JULY 2005, VOLUME 18, ISSUE 9

TAIPAN

FORESIGHT COURAGE PROFITS

This issue went to print 06/17/05. Prices and margins quoted reflect levels at this date.

J. Christoph Amberger
Publisher

Finding method in madness: *Let the market tell you where to find the next profit bonanza*

Things are rarely what they're supposed to be. Author James Surowiecki wrote in *The Wisdom of Crowds* (2004): "Human beings don't have complete information. They have private, limited information. It may be valuable information and it may be accurate (or it may be useless and false), but it is always partial. Human beings aren't perfectly rational, either."

Nor are the markets, as they are compound reflections of human activity. Accordingly, much of the information the markets generate is at its core the result of compound irrationalities.

The key to making this "market insanity" work in your favor is by taking a step back and reassessing all information you can get.

That's why we at the Taipan Group have always encouraged our editors and analysts to develop their own ideas rather than adhere to the curriculum that forms today's bedrock of mainstream financial analysis. Our approach makes no claim to be complete. But thus far, success has proven us right: Positions in our *Taipan* Core Portfolio are up 204%%, 68%, 46% and 42%.

Part of our strategy is finding indicators, or unique constellations of indicators, that provide an undistorted reflection of the fluctuations in "social mood" (Prechter) that are about to affect a stock or a market. (In this issue, *Extreme Volatility* guru Ian Cooper introduces you to a brand-new variety of this kind of indicator, his Blog Spike Activity gauge. See page 2.)

But our indicators work best when you maintain your own sanity in dealing with your investments. If you want to come out ahead, you need to be mobile, motivated and disciplined. Maintain a healthy emotional detachment from the stocks you buy and be ready and willing to get rid of them at the drop of a hat.

After all, every 200-point rise and fall spells a double 200-point profit opportunity if you know where to look—and if you have the guts to take profits wherever and whenever they can be found. ■

Reversal of fortune: *How you can cash in on a mighty mess in Europe*

Martin Denholm
Executive Editor

Cleanup in the European aisle, please.

If you want to see the definition of a royal mess, simply head to Europe. Politically and economically, this is a region in deep trouble.

Since I wrote to you last month, the region has nosedived into turmoil with the resounding rejection of the European Constitution by French and Dutch voters.

In typical eurocrat fashion, European Commission president Jose Manuel Barroso said the result creates a "very serious problem" for the European Union. Nice going, Sherlock! The Europeans are so short-sighted, there is no "Plan B," nor is there any immediate inclination to rework the laws contained in the treaty as it stands.

The final results showed 55% of French voters saying "non" to the treaty. As if that weren't bad enough, 63% of Dutch voters also rejected the Constitution.

In calling for a period of "reflection" and scrapping plans for a national referendum in Britain in the wake of the French and Dutch decision, Britain's Tony Blair is on collision course with French president Jacques Chirac. Blair assumes the rotating EU presidency on July 1 at a time when he says the result poses "profound questions about the future of Europe and the European economy" and correctly asserts there's no way he can get British voters to

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approve a document that the French and Dutch have already rejected. It's obvious that the British government believes the treaty is dead.

This contrasts with Messrs. Chirac, Barroso and German leader Gerhard Schröder (whose country ratified the bill through a parliamentary vote), who disapprove of the UK push for regional economic reform and insist that other nations hold referenda as planned. They have cited a ruling that calls for a summit if four fifths of the EU approves the treaty.

A general lock-up

Germany has already lowered fiscal 2005 GDP estimates. And economists have cut growth estimates for Europe as a whole by 50%. Europeans are now blaming the European Central Bank for the lack of growth.

More strife looks likely if the regional unemployment rate continues to hover around 10% while economic growth slows. Some have argued that interest rates should be lower. But the ECB hasn't done anything in two years.

Nobody knows which way to turn next. Do the French and Dutch "no" votes signal the end of the European Union? Who knows? It's certainly killed off the Constitution for now. But honestly, it was always going to be a mammoth task to persuade citizens from 25 diverse nations to come together and approve a confusing "one size fits all" treaty, anyway. French president Jacques Chirac was right about one thing: a "no" vote would "open a period of divisions, doubts and uncertainties." Europe now looks weaker, more divided and indecisive than ever.

Euro bashing

So how can you profit? Well, the news bodes well for the dollar, which will take advantage of the mess by gaining some momentum against the euro. Naturally, it hasn't taken long for another row to break out concerning monetary policy and the euro.

A report from Germany recently alleged that the government is debating whether to take a potshot at the single European currency. According to *Stern* magazine, German Finance Minister Hans Eichel recently held a meeting where the government blamed the euro for much of the country's economic woes and debated whether to keep faith with the single currency. *Stern* said over half the German population wants to return to the deutschmark.

Even if this were true (and the government flatly denied the report), it probably wouldn't happen anyway. But with the EU Constitution dead in the water and Chancellor Gerhard Schröder's days in office seemingly numbered as his Socialist-Green parliamentary coalition appears set to lose a vote of confidence over his unpopular handling of the economy, the timing is hardly brilliant.

Having lost 8% against the dollar immediately before the French and Dutch votes, the euro proceeded to take a further tumble, sinking to a nine-month low. Despite pressure on the dollar from the "twin deficits," pressure on the euro could be worse given Europe's nonexistent economic growth, deep divisions and uncertainty.

That's where the Everbank DollarBull CD comes in. This investment gives you a chance to profit when the dollar rebounds against a foreign currency of your choice—the euro, the British pound, Japanese yen, etc. If that currency weakens, your DollarBull CD increases in value—it's that simple. It also includes flexible maturities, no monthly fees and is FDIC insured.

As Europe flatlines economically and remains deadlocked politically, we believe the dollar is set for a hearty rise against the euro—potentially to between US$1.13 and US$1.15 within the next three or four months. And with a DollarBull CD, you can cash in when it does.

