TAIPAN

FORESIGHT COURAGE PROFITS

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Working harder AND Smarter:

The secret to making profits in a Flatliner Market!

by J. Christoph Amberger

When the Taipan team met in early January to hammer out our strategy for making money for our subscribers in the turbulent markets ahead, one of our stringers coined a term that I believe aptly describes the core characteristic of this year's investment environment.

He called it the *Deadbeat Market of 2001*.

And indeed, it appears that both the Dow and the NASDAQ have been acting like a lazy 25-year-old post-graduate, one who's not particularly concerned with doing something productive or even worthwhile any time soon.

Just look at the Dow's insolent passivity all year, oscillating a couple of percentage points below its January entry level. And while the NASDAQ's gains and losses were far more violent, its dramatic ups and downs have been moving in what appear to be steel-reinforced margins for at least 3 months.

In a way, we are seeing exactly what was going on in the Dow Jones Industrial Index between 1968 and 1975, when it moved between tight and short-lived lows of 600 and equally tight and short-lived highs of 1000.

But if you factor out the ups and the downs, you arrive at a pretty flat line for those seven years… a line that goes from 800+ to 800+ without much to show in the way of additional value. In other words: when it comes to linear, long-term gains, the index really could be called a Flatliner Market.

The death of buy and hold?

For long-term, buy-and-hold investors and those among us who were spoiled rotten by the exponential gains of the 1995-2000 bubble, flat markets are hard to come to terms with. They make it hard to tread water—let alone recover the losses most of our portfolios had suffered by the end of 2000.

<u>But the good news I have for you is that you don't have to tread water, even in flat stock markets.</u> You don't have to pull out of the markets and try to just keep pace with inflation with the ever-shrinking return on a CD, savings account, or Treasury bill.

<u>Because the laws of making money have still not been repealed.</u>

Making money means work. Making money in flat markets just requires working a little harder. Investing a little smarter. *And reacting a little faster.*

Crisis equals opportunity

Many years ago, I was told that the Chinese symbol for *crisis* was made up of the signs for *danger* and *opportunity*. And in a market like this, there's opportunity galore for those willing to put in the extra effort to translate opportunity into cold hard cash.

Just take a closer look at the NASDAQ. On a day-to-day chart, you can see that it's been ripping back and forth like a rusty saw blade. Investors react faster than ever to news… and to rumor. And there's more of those than ever. Rises and falls that took days to materialize only 15 or 20 years ago are over and done with in a matter of days, even hours.

But every movement in the market is an opportunity to make profits. It doesn't matter if the index

(over, please...)

TAIPAN

Publisher: J. Christoph Amberger

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

Managing Editor: Ned Humphrey

Webmaster: J. Vince Skelley

Art: J. Lindsay Willey

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

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www.taipanonline.com

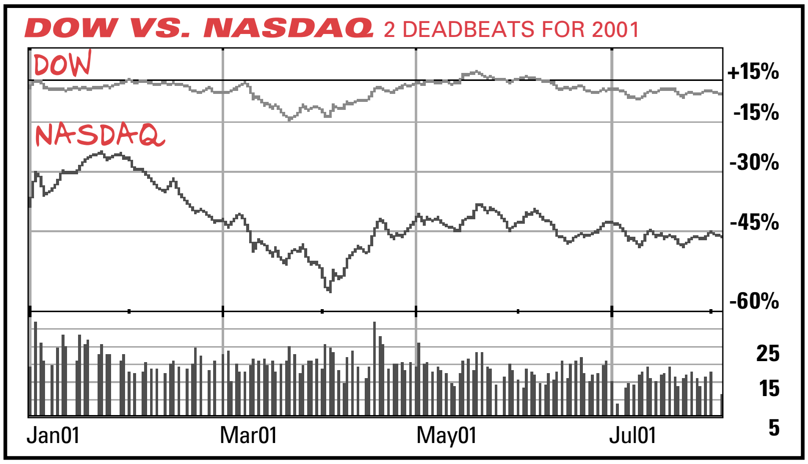
USERNAME:

taipanmember6

PASSWORD:

6monkeys

moves up or down: movement itself is the key to profits. And the ability to anticipate the next move is like a license to print money (if you know how to play it and protect yourself against risk.)



