined, perhaps, with some Zen-like insight, or wax dripping patterns divining the will of Oshzn, the patron saint of money and sensuality.

That's because most investors realize that the stock market, like any other market, is made up of supply

and demand. What they don't realize is that only supply is knowable.

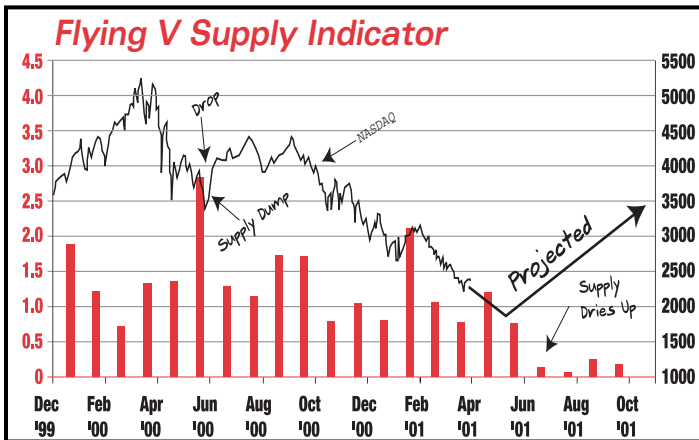
Donald Trump bought five wives

Take the housing market in places like San Francisco or New York. Geography and bureaucracy limit the number of new homes available. At the same time, demand from people wanting the high-paying jobs in these areas is inexhaustible. Ergo, real estate prices are higher there than anywhere else in the country. Like Will Rogers said, "Buy land; they aren't making any more of it."

The stock market is different in that more shares are created all the time, but the basic forces at work are the same. Two years ago, the demand for shares in Internet companies was so high that it forced the market to create new shares. The market obliged—until the demand was met and surpassed.

"Flying V" supply indicator

In the chart above, the bottom indicator shows the number of new shares hitting the market based on lock-



put expirations. The top line is the NASDAQ.

The new supply of shares coming out of lockups hit an all time high in May of last year. 2.8 billion new shares hit the market in 23 trading days. That represented 6 percent of the daily volume. In June, the market took a nosedive. The same phenomenon occurred in January of this year, when 2.3 billion new shares came out of lockup.

Market timing is possible. If you know when the supply of shares in the market is going to change, then you can make predictions about whether the price of an equity will rise or fall. As the chart shows, the number of new shares hitting the market is set to dry up in June. This would suggest that we are in for a summer rally. And the time to start buying is May.

And just to be certain that I am correct, I have beheaded a chicken and spilt its blood on the altar of Olóðumarè, the "owner of heaven," while offering praise for his bounty.

Buy the three Qs

The simplest means of benefiting from a summer rally on the NASDAQ is to **buy the "triple Qs" (QQQ:AMEX)**. The triple Qs is a tracking stock for the NASDAQ 100 Index (NDX). It is a tool for buying the top 100 companies on the NASDAQ without actually buying a fund. There are also options available.

The 52-week low is US\$33.59. In January of 2000, QQQ was at US\$120. From the "Flying V" Supply Indicator, I wouldn't be surprised if the NDX bounced back to its next major resistance level in the 2,500-2,700 range, which would represent a 56 percent gain over current levels.

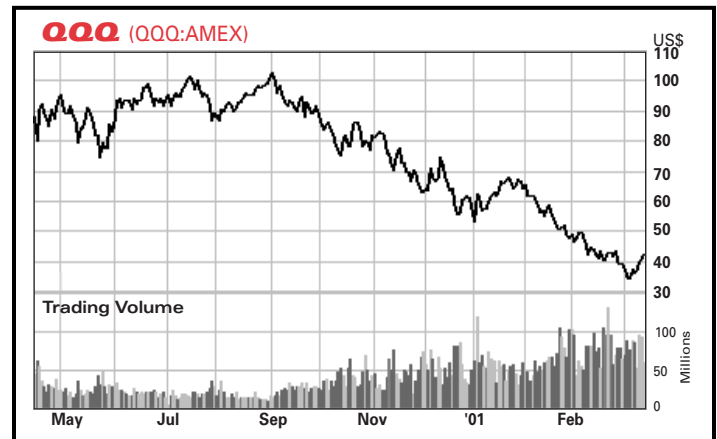
Take a fryer

For those among you who want to take on more risk, try buying the **58 September Calls (QQQIF.X:AOE)**. According to the Black Scholes method, these options will be worth US\$6.03 in late August. You can buy them today for US\$1.20. *That would be a 402 percent gain for those playing the game at home.*

Be advised that out-of-the-money calls are a high-risk proposition. Don't put down more money than you feel you can part with. And if these things are worthless in four months, I don't want to get any emails telling me you lost Granny's house and she is now living in your basement next to the sump pump.