Go to www.everbank.com or call 800-926-4922 to learn more and apply. Simply mention the *Agora Taipan* newsletter and reference number 11665. ■

NEWS-DRIVEN PROFITS

The power of blogs: *How to cash in on the next stock-shifting blog chat sensation*

by Ian Cooper and Abe Said

If you've yet to take advantage of this new underground media explosion, you're missing out on a significant chunk of profits.

This surging digital force is changing the face of news dissemination. It has heavily influenced political elections, rushed US$1.2 billion to Asian tsunami victims and sent former CBS anchor Dan Rather into early retirement. Now it has the potential to help you scoop triple-digit gains from just one energy stock.

Just a couple of years ago, blogs were ridiculed and dismissed as a crude collection of cyberspace gossip read only by online junkies. But as the 2004 US presidential election approached, blogs began gaining worldwide attention for their off-the-cuff, late-breaking news and political bombshells that left many in the mainstream media baffled as to how they got the scoop so quickly.

Blog power!

Bloggers helped the Red Cross raise over US$1.2 billion for the tsunami victims in Asia, with 85% of the funds coming from individual donors. According to a Red Cross spokesman, it was “by far the most money the Red Cross has ever received in such a short period of time.”

Blogs also have the power to cripple reputations. After 25 years as a CBS anchor, Dan Rather found out the hard way after bloggers reported that he’d used false documents to question President Bush’s military service. Pounding relentlessly away at the issue, bloggers eventually forced an official CBS investigation that led to Rather’s resignation.

When it comes to business and investing, blogs can be just as powerful. They’ve given ordinary investors access to information that was once only available to top corporate brass and industry insiders. Information on patents, trade secrets, new products, licensing agreements, negotiation breakdowns and much more.

When a bicycle blog revealed that bike lock manufacturer Kryptonite’s u-shaped locks could be picked with a Bic pen, the company ignored the reports. Big mistake. Angry bloggers pounded the company with bad PR until it offered refunds that could end up costing them millions.

While blogs have the power to ruin reputations, end careers and bring corporate giants to their knees they’re also creating a secret “breeding ground” of stock market gems.

What is a “blog”? A blog, or weblog, is a personal journal published on the web. The Pew Internet Study says there are 50 million regular blog readers. And according to MSNBC there are about 23,000 new blogs created every day.

How blogs and the “Hydrogen Highway” can put you in the fast lane to profits

One of the latest initiatives to attract the attention of the blogosphere is the US$12 million per year that California governor Arnold Schwarzenegger plans to set aside for the “Hydrogen Highway” program.

Take a look at the chart on the right and you can see the increasing popularity of this scheme with the recent spikes in blog coverage.

The “Hydrogen Highway” hope is that hydrogen-fueled cars, trucks and buses will no longer produce smog and will cut our demand for foreign oil, which has already forced crude oil prices into the mid US$50’s per barrel.

According to reports, the plan has two major elements. It subsidizes the construction of fuel stations that provide hydrogen power. And it subsidizes the purchase of hydrogen-powered vehicles. The overall goal is to have 50 to 100 hydrogen fuel stations and 2,000 vehicles in operation by 2010.

It wasn’t always this way, however. Blog volume spikes have historically provided little upside for alternative energy stocks. But that’s about to change over the next six months. You see, the more coverage of the “Hydrogen Highway” is generated, the higher the interest in the stocks associated with it.

That’s why I’ve teamed up with at the *Money-Flow Matrix Trader* investment group’s Abe Said to bring you a grossly undervalued gem of a company that could shoot to US$10 per share in the near term.

And that’s being conservative.

Follow the road to profits in a market worth US$100 billion by 2013

by Abe Said

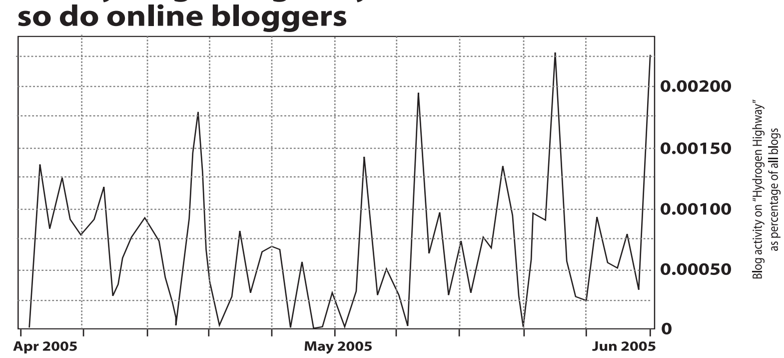
The world burns approximately 80 million barrels of oil a day. The United States is by far the biggest consumer, guzzling its way through 20 million barrels per day.

Think about that for a second. Every five days we burn 100 million barrels of oil. In a year, the US burns through seven billion barrels of oil. Seven billion!

China comes a distant second in the consumption stakes, plowing through seven million barrels per day. But a recent report from the Energy Information Administration says Chinese oil demand in 2005 will rise by a hefty 600,000 bpd over last year’s levels. That figure equates to 7.2 million bpd this year and will climb to 7.8 million bpd in 2006.

So it’s perhaps a little surprising to see Alan Greenspan’s furrowed brow beginning to level off a little. The question is, do you agree with his assessment?

As “Hydrogen Highway” roars to life, so do online bloggers



"The effect of the current surge in oil prices, though noticeable, is likely to prove less consequential to economic growth and inflation than in the 1970's."

It sounds like the Federal Reserve chairman is confident that the US economy will fare pretty well even in the face of higher energy prices. It's debatable whether that upbeat stance applies to American consumers, though.

A peak or not a peak? That is the question

While the numbers fluctuate greatly depending on which study you look at, we could have already passed the "peak oil" stage.

This is the point at which extraction of oil from the earth reaches its highest point and then begins to decline. Suffice it to say that the world is running out. Again, the numbers vary, but the world currently appears to have about 40 years' worth of supply left.