Working harder

One of the insights we gained during our January brainstorming meeting was that we, too, would have to work harder to make money for you with our recommendations. That's why we decided to radically restructure Taipan, turning what had been a stately monthly periodical into a fast-moving daily investment service that allows you to turn even short-term news and rumors to your instant advantage and profit.

We bought one of the fastest database-driven publication software packages for our daily website, *247profits.com*, and brought editors from a slew of other publications in our network onboard to widen our scope. But most importantly, we added a daily email newsletter, which we call *The Taipan Group's 247profits e-Dispatch.*

I cannot stress enough how important it is for you in this day and age to be part of this service. Because this is where we can alert you to instant profit opportunities… follow up with updated buy and sell ranges… sound the alert when a trailing stop is about to be triggered… **and even give you additional moneymaking opportunities that have windows of opportunity we wouldn't otherwise be able to tell you about.**

Just within the last two months, Taipan members who signed up for this free service had the chance to make quick profits of 33% on CTRA:NASDAQ and 60% on GMXR:NASDAQ… or 5% short profits on Taiwanese semiconductor maker TSM:NYSE in only 5 days… 2% in 3 days on the Turkish Investment Fund (TF:NYSE)… or a 5% buy-on-rumor, sell-on-news profit on the Argentina Fund.

Believe me, in a market where banks pay you 4% to park your money with them for an entire year, riding the short-term moves of the world's markets from your computer screen for single- and double-digit profits in a few days makes a crucial difference!

Sign-up is free to you as a Taipan member. Just go to *www.247profits.com/BUREAUS/247TAIPAN/Taipan_elist_form.html* or simply follow the link from our home page at *www.taipanonline.com.*

Apocalypse of fire

Earthquakes, job-cuts, devaluation, graft, Zionist appeasement, EU wannabes, Saddam sycophants, IMF beggars—and the best-performing stock exchange in 1999 and Q2 2001.

by Christian DeHaemer

You may remember it well:

In October of 1998, the Russians devalued, disavowed, and defaulted on their economy—busting loose a shock wave that spread to emerging markets around the world.

The Russian debacle and subsequent Asian contagion hit Turkey hard. The Istanbul Stock Exchange National 100 index fell from 4,322.32 in July of 1998 to 2,196.38 in October of 1998, a decline of 49% in four months!

I love it

We at Taipan have made our readers a lot of money over the years by recommending strong companies during international crises. The more blood, fear and demagoguery, the safer the profits.

We turned profits on China Telecom,

South African Breweries (twice), and Indonesia Telecom (also twice—most recently for 27%).

International maelstroms are the last real haven of the contrarian speculator. For example:

In 1999, Turkey was the best performing market on the planet!

From the low of October 1998 to the April 2000 high of 19,205.71, in just 16 months, the Istanbul Stock Exchange gained 774%! This bull market was partly driven by promises of sweeping reforms and a new government in the spring of 1999, coupled with the IMF recovery package.

Shake it up

On August 17, 1999, the first of two earthquakes measuring more than 7.2 on the Richter scale killed more than 20,000 people in the densely populated northwest. Stiff 25% communication taxes were imposed to rebuild the devastated area. These will end in 2002.

The IMF sped up its scheduled charity disbursements, but the pace of government reform slowed to a crawl, and the IMF issued a series of warnings to Ankara.

Then the fez hit the hopper

In February 2000, the Turkish prime minister had an argument with the president about his listless anticorruption campaign. The Prez immediately declared a "crisis" in government.

The very next day, the Central Bank lost US$7 billion in a bid to defend the currency. Today the Turkish lira is down roughly 50% against the U.S dollar.

This reminds me of Mathir in Malaysia, who cast the blame for his economic problems on "Jews and foreigners." Every time he opened his mouth, the currency fell. Finally, his foreign policy aides had to show him a stock market chart, with his derogatory rants marked in right before the selloffs. Blame Jews and foreigners, and they will take their money and go home. He shut up.