That said, if you're looking for a place to put that big tax return, then by all means buy the 58 September Calls. If you're looking for a safer bet, simply buy the triple Qs for a projected 56% return over the next four months.

Now if I can just get these damn gizzard stains out of the carpet before my wife comes home...



Lukoil Preferred ADR (LUKPY:OTC) lives up to our forecast!

by Ned Humphrey

Back in December of 2000, on p. 44 of *Taipan's* Annual Forecast Issue, "Profit Perspectives: 2001," we were quite optimistic about the prospects for **Lukoil Preferred ADR (LUKPY:OTC)**.

Lukoil had already rallied 270% since we initiated coverage... *before dividends*. The 1999 cash dividend of US\$1.20 per ADR, which was declared on April 17,

2000, to ADR holders of record, equated to an 18% dividend yield vs. our recommended entry price...

When we first told you about LUKPY, the discount between the preferred and common shares was a ridiculous 60%. As predicted, this discount contracted as irrational Russophobia (itself a byproduct of the Asian financial crisis) finally began to dissipate.

But, while the discount did experience a massive

one-time contraction, we thought there was still some upside leverage to the preferred stock.

The only big downside to owning the preferred stock was the lack of voting rights. But in Russia, voting rights really mean almost nothing. Furthermore, *Taipan* knew that the preferred would automatically be converted into de facto common stock if Lukoil neglected to pay 10% of the holding company profits to preferred shareholders.

Lukoil remains one of the largest oil companies in the world. Sales estimates for 2000 exceeded US\$18 billion. Despite the high oil prices we were hit with last summer, Lukoil was still valued at just 4x 2000 earnings. And here's the kicker: there were rumors that Lukoil would soon be converting those preferred shares into common shares on a one-for-one basis—an optimal outcome for LUKPY holders...

While there was an outside chance that Lukoil management would attempt to force conversion on unfavorable terms, *Taipan* felt that the underlying common shares were cheap enough to compensate for this risk. If Lukoil decided not to convert the preferred shares into common, it would be forced to pay out a huge dividend (10%+) to shareholders based on estimated holding company profits.

In short, we rated LUKPY a Hold.

Top of the pops

Well, we've just received a bulletin on the latest developments with LUKPY, which we originally recommended at \$7 in 1999. And not only is the news good, it's right in line with our forecast:

Lukoil just announced a \$3.94 cash dividend per share and a 1:1 conversion from the ADR into ordinary shares! This is on top of the US\$1.24 already paid to ADR holders.

What this means is that if you bought at \$7, after the ex-dividend date, you would have received \$5.18 per ADR in cash, which equates to a 74% yield on invest-

ment. Not too shabby, I'd say. And on top of this spectacular yield, you get converted into common shares on a 1:1 basis. Lukoil common is currently trading at \$19.

Netting back the cash dividend, your real cost basis is \$1.82 per ADR. After the conversion, you will have a stock with voting rights trading at \$19.

Lukoil is about to list its common shares as ADRs on the New York Stock Exchange. This listing should raise the ADR price even further. Good timing for preferred ADR holders. Congratulations to our savvy *Taipan* investors!

Changes to Lukoil statute

At a session of Lukoil's board of directors in Moscow held on April 6, it was decided that changes to the company statute will be proposed at an upcoming general meeting of shareholders scheduled for June 28, 2001. That is also when the conversion of preferred into common stock will be mooted. The move is seen as necessary to protect the rights of those holding common stocks. Even though preferred stocks make up only 9% of the authorized capital, their owners receive over a half of all dividends.

Under the proposed conversion, common and preferred shares will be equalized. The details of this process will be determined by the board of directors. If anyone holding preferred shares doesn't agree with the terms of the conversion, the company will buy their shares for a price established by an independent appraiser, Russpromotsenka. The price is to be announced by May 15. **You'll want to keep a close eye on this one, folks.**

Knocking it out of the industrial park

Though highly speculative in nature, the Lukoil pick has turned out to be a major winner for *Taipan* investors. This is exactly the kind of play that *Taipan* is known for. Stay tuned to www.taipanonline.com and www.247profits.com for future communiqués on this and other profitable opportunities.

M I C R O C A P S

It's the B2B market all over again! Only this time around, that stands for "Bear-to-Bull"!

Buy this Mad Cow stock today

by **Brian Hicks**

How about you? Doesn't it amaze you how some technical analysts attempt to decipher the stock market? With protractor and pencil in hand, they use astrological charts... magazine covers... investment psychologists... even the opinions of school kids to pinpoint the direction the market's going next.

Call me a romantic, but sometimes I just need to step

back and read one book: Robert Rhea's *The Dow Theory*.