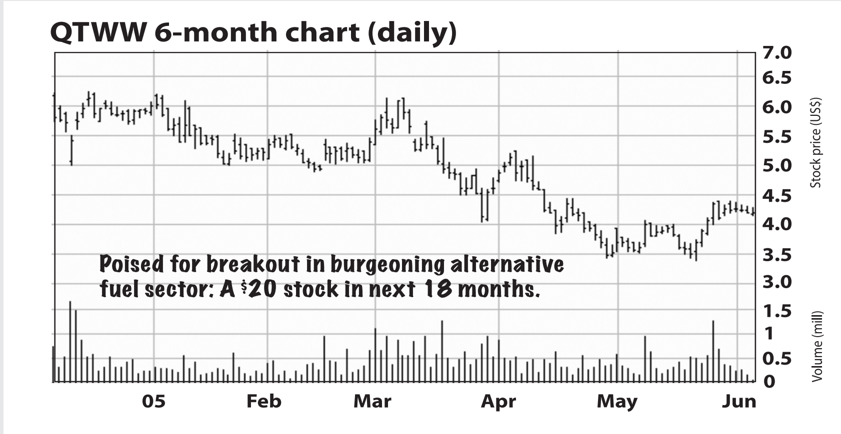
In last month's issue, the *Wave-Strength* group's Sara Nunnally's forecast oil prices to hit a grim US$60 per barrel.

Future energy independence

Fortunately, it's not all doom and gloom. There is a silver lining to this rather dark cloud. And I'm not talking about Saudi Arabia's recent attempts to reassure the market.

According to the country's top foreign policy advisor, Adel al-Jubeir, Saudi Arabia has more oil than the world could ever need. Not only that, but it also has the capability to refine crude oil for a variety of other purposes—including gasoline—before it ships it overseas. To quote: "The world is more likely to run out of uses for oil than Saudi Arabia is to run out of oil."

This contradicts the theory that the Saudis aren't being entirely forthcoming about their oil reserves and that they may actually have a lot less than they say they do. They simply talk it up in order to maintain their control over the market.



A Quantum leap for your portfolio

Quantum Fuel Systems Technologies Worldwide (QTWW:NASDAQ) is a manufacturer and supplier of fuel systems for use in alternative fuel vehicles.

Take a look at the chart and you'll see that, in typical small-cap fashion, the stock experiences plenty of up and down movement. But don't let that put you off. As its industry becomes more important, there are likely to be more ups than downs. Remember what we said earlier about blog activity surrounding the "Hydrogen Highway" project generating greater awareness of alternative energy resources.

With that sweet cash injection, revenue estimates for fiscal 2006 are a whopping US$248.2 million. That would be a 389% jump from US$50.7 million in fiscal 2005.

Besides, there's a nice double dose of good news:

On April 1, 2005, General Motors and the US Army announced their intention to produce the world's first fuel-cell-powered truck for military service. The US Army already boasts the largest fleet of vehicles in the world, and Quantum will now be supplying it with hydrogen tanks for its new hydrogen vehicles.

In addition, one of Quantum's subsidiaries, Tecstar Automotive Group, was recently awarded a contract for expanded parts distribution. The deal is worth US$60 million over the next twelve months.

With that sweet cash injection, revenue estimates for fiscal 2006 are a whopping US$248.2 million. That would be a 389% jump from US$50.7 million in fiscal 2005. That's what you call a revenue explosion! And it's exactly one of the things we look for when researching a small-cap stock. In our opinion, this stock could easily be trading for US$20 in as little as 18 months.

Buy Quantum Fuel Systems Technologies Worldwide (QTWW:NASDAQ) under US$4.50.

Ian Cooper is a frequent contributor to Taipan. *He also writes for the* Red Zone Profits *network and is the founder and editor of the* Extreme Volatility Speculator *and* Doji Master *trading services.*

Besides serving on the Taipan *editorial board, Abe Said is also a member of the* Money-Flow Matrix Trader *service.* ■

Profits from a small island: Join this British company profiting from the global energy bubble

by Martin Denholm

Here we are in the heart of the summer and much of the economic talk continues to revolve around the oil market and high gasoline prices, particularly with the busy vacation driving season in full swing.

With OPEC pumping at close to full capacity and struggling to squeeze out any more, and production from non-OPEC countries like Russia (which accounts for just over 10% of the world's oil production—9.3 million barrels per day) looking mediocre, the tight supply situation looks set to continue with little sign of relief. That means underlying fundamentals still look strong for at least the next twelve to eighteen months.

From first to home: All bases covered with this business quartet

Last month, I bade a fond farewell to natural gas company **Southwestern Energy (SWN:NYSE)**, cashing out for a 287% profit on the second half of the position after a 101% gain on the first half back in August 2004.

This is a sector that's treated us—and your *Taipan* portfolio—extremely well. With the energy sector still flying high, it's time to dive right back in with a natural gas company that I feel could generate some healthy returns.

That company is **BG Group (BRG:NYSE)** based in Reading, England—less than an hour from my birthplace on the south coast. And when it comes to natural gas, BG Group's four divisions ensure that it is involved at practically every level.

The Exploration and Production division focuses on the discovery, extraction and supply of natural gas to markets around the world. This division works closely with Power Generation, which owns and runs natural gas power generation plants.

The Transmission and Distribution division owns and operates the pipelines and distribution outlets that take the energy from its origin to the customer.

BG Group's Liquefied Natural Gas (LNG) division branches out into the natural gas market, using import and export centers to buy, sell and ship liquefied natural gas. And it's a good thing, too, since the American appetite for LNG is growing by the minute.

Liquefied and lucrative

Liquefied natural gas is natural gas that is cooled to a nippy -260 degrees Fahrenheit, a process that shrivels the volume 600 times, making it easier and cheaper to transport.

In 2004, just five companies were responsible for shipping 244 cargos of LNG to the United States, sending total US imports up 29% to a record 652 billion cubic feet as the country struggled to keep up with surging demand.

It's no surprise to see that demand spike reflected in BG Group's excellent revenues of US$7.3 billion last year, a 16% increase over 2003 and equivalent to US$11 per share. Much of the cash came during the busy fourth quarter, when winter demand pushed up exports even more. The company received US$2.5 billion during the three-month period.