As in Kuala Lumpur, whenever the politicos in Turkey open their mouths, the little guy takes it on the chin. Since February, an estimated 600,000 Turks have lost their jobs—out of a labor force of 20-odd million. And you thought Berlin had an immigration problem before…

Turnaround jump shot

When you are on the bottom, you have nowhere to go but up. Last quarter, the Turkish market jumped 40%—and again was the best-performing market in the world.

The country has received billions of dollars in IMF loans in recent months, including a US$1.5 billion installment on July 12. One of the IMF's leading hacks, Stanley Fischer, has praised Turkey's progress in overhauling its banking system and putting its government finances in order, steps that he said financial markets were failing to take into account.

Furthermore, the central bank has increased overnight interest rates by 4 percentage points, to a staggering 67%. Higher interest rates usually strengthen a country's currency by making yields attractive to investors. In this case, however, the lira dropped 3% against the U.S. dollar, continuing a recent series of declines.

It is darkest before the dawn

Time and time again, I've seen that the best time to buy is on the worst news and during the bleakest moments. Plenty of people have made a lot of money betting on emerging market telecoms when the foreign capital is streaming for the exits. This month, you can be one of them!

Turkcell

In the past, Turkey didn't make New York's radar screen for the simple reason that there were no easy-to-buy issues. Until recently you couldn't buy any Turkish companies without paying a lot of fees and suffering from the trap of low liquidity when it came time to sell.

But just recently, a company that has a de facto monopoly on the cellular phone business in Turkey got itself listed as an American Depository Receipt (ADR) on the NYSE.

I know it has a monopoly because it just got fined by the Turkish Competition Board, which said, "Turkcell has a dominant position in the Turkish mobile market… and violated certain provisions of the Law on the Protection of Competition."

Turkcell was fined TL 7 trillion (approximately US$5.2 million). Hell, I'd buy a cell phone monopoly for US$5 million.

Turkcell will appeal

If you look at the TKC chart on p.4, you will see a 42% selloff just recently on August 8. This is essentially a 1-for-2 stock split, though it is really a secondary rights issue. One share was offered to shareholders for 1 existing share at a price of 1,000 Turkish lira (worth about as much as Vince McMahon's new winter baseball league).

Turkcell intended to get approximately US$200 million through this rights issue. The number of shares outstanding jumped from 263.8 billion to 500 billion at the current price of US$0.87. The ADRs are 250 shares to 1. That gives them a market cap of around US$1.7 billion.

Revenue decreased 10% to US$530.3 million in Q1 2001 from US$587.5 million in Q4 2000, primarily as a result of 34% devaluation, lower usage due to economic crisis, and the continued application of the Special Communications Tax of 25%.

As you have probably gleaned from the above, Turkcell is the leading cellular phone company in Turkey. It has a 68% market share and over 10 million subscribers on its GSM900 network. The subscriber base grew 8% in Q1, despite the harsh conditions. Incidentally, 83% of the new subscribers are prepaid.

Devaluation has wreaked havoc on their cash flow, and future revenue projections and the share price have followed suit. Annual revenue per user is projected to drop from US$19.60 to US$15.30. Capital expenditures will also take a hit. TKC planned on spending US$800 million to build out its network this year. Even half that seems doubtful.

The company's revenue projections have dropped from US$403 million in 2002 to US$70 million (if the current crisis continues). These are obviously guesstimates, as it is nearly impossible to determine the effects of the upheaval on revenues and earnings.

The sixty-four-thousand-dollar question is whether this company has the wherewithal to come out on the other side of this economic downturn. Given TKC's current debt of US$2 billion, including a US$400 million block owed to Ericsson, things could get tight, as interest will be about the same as TKC's income in 2001.

TKC is expected to have a US$340 million shortfall this year. Cash reported in March was a similar number; if you add in the estimated US$200 million from the secondary, it would be enough to cover this. Obviously, TKC would like to continue to build out its infrastructure, but can reduce its capex number with cutbacks. Capex fell from $117.3 million in Q4 2000 to $101.3million in Q1 2001.