Published in 1932, Rhea's book was written to explain what Charles Dow had outlined a quarter of a century before. Rhea identified the three principal phases of a bear market:

- abandonment of the hopes upon which stocks were purchased at inflated prices
- selling due to decreased business and earnings

- distress selling of sound securities, regardless of their value, by those who must find a cash market for at least a portion of their assets

Each of these phases seems to be subdivided into secondary reactions—bear market rallies. These are often erroneously identified as the beginning of a new bull market.

The Bear 2001

There is reason to believe that at least two of the three phases have been completed. In fact, at this point (and I'm writing this just before Easter), the market could either be in the final phase of the bear market. *Or in the beginning phase of recovery.*

Below, I'm going to show you a chart of the NASDAQ, since that's the index that's been damaged the most. In fact, at one point the NASDAQ was off 70% from its March 2000 high.

But if you've just done a double take while looking at the chart, you're right. There IS something fishy about this: instead of showing a normal chart of the NASDAQ, I've inverted it. So the selloff in the NASDAQ since March 2000 actually looks like a massive rally.

Now take a closer look at the chart:

The reason I did this is to prove a point. Just as stock prices couldn't go any further on the upside during the hyper-rally of 1999 and 2000, it's impossible for stock prices to keep going down. The market is currently

experiencing a hyper-selloff.

In other words, in the past 2 1/2 years, the market has experienced two extreme swings—one to the upside, one to the downside.

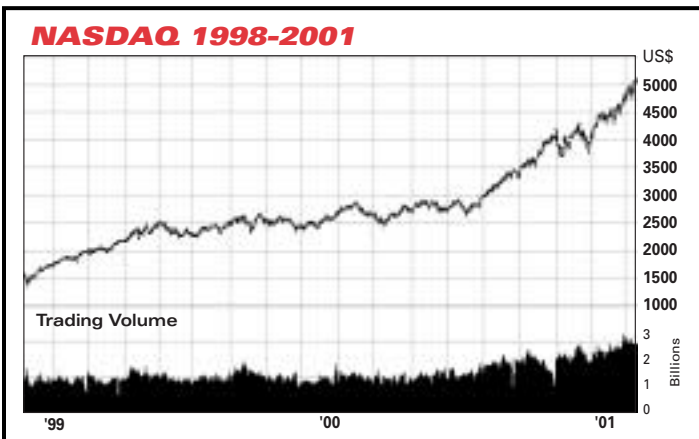
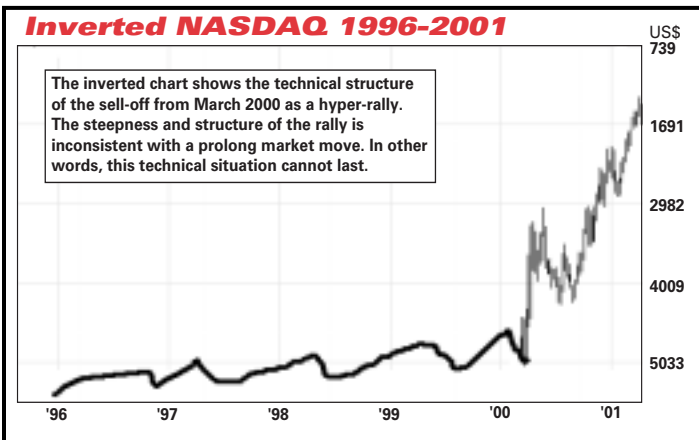
Look at the chart when the NASDAQ was at 5,100. There was no way it could go higher because of the steepness of the rally. In other words, trees don't grow into the sky...and neither do markets. If you invert the loss in the NASDAQ since March 2000 so it looks like a rally—it comes out structurally just like the upsurge of 1999 and 2000. The moves are almost exactly the same.

But we have history on our side. The market has already proved to us that a hyper-move like the one between 1999 and 2000 is technically insupportable. And the hyper-downside move between March 2000 and today is equally insupportable.

This is my point—the momentum and psychology that drove the NASDAQ to new highs is same kind of momentum and psychology driving it down to 1,650.

It's the exact same technical method for downside moves as upside moves. In fact, it's even more so on the downside, because there is a real floor in markets. The NASDAQ can only go down so much (0), whereas the upside potential is unlimited. So, although the NASDAQ could theoretically lose another 99%, there is absolutely no grounding in reality or history for such a development. It's one thing for Priceline to lose 99%... it's an entirely different thing for the NASDAQ to lose another 99%... especially when it's already lost 70%.