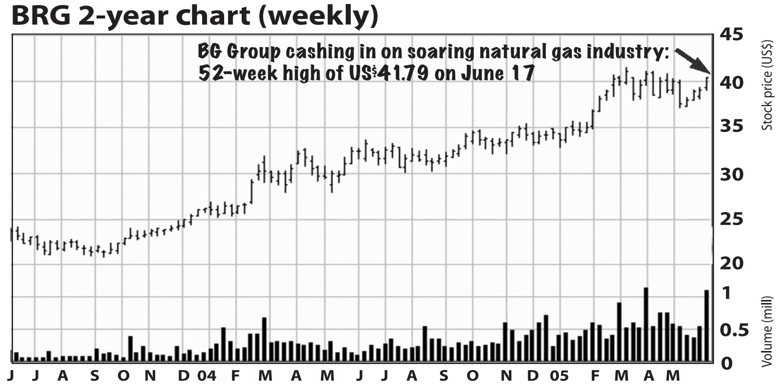
That led to a robust profit margin of 22%, over five times higher than the industry average of 4.2%. Operating margin is an even beefier 33%.

Take a look at BG Group's two-year chart. Notice how the stock price moved steadily upwards in 2004 in tandem with the big boost in US natural gas imports. It also just set a new 52-week high of US$41.79. That's a bullish sign.

There has also been considerable blog activity on BG Group over the past three months.

A massive spike in blog activity around April 20 coincided with an

BRG 2-year chart (weekly)



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increase in the stock's trading volume. The share price climbed from an intraday low of US$39 on April 20 to an intraday high of US$40.32 six days later.

In addition, a big jump in blog activity in early June coincided with a similar boost in trading volume, leading the stock price gradually higher.

Although last year's US imports of LNG accounted for just 3% of the country's total demand, there's plenty more upside to come. In fact, the US Energy Department says that by 2020, imports from companies like BG Group will account for one fifth of national demand.

Gassing up the financials

Cast your eye over BG Group's financials and you're looking at a pretty picture. This is a company that makes the most of its available assets, posting a healthy 10% return. That's three times better than its competitors.

A trailing P/E ratio of 15 and annual earnings growth of 12% expected over the next five years may make it look a tad overvalued. But relative to the swollen industrywide P/E ratio of 24 and the S&P 500 average of 20, that's not a problem.

If you want to know whether your investment capital is in good hands, look no further than a company's return-on-equity figure as a sign of management competence. You'll be hard-pressed to find many companies that exceed BG Group's 22%—*easily beating both industry and S&P 500 averages of 12% and 15%, respectively.*

Usually I don't like it when a company is burdened with debt. But don't let BG Group's US$2.3 billion debt load deter you. Take a second look and you'll see that's equivalent to a low debt-to-equity ratio of 0.2, versus a 1.4 average for its rivals. Besides, the company has US$446.6 million in cash and generated a whopping US$2.4 billion in cash flow from operations over the past twelve months.

You'll even receive an annual dividend of 35 cents per share (0.9% yield) for your trouble.

In the current climate, things don't look like slowing down much any time soon. So give your portfolio a company with solid upside in the thriving natural gas market as demand continues to rise.

Buy BG Group (BRG:NYSE) under US$41.

Martin Denholm is Executive Editor of Taipan*. He also writes the daily "Desk of Denholm" column in* Taipan's *free e-letter—the* 247profits e-Dispatch. ■

GLOBAL WEALTH — Part 2

Throw back a cold one and suck down this potential triple-digit bevvie!

by Erin Beale

Three years after the largest debt default in modern history, Argentina is staging a steady economic comeback.

In the late 1990's, Argentina was a Wall Street darling. American investors pumped money into the country like mad. But the country was borrowing vast amounts and overextending itself. By 2001, Argentina hit the wall and a catastrophic economic collapse ensued.

Fortunes evaporated overnight. Riots broke out. Unemployment soared to 20% and poverty levels soared to new highs. The economy contracted an ugly 11%. There was no way the flailing Argentinean government could even begin to pay back its IMF loans or honor its bonds. The country devalued its peso, which had been artificially pegged to the US dollar. Today, one dollar equals roughly three Argentinean pesos.

Tangoing its way back to health

Now the Argentinean economy is beginning to pick itself back up. Just two months ago, private creditors and bondholders finally accepted a debt-restructuring offer, and the country has managed to sell nearly US$100 billion worth of debt in a harsh, take-it-or-leave-it offer.

Argentina is quickly becoming one of the most vibrant destinations for living, traveling and investing. The country's real-estate crash created some of the best bargains in the world. And the low prices are attracting attention from across the globe—especially given the prices in Europe these days.

Argentina is a vast treasure trove of natural resources and agricultural goods. Real estate is beginning to boom, and many companies are even beginning to move their outsourcing centers from India to Argentina because of the country's well-educated (and cheap) workforce.

A bigger interest in tech is also sweeping the nation. Argentina recently announced its intent to invest US$10 million in nanotechnology over the next five years. Medical, automotive and optical uses top the funding priority list. Now US$10 million might seem like small potatoes compared to Bush's nano funding bill of more than US$3 billion, but to a country in the throes of a complete economic rebuilding, it's an awful lot.

Though political turbulence is far from being resolved, the worst appears to be over on the economic front. But there are still bargain-basement opportunities in this country for savvy investors. This could be your last chance to scoop up these undervalued investments.

In fact, by the time you read this I'll have just completed a research trip to Buenos Aires to check out this profit potential firsthand. I'll be meeting with CEO's of several promising Argentinean companies and touring the stock exchange. I'll even make a stop at the city's brand new Foreign Debt Museum. Only in Argentina will you find a reminder of the perils of borrowing too much!

In anticipation of my trip, I've found an undervalued company with a monopoly on Argentina, Chile, Uruguay and several other South American countries.

If you can't beat 'em, join 'em

Though headquartered in Luxembourg, **Quinsa SA (LQU:NYSE)** produces beer in Argentina, Chile, Uruguay, Paraguay and Bolivia and soft drinks and mineral water in Argentina and Uruguay.

Quinsa dates back to 1888, when it was founded in Paris. Two years later, the company established a brewery in Argentina. Its staple brand of beer, Quilmes, became as prevalent there as Budweiser is in the US. Over the years, the company gradually expanded to neighboring countries like Bolivia, Paraguay, Uruguay and Chile.

As an independent brewer, Quinsa enjoyed a more than 75% stronghold in the domestic Argentinean beer market for many years. But it began to struggle as competition started to encroach on its territory and Brazilian company AmBev really gave Quinsa a run for its money.

Then, in 2002, as the Argentinean economy was collapsing, beer suddenly wasn't the first priority on consumers' minds. Quinsa's net sales plunged to US$468.6 million, less than half the US$938.7 million from 2001.

There are still bargain-basement opportunities in this country for savvy investors. This could be your last chance to scoop up these undervalued investments.

But as the economy began to recover and beer sales improved, Quinsa realized that AmBev's lower-priced Brahma brand was really stealing its thunder. Rather than engage in an expensive fight for sales, Quinsa made a strategic move to join forces with AmBev, acquiring several other brands and distribution rights. Though still two separate companies, the Quinsa-AmBev merger has enhanced growth on both sides.

Quinsa also enjoys bottling and franchise agreements with PepsiCo, accounting for 100% of PepsiCo beverage sales in Uruguay and more than 80% in Argentina.

From the bottom of the beer barrel, Quinsa stock is rising to the top

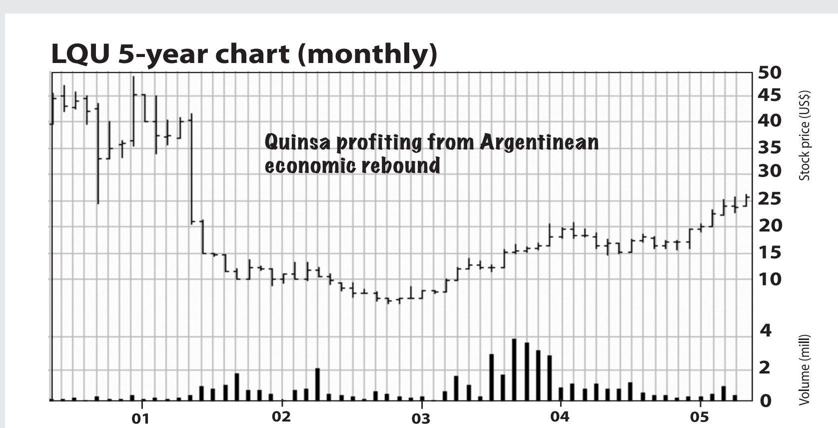
Looking at Quinsa's five-year chart, you can clearly see how shares got battered in tandem with the collapse of the wider economy, hitting rock bottom in 2002 after the peso devaluation. Since then the stock has steadily risen to today's price of around US$23. It has consistently nailed higher highs and higher lows, and has already appreciated roughly 40% in 2005.

But it's certainly not too late. LQU has a forward P/E of 10, and is still extremely undervalued with a PEG ratio of 0.6. As the economic conditions in Argentina and its neighbors continue to improve, higher beer sales follow. After healthy sales growth last quarter, Quinsa is on track to post a 31% increase in earnings growth this year. FY 2004 showed a 23% rise in net sales and a 60% rise in net income.

I think there is still plenty more upside for Quinsa's stock. Looking at sales, earnings growth and the P/E, I estimate that LQU would be fairly valued at US$44 to US$47 a share—a potential 102% gain over current levels.

Buy shares of Quinsa SA (LQU:NYSE) under US$26.

Erin Beale is an editor at the Red Zone Profits *investment group and the daily* American Capitalist *e-letter.* ■



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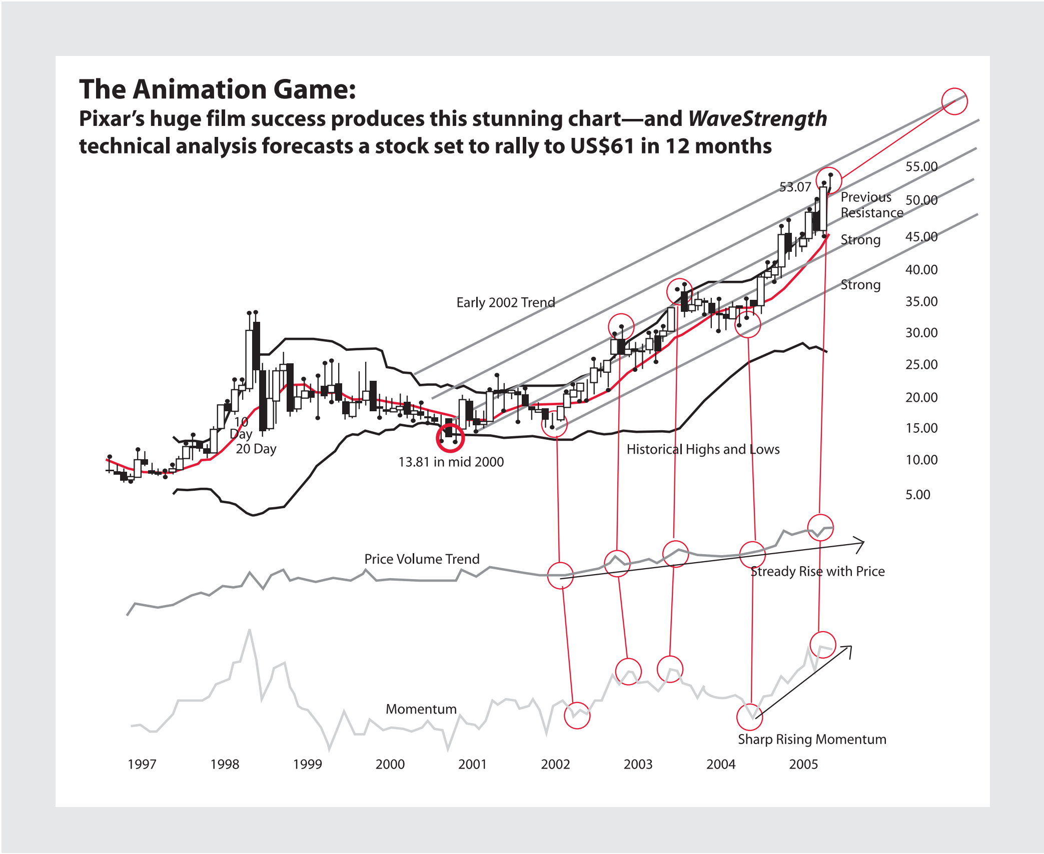
The Incredibles: *Add Pixar to your Taipan portfolio and make 15% on a stock position and 55% on a LEAPS option*

by Ann Sosnowski

I don't think there's anyone in the world that hasn't heard of **Pixar (PIXR:NASDAQ)**. Well, maybe in some areas of Afghanistan.