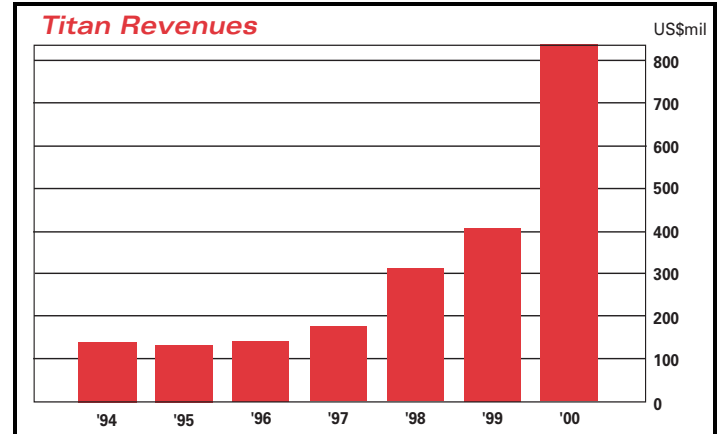
This doesn't mean it can't go any lower. But using history as a basis for prediction, and looking at the tech-



Just Check This Out

TTN's Revenues(US\$mil)

Quarter	1998	1999	2000
Mar	64.6	162.5	221.6
Jun	75.4	191.4	255.1
Sep	78.6	212.8	275.8
Dec	84.7	132.4	284.7
Total	303.4	699.3	1.03(bil)



nical formation of this selloff (70% from its highs in 13 months, which is a record for any freakin' market ever!), odds are there's little if any downside left.

That's why I'm now looking to start buying. And I mean a lot.

One stock I want you to pick up right now is **Titan (TTN:NYSE)**.

A stock among giants

By now, you've probably heard that Europe's beef industry is being devastated by "mad cow" and foot-and-mouth diseases. And the more animals are lead to quarantine, and eventually slaughter, the less people want to eat meat. It's natural. Nobody wants to eat infected or tainted food of any kind.

However, what you might not know is this—on January 25 of this year, an entire herd of cattle was quarantined in Texas, suspected of eating bone meal infected with "mad cow" prions.

The news received little attention, as you might expect. I mean, cattle ranchers are some tough customers. They sued Oprah Winfrey simply because Oprah said she wasn't going to eat beef anymore.

You're the one for me, fatty

What concerns me is this: while the Texas quarantine received little attention, the resolution received even less. What happened?

I'm sure nothing came of it. Almost. But one thing seems certain about the future: Europe's livestock diseases have already rippled throughout the world. There's bad news from Argentina. Even Saudi Arabia. Which means it is only a matter of time until it hits North America. And whether or not foot-and-mouth disease actually comes to the United States, I anticipate increasing public scrutiny of the safety of domestic meat products.

And I've found just the right company to help us profit from this.

Zapped!

This San Diego-based outfit has developed a technology for pasteurizing meat.

Using an electron beam to pasteurize food, the technology eliminates the threat of harmful pathogens such

as E. coli, listeria, campylobacter and salmonella without affecting the food's texture or taste.

Now, before you say people will not eat food zapped with an electron beam, let me tell you that you already do—in your microwave oven. It's really no different than that.

And that's what Titan is doing. Through their subsidiary and IPO spinoff, SureBeam, Titan has entered the food safety market.

Titan will retain 84% ownership of the spinoff company. And I don't know about you... but in this market I'd prefer to own the parent company, Titan, which is a rock-solid stock, instead of buying the IPO.

Trading at a market cap of US\$750 million on trailing twelve-month revenues of US\$1.04 billion, Titan offers investors substantial growth potential at "value stock" prices. Titan grew the top line by 130% between 1998 and 1999. And then grew it 47% between 1999 and 2000. I love it.

Titan will grow the bottom line by 21% this year. Yet the stock continues to trade at a P/E discount to EPS growth. Titan's PEG ratio is 0.76.

In this market, you want to buy stocks trading at a discount to EPS growth, or a PEG ratio of less than 1.0

Making money as markets go mad

And while even electron beams won't do zip to mad cow disease-triggering prions, there's one prudent method for investing in the current volatile market: putting your money on a stock that exhibits three characteristics:

- 1)it's a diversified company
- 2)it's a growth stocks at value levels
- 3)it's creating next-generation technologies that meet a basic human need—survival.

Titan is all three.

I think now is the time to buy **Titan (TTN:NYSE)** under US\$16 a share.

ACTION ALERT

Buy Titan (TTN:NYSE) under US\$16. The Titan Corporation, Attn: Investor Relations, 3033 Science Park Road, San Diego, CA 92121, tel. 858-552-9400, fax 858-552-9477.

I P O T R A D E R

Déjà vu all over again:

But if there's one IPO you should get into this year, this is it!

by Siu-Yee Ng

A decade's gone by and it doesn't seem like anything has changed. We have a Bush in the White House. Tax cuts are high on the agenda. Japan's economy is tanking.

The market is crashing. Growth is slow and oil prices are high.

But one thing is different. Today, investors rather than government regulators are imposing discipline on

stock market valuations run afoul of reason. The NASDAQ has hit lows unseen since the Asian crisis.

Funny that should come up....

Because at this point it seems like there's another Asian crisis brewing. This time it's more political than financial. Although the flap over the "spy plane" has been resolved, the general souring of relations between the Chinese and the United States has many investors worried.