PIXR introduced its first full-length animated film, *Toy Story,* in 1995. It was the top grossing animated film of 1995, bringing in US$192 million domestically and US$358 million worldwide.

After *Toy Story*, it was clear that animated films would never be the same. The movie's success vaulted the company to the forefront of the film industry. Just take a look at this list of animated beauties:



A Bug's Life: Scooping up US362 million worldwide, it became the top grossing animated film of 1998. *Toy Story* 2: The hugely successful sequel to *Toy Story* took the honors as the top grossing animated film of 1999, pulling in US$483 million worldwide. *Monsters, Inc.:* The remarkable run continued with this movie, which became the second most popular animated film in history (behind Disney's *The Lion King*). It was the highest grossing animated film of 2002, making US$524 million worldwide. *Finding Nemo: I*n 2003, this enormous smash hit became the most popular animated film in history, knocking *The Lion King* out of the top spot and raking in US$850 million worldwide.

Pixar's most recent blockbuster, *The Incredibles*, certainly lived up to its title. This became Pixar's second highest grossing film, bringing in US$629 million worldwide.

Cars, Pixar's newest movie, is due for release in June 2006. With Pixar's reputation and the momentum that the company's films have generated over the last ten years, this film could be the biggest yet.

Universal appeal

The most telling characteristic of Pixar films is their ability to speak to viewers regardless of age, culture or social circumstances. They're not simply films for kids. The writers craftily make sure there is enough sophisticated humor in them to appeal to adults, too.

That, coupled with Pixar's ability to render 3-D images to the point where they look completely realistic, pulls viewers in again and again. The artists and directors spend years making each film, studying the way different kinds of hair move in wind or water, the patterns on the back of an ant or even the way a fish would look every minute depending on the position of the sun. The secret to Pixar's huge financial success lies in its vision, technology, artistic genius and scrupulous attention to detail.

Bulls reaching for a piece of Pixar's pie

But enough about the movies. Take a look at that fantastic chart above.

Standard and Poor's Equity Research just upgraded PIXR from a hold to a buy. It expects PIXR to rise to

US$65 within the next 12 months. I'm a little more conservative, given its yearly percentage gain. But the overall picture is clear: the bulls are in town—and they want PIXR!

This is the first chart I've seen in a while that has "buy me, buy me please!" stamped across its face. Since mid 2000, PIXR has traded in a steady rising trend. Over the past five years, the company has tacked on almost US$40 to its stock value—a 284% gain. On average, that's a 57% jump each year!

You can see that the stock began its lofty ascent in early 2002 with the release of *Monsters, Inc.* Since then, the Price Volume Trend (an indicator that moves with price if the movement is true, and against it if the move won't last) has risen steadily with the stock price.

The stock's sharp rising momentum has only tested neutral once in the past five years, when it bounced and started an even steeper climb than before. That's a remarkable run.

The 10-month moving average has not dropped below the 20-month moving average at all during the most current rise. In fact, the 10-month is moving up and away from the 20-month. That is the best bullish indicator I've ever seen!

The monthly PIXR chart shows very steep rises in the stock price followed by consolidation periods of two to five months. Those are then followed by another substantial rise.

With strong support and a recent break above long-term resistance, I'm confident that PIXR is going to continue gaining interest. With its 2006 release, *Cars,* we might well see another record broken.

Two plays to line your portfolio

From a price of US$52.91 I expect PIXR to be a US$61.00 stock 12 months from now. In the last year PIXR has risen 15%, so I feel that's a safe gain target going into 2006.

With that in mind, I have two recommendations for you:

Buy shares of Pixar (PIXR:NASDAQ) under US$55.

Or, position yourself to the upside with a LEAPS option: the Pixar January '06 50 Calls (PQJ AJ). They currently trade between US$7.10 and US$7.20. Buy them anywhere under US$8. An upward move in the stock to US$61 would make them worth US$11—good for a tidy 55% gain.

Ann Sosnowski is a regular Taipan *contributor and is one of the Senior Editors with the* WaveStrength *technical analysis team.* ■

COMMODITIES WEALTH

The inside track on gold and precious metals

by Al Pinkall, President, Gold Rarities Gallery

With gold prices remaining stable despite the recent drubbing of the euro, gold still appears to be *the* safe-haven investment of choice.

But not all gold investments are created equal.

The key to success, whether it be in business or life, is knowledge. This is especially true when buying precious metals and rare coins. With a plethora of dealers to choose from and no shortage of slick marketing material, it is more important than ever to be as educated as possible and to buy and sell at the right prices.

With the US dollar weakening over the past two years and the P/E ratios of many stocks higher today than they were prior to the last stock market meltdown, it is understandable why so many new buyers are entering the precious metals and rare coin markets. Over the past couple of years, we have seen coins such as the 1907 High Relief St. Gaudens and certain key date Morgan dollars more than double in price, which makes one reflect on just how much more room there is on the upside.

But I remember the last bull market in coins very well. In mid 1988 certain brokerage firms became involved in the market and the resulting influx of over 100 million dollars sent rare coin prices skyrocketing. Then, sometime around June of 1989, the big money from a few sources dried up and the market went though a substantial correction.