To make things even worse, market heavyweights continue to disappoint. Charles Schwab (SCH:NYSE), the largest discount and online brokerage, recently announced layoffs. It goes without saying that Schwab will not meet analysts' quarterly expectations.

Oracle (ORCL:NASDAQ) and Compaq (CPQ:NYSE) had already announced earnings shortfalls. It's not so much the earnings warnings that are spooking investors, but the future outlook for the companies.

In the fourth quarter of 2000, although many companies predicted weaknesses for the first two quarters of 2001, they predicted that earnings would improve thereafter. But that's not the case. Companies are getting rid of inventory at discounted prices. This will cut into their bottom lines, and revenues will most likely grow at a much slower rate.

As a result, investors have grown wary of disappointments and are staying away from these stocks.

More turmoil

The IPO market is still in hibernation mode. In the first quarter of 2000, 135 stock debuts raised a total of US\$28.5 billion dollars. In the fourth quarter of 2000, 56 IPOs raising a paltry US\$15.1 billion. And if you thought that was bad, the first quarter of 2001 practically shut down the new issues market, with a mere 21 IPOs raising a miserly US\$8.5 billion.

The IPO market lives and dies by the NASDAQ. With the NASDAQ stuck far up Bear Creek, we're seeing little action in the IPO market.

But here's the good news: the bear market will eventually end. The question is, when? The NASDAQ has to regain lost ground before the IPO market can recover.

We know that the NASDAQ has been in bear territory for the past twelve months. But bear markets follow a pattern. There's the initial fall, followed by a rally, followed by total capitulation and despondency as panicked shareholders sell everything. And according to Dow Theory, it takes an average of 18 months for a bear market to end.

Newton's law

According to Newton's Third Law of Motion, for every action there is an equal and opposite reaction. Sounds to me like the NASDAQ is following this very same law.

The market has been trying to rally. But every time there's a big recovery, it is immediately followed by a market selloff.

These rallies are most likely triggered by short-term traders itching to get back into the beaten-down market. Most of the upside moves still look like swing trading opportunities, where investors choose to sell into strength instead of holding.

The real catalyst for the market is earnings visibility. When earnings improve, so will stock prices. Until then, IPOs will lag behind the overall market.

One to go

IPO withdrawals still triple that of debuts. But there is one IPO that I am keeping a close eye on.

I recently introduced a friend to "real" Chinese movies. Subtitled, of course. In one flick, millions of dollars were won and lost in a single poker game. The pot gets juicier when the players decide to bet their hands. Not their hands of cards, you understand: their actual hands. Fingers and all. If the gambler loses the bet, off goes his hand.

My first thought was: why not insure their hands? After all, Jennifer Lopez insured her ample billion-dollar derriere.

People's need to protect their assets makes insurance a billion-dollar industry. And I'll tell you in a minute how you can make money on an American revolution called demutualization.

Demutualization is the process of converting a mutual insurance company into a stock company. As the insurance industry consolidates, mutual insurance companies have begun look for better ways to expand their business. They have started raising equity capital as well as undertaking acquisitions or strategic alliances.

Reorganizing a mutual holding company enables it to raise equity capital and also offer stock as a way to finance acquisitions. New York passed a demutualization statute in 1988, which has served as a model in other states. The demutualization process involves converting a mutual life insurance company owned by policyholders into a life insurance company owned by shareholders. Essentially, eligible policyholders receive either cash or shares in exchange for changes to their ownership rights in the company. This requires approval from policyholders.

The trend toward demutualization is accelerating. And now is the time to get in on the action.

Winning hand

With the financial services world getting rocky, **The Prudential Insurance Company of America** has unveiled plans to demutualize. And this is your chance to profit from the change.

Get your FREE daily Taipan updates

Register at [www.247profits.com/BUREAUS/](http://www.247profits.com/BUREAUS/247TAIPAN/Taipan_elist_form.html)

[247TAIPAN/Taipan_elist_form.html](http://www.247profits.com/BUREAUS/247TAIPAN/Taipan_elist_form.html)

The new holding company will be named Prudential Financial.

The #1 U.S. life insurer (ahead of Metropolitan Life) and one of the top insurers worldwide, Prudential offers individual and group life insurance, employee benefits services, and annuities.

Other operations include individual property/casualty lines, real estate brokerage, relocation services, asset management, brokerage, and other investment products and services. Prudential has operations in Asia, Europe, and North and South America.

As of December 31, 2000, Prudential had US\$20.6 billion in equity and US\$272.8 billion in assets. In 2000, its revenues were US\$26.5 billion and its net income was US\$398 million.

This IPO will be one of the biggest in history. Prudential plans to sell 89 million shares at US\$43.70 in the public market in the fourth quarter of 2001. It will also distribute about 454.6 million shares to its approxi-

mately 11 million eligible policyholders.

Prudential will also sell 2 million class B shares to institutions in a private sale. And it reserves the option to sell a further 13.35 million shares in case the IPO is oversubscribed.

The IPO is being lead-managed by Goldman Sachs.

You can see why I'm keeping a close eye on this one! The company is financially stable and a market leader.

I expect Prudential's IPO to be the strongest of the year. If you're looking at a possible aftermarket buy, wait for the dust to settle before getting in.

ACTION ALERT

Contact **The Prudential Insurance Company of America** at 751 Broad Street, Newark, NJ 07102-3777, tel. 973-802-6000, fax 973-367-6476, Internet www.prudential.com.

INCOME INVESTING

Make 20% a year off the government's incompetence

by *Charles Wolpoff*

Increase your wealth by taking advantage of the incompetence of bureaucrats—with investments in distressed municipal bonds.

For starters, these offer tax-exempt high yields. If you're in the 28% tax bracket, an 8% yield translates to an 11%-plus return.

Buy them at the right time and you can also lock in capital gains, for an overall return of 25% or more.

Heck in a handcart

Normally, municipal mismanagement is an ugly thing to behold. School roofs fall in, trash builds up in the alleys, and nursing homes "misplace" residents.

But all the while, you're making money.

High-yield municipal bonds give you an opportunity to buy 8% tax-exempt bonds at a price low enough to give you 20% yields—tax free. (That's federal tax free if you don't live in the state in which the bond was issued, and federal, state and local tax free if you do).

And a 20% tax-free yield translates into a 28% taxable yield for those in the 28% tax bracket.

But that's not the only advantage

Because you catch these bonds at the right time, you can buy them for a song. Seventy cents, sixty cents, forty cents on the dollar.

If you buy at forty cents on the dollar, and sell at sixty cents on the dollar, that's a 50% capital gain, on top of the 28% taxable equivalent yield.

Take, for example, the first mortgage bonds issued by

Escambia County for the Perdido Housing Corp. project in Pensacola, FL.

This bond paid for low and middle class housing projects at a time when there was already too much development. Typical bureaucratic boondoggle. It didn't help that the nearby naval base was undergoing serious cutbacks.

So they've had to deal with 15 to 17 percent vacancy rates.

Although the bond has not yet missed an interest payment, it has been using up its debt reserve. This means the project may declare bankruptcy within a year or so.

Does that mean you should stay away from the bond?

Actually, it may mean exactly the opposite. You see, the managers of the complex already offered to buy the bonds from the bondholders at 70 cents on the dollar.

The bondholders declined.

Currently, you can buy it at less than 40 cents on the dollar.

That's a cut-rate deal. Even if it lands in bankruptcy court, you will very likely get back at least 60 cents.

That's a 50% gain!

The bonds, which mature in November of 2016, pay an 8% coupon rate. But at current prices, the yield is more than 12%.

Federal tax exempt, that is.

Which, again, means that if you're in the 28% tax bracket, it's equivalent to a yield on a taxable bond of close to 17%.

But if you do buy this bond, or one in a similar situation, be patient. You should be willing to hold it at least a year.

One factor that's keeping the price of distressed

municipal bonds low is the backlash from last year's Heartland Funds debacle.

On October 13, the poor credit quality of its holdings forced Heartland to mark down the price of its two high-yield funds. Heartland High Yield Municipal Bond Fund was devalued by 69% and the Heartland Short Duration High Yield Fund by 44%.

The Securities and Exchange Commission swarmed all over them. Class action lawyers closed in.

And prices in the high yield muni market were pushed down. Of course, a weak economy has also kept a lid on distressed munis.

But with the economy turning around, this may be the right time to look into these investments.

For more information on the Perdido bond and other distressed muni bonds, you can call David J. Halliburton, the president of Halliburton & Associates, a broker in

Clearwater, FL, that specializes in municipal bonds.

Play it right

If you want a way to get into the high yield muni area in a smaller way, while diversifying and reducing your risk, try a high yield muni fund with managers who have had long experience in this area, and examine carefully the quality of their holdings.

You don't want to find yourself in the situation thrust upon Heartland Fund shareholders.

For example, take a look at the Scudder High Yield Tax Free Fund (SHYTX). While the S&P 500 has lost 23% in the last year, this fund has provided a return of 8.8%. A good portion of that will be exempt from federal taxes, and a smaller portion possibly from state and local taxes too, depending on the fund's holdings and the state in which you live. Contact Scudder at investments.scudder.com, or 800-728-3337.

EMERGING MARKETS

Crouching tigers, hidden profits

by Ned Humphrey

When U.S. stocks entered the hot phase of the bull market in the mid 90s, foreign markets, and especially the emerging markets, fell out of favor with mainstream investors. After all, why risk your hard-earned money for a mere 100% abroad if you could quadruple it on your neighbor's kid's dot-com?