The most important aspect of today's market is that the money coming in is not only substantial but from a wide range of sources. Coins with original low mintages such as proof gold or those with very low survival rates regardless of series are in very high demand, as the new buyers are very sophisticated and seek out only the best. The "smart money" is entering the market now and seven-figure coins sell easily as long as they are sufficiently rare. In my 20+ years in the coin industry there has never been a period of time when more new collectors and-investors have entered the market. More important to stability is that these new purchases are being put away for the long term and are thus in "strong hands."

What to buy

One of the most confusing aspects of rare coins and precious metals is what to buy and what is a fair price.

In the $20.00 St. Gaudens series, for example, the dates considered to be common would be 1924, 1927

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and 1928 and in MS-65 condition. These can be bought for around $1,220 to $1,235 very easily, while a scarcer date such as a 1913-D in MS-65 condition would be around $5,500 to $6,000.

If you are looking strictly for a pure gold play, then common coins in the more popular series would be fine. The only suggestion I have is that if you intend to allocate a large sum of money, there are some really great buys out there on some of the key-date coins ranging from $5,000 up to the mid six figures.

One of the interesting things about the coin market is that dealers are always telling people what to buy but don't seem overly anxious to tell people what not to buy. I believe coins should be put away for the long haul and am not advocating that you become a coin trader. But there are times when market conditions drive up certain types of coins and make them ripe for the selling.

One coin that comes to mind is the 1808 Quarter Eagle, a coin that is in so much demand, the price has skyrocketed far beyond what we consider reasonable. Unless you are strictly a collector, we would suggest looking for better value.

Beware the price-pump promotions

Another piece of advice is to beware of items that can easily be promoted, as the prices usually run up during the promotion and then drop when the promotion is over.

Recently a large newsletter recommended the purchase of certain sets of gold coins in MS-65. I can tell you that about 30-45 days prior to the recommendation there were a few dealers buying up all of the thin supply of these particular gold coin sets. The result was an increase of almost 30% in price on the wholesale market.

The problem for the end buyer of these sets was that when the advice was finally published it was using the new higher prices, which means that anyone taking advantage of it was actually paying 30% more (not including dealer markup) than the coins had been worth just a short time earlier.

Over the long run you are far better off buying coins that cannot be promoted and have a natural and real demand, such as key dates in various series, pre-1800 gold or low mintage proof gold and silver coins.

The lowdown on pricing

There is so much information about coin pricing available these days, the problem is many just don't know where to find it.

Prices will vary from dealer to dealer due to factors such as overhead, which includes factoring in sales commission and other expenses.

The most popular and useful source for anyone buying coins is the *Coin Dealer Newsletter,* which lists prices for every coin in every popular grade. Any coin dealer worth his salt also is a member of the Certified Coin Exchange, a national bid/ask system on which dealers can post wholesale bids and asks and also run messages to locate specific coins or post items for sale. While the Certified Coin Exchange is limited to dealers, much of the posted bid information is reflected in the *Coin Dealer Newsletter.*

The best advice is to seek out a dealer who is willing to share the widely available pricing information. Over the years I have found that companies with large phone rooms are staffed by brokers who are not overly knowledgeable about coins and who have no access to pricing information. That's why we have brokers trying to convince someone that paying $9,000 for a $5,000 coin is a good deal. Arm yourself with information and your buying experience will be a fruitful and enjoyable one.

Al can be reached via email at al@goldrarities.com or via his website at www.goldrarities.com, where you can find prices and photos of many different items. ■

AUTOMATIC WEALTH

Beating the market's "new forces"

by Martin Denholm and John Wilkinson

By the time you read this, Alan Greenspan and the Federal Reserve will probably have raised interest rates by another 0.25% to 3.25%. Greenspan and his Fed friends sure like to keep things obvious! It's clear that the central bank isn't quite done with its interest rate hikes just yet.

But between the June issue of *Taipan* and this one, there have apparently been "new forces" at work in the bond market—forces that have stumped Sir Al himself because their "nature and behavior is not something we are going to fully understand."

The "conundrum" Greenspan referred to is the fact that yields on the 10-year Treasury note are lower today than they were when the Fed started hiking rates. Economists and financial commentators are full of theories as to why this might be.

While some believe that long-term interest rates not rising in tandem with the Federal Reserve's consistent upping of short-term rates signals economic weakness, that's not the case according to Chairman Alan Greenspan. He believes that "periodic signs of buoyancy in some areas of the global economy have not arrested the fall in rates."

Another argument is that foreign central banks like China's have been busy buying up US Treasuries, forcing down rates. But, according to Greenspan, studies have shown the effect to be only "modest."

Some also think that globalization is having a "disinflationary" effect on the US economy, with the latest low-cost producers setting up in countries like China.

With 10-year yield flagging, is an inverted yield curve imminent?

Taipan's Brit Ryle points out that the difference lies in the yield curve—and more importantly, the inverted yield curve.

Brit says: "Back in the dark ages of economic theory, an inverted yield curve (when long-term rates fall below short-term rates) was thought to signal a weakening economy. The assumption was that all the cash flowing into the safe haven of long-term Treasuries pushed rates lower.

"Now that economics has entered the enlightened age, this may not be true. According to Greenspan, an inverted yield curve would not '...automatically mean what it meant in the past.'

"The fact remains that since the yield on the 10-year note dropped below 4% back in September 2002, it has remained around those levels and could stay there for a while. Fortunately, the yield curve is currently still in positive territory—but only just. If short-term rates go higher than long-term rates, economic weakness could ensue."

Luckily for yield investors, new options have just opened up.

Junk bond bonanza

Let's not beat about the bush: Junk bonds should be a part of any well-balanced portfolio. But oddly, a lot of investors who claim they would never invest in a junk bond actually own them and do not even realize it. That's because the financial world disguises junk bonds by calling them "high-yield bonds."

Currently, there are some pretty profitable investment opportunities in the junk bond market. In early May, credit agency Standard & Poor's downgraded General Motors to junk status. Several weeks later, Fitch followed suit. Hard to believe the world's largest automaker's bonds are now classified as "junk."