But the tide is turning. With U.S. stocks plummeting, certain markets are becoming quite attractive again.

Given the growing cost-consciousness among western manufacturers, the search for cheaper production sites will begin focusing on these areas again. And the media, telecommunications, IT,

and entertainment industries themselves are experiencing enormously strong demand in the emerging markets, which, after all, account for roughly 3/4 of the world's population.

Asia already is the world's biggest production center for IT hardware and electronics. The leaders are South Korea, Taiwan and Singapore. Almost half of the notebook computers sold worldwide are made in Taiwan. And 91% of the world's integrated circuits come from Asian exports.

Creative Technology in Singapore is the world leader in the production of components for audio and video equipment. But consumption of these products in the lands where they're made is

The next wave in disruptive technology:

Get ready for the sneak attack of low-cost micromachines

by Michael Riska

Getting tired of waiting for nanotechnology? You know, those self-replicating miniature med-bots that are supposed to swim through your arteries, removing a lifetime of filet mignon and crème brûlée gunk from your heart? I say fuggeddaboutit. These things are still years away.

But the quest to shrink machines to the atomic level has already produced a revolutionary technology, in the form of microelectromechanical systems—otherwise known as MEMS.

MEMS, or micromachines, contain mechanical elements that are measured in microns. (Just to give you an idea of how small that is: a single strand of hair is about 100 microns thick.)

But make no mistake about it: These are fully functioning machines, like motors and pumps, so small you could accidentally inhale a pile of them without noticing.

The web page of Sandia National Laboratories, where the little devices have been pioneered, shows pictures of dust mites riding tiny cogs and stepping all over miniature mirrors. Compared to the machines, the mites look like Godzilla over Tokyo.

The most important feature of micromachines is the way they are manufactured. Just like integrated circuit chips, MEMS are etched on sheets of silicon. This allows them to be mass-produced at low cost.

The functionality of ordinary chips can be increased too, by incorporating microsystems, like sensors and communicators, directly into a chip.

Instead of simply boosting processing power by packing more transistors onto the chip, MEMS technology will allow chips to be almost self-sufficient. They will sense their environment, act on their surroundings, and communicate with other chips and systems.

Since sensing and communicating ability will be integrated, the machines and multi-functional microchips will be able to predict and communicate their own failure. Also, silicon is a remarkably durable material. Sandia Labs says they've tested their microengines to failure at 7 billion revolutions—roughly the same as driving your car 2.5 million miles.

Rear entrance

Micromachine technology is destined to be disruptive. And it needs to be incorporated into a variety of common applications before conservative national policymakers will take a chance on it.

That's why the U.S. Department of Energy's Sandia National Laboratories has spun off a private company, MEMX, Inc., to develop the micromachines for commercial distribution. They're positioning themselves as part of the telecommunications industry, and are going to use their new technologies to make better optical switches.

But MEMX's real goal in life is to set the stage for Sandia to land big, fat government contracts for military applications. The telecom gig is part of a strategy they're using to bring the technology to the attention of the marketplace.

Micromachines might take a while to catch on. Like any radical feat of engineering, there is a lot of tweaking to be done before their full potential is realized. But pay attention, because when the revolution comes, it will be so small you can't even see it.

More Information

MEMX, 5600 Wyoming Blvd. NE, Suite 160, Albuquerque, NM 87109, tel. 505-858-1062, fax 505-858-0935. Website: www.memx.org

General Info: info@memx.org

Investor Info: invest@memx.org

Sandia's MEMS page:

www.mdl.sandia.gov/scripts/index.asp

Untouchable Wealth—OFFSHORE IBC, Trust, Bank, VISA, On-line Brokerage. Free on-going support, no hidden costs \$4,999. Call Kevin (888)538-7321, website: www.5flags.com

Beach house directly on beautiful **Delray Beach, FL**. Charmingly renovated historical house w/3BD, 2BA, fireplace, hardwood floors, new appliances, more. Walk to historical downtown Delray to dine, shop, and peruse the arts. Minimum one-week stay. \$2,800 seasonal, \$1,950 summer. Call (561)243-0630.

Oil and gas investments. Be a direct owner of natural gas wells in the Big Sandy Gas Field. Developmental drilling; infill locations. A four well program. 100% one to one active write off against ordinary income. Develop existing gas field. Accredited investors only need apply for future programs based on availability. This communication should not be considered an offer to sell or the solicitation of an offer to buy. Nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Offers to sell securities may be made by private memorandum only. Contact member Ron Walblay, Owner, Secretary/Treasurer, The Energy Group, Inc., 188 Cal Batsel Road, Bowling Green, KY 42104. Phone: (800)487-9712. Visit website www.energyvest.com E-mail: energy@energyvest.com

INVESTMENT OPPORTUNITIES—WITH \$100,000 YOU CAN EARN 2% PER MONTH ON A SAFE SECURE INVESTMENT - LIFE MEMBER - LIONEL NEGUS - (888)926-4942.