Many funds and private money managers are restricted from owning bonds if two of the three ratings agencies downgrade them to junk. This is actually great for you because GM bond prices have dropped, resulting in a higher yield to the buyer.

Currently, non-callable GM bonds maturing in five or more years have an annual yield around 9% to 10%.

As an alternative, it's also worth considering General Motors Acceptance Corporation (GMAC) bonds. GMAC is the financing arm of GM that helps buyers afford their cars. GMAC is actually financially stronger as a separate entity than the parent company. GMAC non-callable bonds maturing in five or more years currently have an annual yield of 8% to 9%.

Finally, any true NASCAR fan or pick-up truck driver will tell you that you are either a Ford or a Chevy fan. Never both. If you would rather push a Ford than drive a Chevy, and you cannot bring yourself to buy any GM product, much less a GM bond, consider a Ford bond. Ford Motor Company and Ford Motor Credit have financial problems not unlike GM's and GMAC's, and their yields reflect that.

GM, GMAC, Ford, and Ford Motor Credit bonds can be purchased only through a broker or an online brokerage firm. Almost all brokerage firms have an in-house bond inventory, so purchasing these should not be a problem. The bonds will differ in maturity date, price, coupon rate, and yield to maturity. Please make sure you get a complete listing of all the bonds that are available and choose the one that best matches your time horizon and risk tolerance. ■

TAIPAN

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Taipan (USPS#008-049) is published monthly for US$129 per year by Agora Taipan LLC, 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.

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TAIPAN CORE PORTFOLIO

STOCK RECOMMENDATIONS	BUY DATE	BUY PRICE	CURRENT PRICE	TOTAL GAIN (excluding dividends)	CURRENT DIVIDEND & YIELD	INVESTMENT RECOMMENDATION
REAL WEALTH						
IMPAC MORTGAGE HOLDINGS (IMH)	8/1/01	$7.20	$21.90	204.2%	$3 PER SHARE/13.9%	BUY UNDER $17
AMERICA FIRST APARTMENT INVESTORS (APRO)	10/1/04	$11.58	$11.91	2.85%	$1 PER SHARE/8.4%	BUY BETWEEN $11.50 AND $12.50
ANTHRACITE CAPITAL INC (AHR)	11/29/04	$11.76	$12.40	5.44%	$1.12 PER SHARE/9%	BUY UNDER $12
ENERGY PLAYS						
SOUTHERN COMPANY (SO)	8/2/04	$29.20	$34.35	17.64%	$1.45 PER SHARE/4.2%	HOLD AT CURRENT LEVELS
SUNCOR ENERGY (SU)	8/31/04	$27.80	$46.90	68.71%	$0.23 PER SHARE/0.5%	HOLD AT CURRENT LEVELS
PARALLEL PETROLEUM (PLLL)	3/29/05	$6.60	$8.59	30.15%	—	BUY UNDER $8.50
DAWSON GEOPHYSICAL COMPANY (DWSN)	5/2/05	$19.70	$22.40	13.71%	—	BUY UNDER $20
TECHNOLOGY PLAYS						
FARO TECHNOLOGIES (FARO)	5/1/05	$25.09	$26.27	4.7%	—	BUY UNDER $27
SYMANTEC (SYMC)	5/1/05	$20.00	$21.56	7.8%	—	BUY UNDER $21
SINA CORP (SINA)	8/23/04	$20.10	$29.40	46.27%	—	HOLD AT CURRENT LEVELS
SOHU.COM INC (SOHU)	8/23/04	$15.64	$22.30	42.58%	—	HOLD AT CURRENT LEVELS
SPECIALTY POSITIONS						
PHARMACEUTICAL HOLDRS (PPH)	5/1/05	$75.00	$75.34	$0.45	$1.99 PER SHARE/2.6%	BUY AT CURRENT LEVELS
COMPANHIA SIDERURGICA NACIONAL (SID)	8/31/04	$15.45	$18.03	16.7%	$2.74 PER SHARE/15.4%	BUY UNDER $17
SPACE DEV INC (SPDV.OB)	3/28/05	$1.77	$1.62	-8.47%	—	BUY AT CURRENT LEVELS

RealNetworks out, Dawson Geophysical Company in

RealNetworks (RNWK:NASDAQ) continues to struggle a bit. The creator of the RealPlayer music system and online music subscription company is facing an increasingly competitive environment, with Yahoo having recently launched a similar product and word that Microsoft might be about to do the same.

Yet it's worth bearing in mind that RNWK remains the market leader with a customer base of over one million and an increasing number of songs available on its Rhapsody jukebox service.

Although the stock is currently trading for around US$5.10 a share and hovering around the 20% stop-loss level from our recommendation in the March 2005 issue (official entry price was US$6.26 on February 28), we think it has been unfairly beaten down and is now significantly undervalued.

Looking ahead, we believe all the bad news and risk has been priced into the stock. With strong support around the US$5 level, there's a good chance of some healthy upside over the next year or so. So we're prepared to give it a little more leeway for the time being and don't recommend selling unless it breaks under US$4.80.

Nevertheless, we're taking it out of the core portfolio for now and replacing it with **Dawson Geophysical Company (DWSN:NASDAQ)—**a Texas-based provider of onshore seismic 2-D and 3-D data acquisition services. Clients ranging from big-name players to small independent explorers go to Dawson for data to figure out where to set up their rigs. And these oil and gas drillers pay quite a premium for this seismic knowledge.

There's a lot to like about this small cap. Trading for just 13 times earnings, with a forward P/E of 11, Dawson has the lowest P/E of any of its competitors. Dividing the current P/E ratio by the company's expected long-term growth, we arrive at a PEG ratio of just 0.55, further demonstrating that the company is undervalued. Better yet, DWSN is debt-free, long-term or otherwise.

Dawson has also been added to the preliminary list of the Russell Microcap Index additions and was recently upgraded by AG Edwards. We're currently up 14% since our May entry, and see enough growth potential in Dawson to add it to our *Taipan* Core Portfolio. ■