Affordable Health Care!! Money-back guarantee!! Savings to 80% on: doctors, hospitals, vision, dental, prescriptions, chiropractic, alternative, veterinary, long-term care—much more. Only \$40/mo. Entire family. Pre-existing conditions accepted. Not insurance/no license required. Reps needed. **Great money!!** Training provided. Call Joni at: (219)924-1058. 3-minute recorded overview: (888)702-8023. 10-minute explanation: (212)796-6073. Website: www.careentree.com/joni

Offshore Solutions—Banking, Investments, Structures, E-Commerce, Worldwide Network. www.offshorespecialists.com Tel. (+501)2-35158.

Could You Use A Constant Stream Of Monthly Income?? Short-term Income Investing! The Key To Life's Riches! Remarkable FREE report points you the way to a steady monthly income and a better life. Call (888)293-6589 for a 24-hr. FREE RECORDED MESSAGE to get your copy of this startling report.

WATERWISE® PURIFIERS...HOMEMADE DISTILLED. FREE INFORMATION PACKET. DEALERS WELCOMED. (800)874-9028. www.waterwise.com

U.S. Benefits - Mexico Prices—AZ one-acre homesite \$7,000 cash or \$95 monthly. Ideal climate, golf, lakes, national forest. Owner/broker: (808)826-1694.

Taipan's Classified Rates

TAIPAN CLASSIFIEDS are published concurrently in our U.S., Canadian, and international editions, as well as on our web site www.taipanonline.com. They are read by investors in 108 countries and in cyberspace.

Lifetime Members: One free 40-word or less ad per year. Place the ad for two consecutive months—receive the first month free and a 25% discount off the regular rate for the second month. Additional ads at the regular member rate.

Regular Rates: US\$3.50 per word. All capital or boldface words are 50¢ additional per word. Members receive a 20% discount.

Deadline: The 5th of the month preceding publication.

Make check or money order payable to Taipan Classifieds. We also accept VISA and MasterCard. Send ads and payments to: Attention: Janet Wisner, Editor, Taipan Classifieds, 2043 East Joppa Road, PMB #371, Baltimore, MD, 21234, U.S.A.; tel. (410)668-2355, fax (410)668-6566.

still largely underdeveloped. In the Philippines, for instance, electronics account for 54% of national exports, but the country has the lowest figures for IT usage in all of East Asia. So there's an immense opportunity here. The know-how exists, the only thing lacking is implementation.

We can expect further alliances and mergers in the mobile communications sector. This will be driven primarily by the switch to third-generation mobile communications and the prevailing trend towards distribution of costs and risks. This year should see a wave of 3G auctions worldwide.

In Asia, the Internet is only getting started

The development of the Asian Internet is still in its early stages. The number of potential Internet users is huge. Populations are soaring. Internet usage is growing much faster than in Europe or the U.S. In China alone, the number of Internet users doubles every 6 months. By 2005, more Chinese will be downloading Internet smut than in the Net's native land, the U.S.A.

Internet-capable iMode mobile phones are a huge hit in Japan (17.1 million subscribers at the start of 2001). Korea is considered the best example of potential Internet use. Whereas broadband usage is only just getting started here, there it has already become the standard (4 million subscribers at the start of 2001). And, avoiding the high debt burdens of the western telecommunications companies, the Asian telecoms have sought far more realistic financing solutions. According to a study by the International Telecommunication Union

(ITU), sales in the Asian-Pacific region are set to grow from US\$35 billion in 2000 to US\$500 billion by 2003.

From PC producer to mobile phone and Internet giant

The Chinese PC maker **Legend (LGHLY:OTC-ADR)** currently has a market share of more than 30%. This in a country where only 1 in 25 has a PC—out of a population of 1.3 billion. Domestic competitors include Founder Holdings and Great Wall Technology. The big competition, however, comes from America: Dell and Compaq.

To maintain the furious pace of growth (in the high double to low triple digits!), Legend is stepping up investments in mobile phones, servers, network equipment like routers and switches, and ISP services, in addition to its core PC business.

For the fiscal year ended on March 31, 2001, profits grew by 60%. This equates to a P/E of around 50. For the current fiscal year, profits should grow by 30% to 40%. This works out to a P/E of under 30, and a PEG ratio of 1!

High growth with no end in sight, combined with market leadership, are ideal conditions for further stock price improvement.

ACTION ALERT

Buy **Legend Holdings (LGHLY:OTC-ADR)** under US\$15, and observe your usual -20% trailing loss. Contact: Legend Holdings Ltd, 20th Floor Devon House, Taikoo Place, Quarry Bay, Hong Kong, tel. (852) 2590 0228, fax (852) 2516 5384.

For your FREE daily market updates, sign up for our FREE e-dispatch at www.247profits.com