Investor sentiment

The pragmatic truth is that TKC isn't an earnings and revenue story. It's a blood-in-the-streets play. TKC's share price will likely bounce back with investor sentiment. The company is the clear and unabashed market leader (10 million subscribers in a country with 20 million official citizens), with the most advanced network in place. It will likely continue to gain market share as the secondary competition gets wrung out by the bad times.

There is reason to believe that the currency will bounce back with the help of the IMF packages and a return of bargain hunters—we've seen this in Korea, Indonesia, and Russia. We are already seeing direct investments from major European players in terms of bank buyouts and mergers.

Any recovery in the economy and in the currency will have a direct positive impact on TKC's revenues, revenue growth, debt levels, and income.

I believe the negative news is now priced in and TKC looks like a great speculative buy. By that I mean this could easily be a stock that trades in the US$3 to US$4 range, and over the long term could return to its IPO levels in the teens.

Buy (TKC:NYSE-ADR) below US$0.90 for a possible 400% gain as Turkey bounces back from the brink.

Up from the Pit

It's time to sift the ashes of the burned-out telecoms for triple-digit winners

by Adam Lass

Most small cities are pleased when they make the national news.

Not Baltimore.

Whenever Charm City is featured prominently above the fold, its name is accompanied by some hideous headline like "Nation's Syphilis Capital" or "Sets Record Murder Rate." This week, I was thrilled to learn on the evening news that my office was about to fall into a flaming, acid-filled pit.

I am referring to the now-infamous railroad tunnel fire that raged out of control for days. For any of you who missed the fun, a mile-long freight train loaded with highly flammable industrial chemicals, wood pulp, and hydrochloric acid jumped the rails in a tunnel that runs under most of downtown—and promptly caught fire. The blaze got so hot that it blew up a water main, and the resulting flood threatened to undercut the foundations of several of the historic buildings owned by my publisher.

For days, sirens screamed, roads were closed, and columns of acrid yellow smoke billowed out of sewer lids. So when I say that I had the commute from hell, I mean that literally.

Each day, I tried to compensate by leaving for work earlier and earlier. Today, I left at 6:30… only to discover that all the streets were open. I arrived at Saint Paul Street ahead of everyone else, and had the entire office to myself. Hmmm, there's got to be a lesson here somewhere.

In the pits

Ah, here it is: Tech investors, their portfolios torched by stupid business plans and dismal profit projections, have crumbled into acid-filled pits of despair. A damn shame, since their losses are primarily due to poor timing. But their bad luck can become your personal fortune, and once again, it's a question of timing.

For the past few months, I've focused on manufacturing and software with rather nice results: Our positions in ACSFF and ACLS as of this writing are up a collective 52%. And the real payoffs are still a ways down the road.

Now I think it's time to look at telecoms. You know, the companies that were going to wire us all up with high-speed "broadband" connections, turn the world into a single global village, and enable our cell phones to give us Swedish massages at the touch of a button.

To say that the field got a little ahead of itself is a massive understatement. Capacity has far outstripped anyone's idea as to how to make real money off it. Instead, it has become the playground for global pranksters circulating pesky email viruses (I had to erase half-a-dozen "Sircam" messages this morning) and hyperbolic marketing campaigns (Coors has announced that it's loading global positioning transmitters into several bottles, which will automatically broadcast the "winner's" location to a camera crew. I just hope the poor bastard who uncaps it down at the corner bar didn't tell his wife he was working late.)

Unwired

At the peak of their excess, the whole wired-up crowd—local, long distance, wireless, telecommunications and network-equipment makers—boasted an ungodly combined market value of US$2.7 trillion dollars. They have since shed almost two thirds of that supposed "value." That crash accounts for as much as 90% of the recent net loss in stock wealth.

Needless to say, investors are now doing their best imitation of Bastille Day, storming the bastions of Wall Street and screaming for blood. Merrill Lynch just paid out a cool US$400,000 to settle allegations that their "I get it" poster-boy, Henry Blodgett, was waaay too enthusiastic in his valuations. Now the sharks are circling around fellow hipsters Mary Meeker and Jack Grubman.

Do ya think the wunderkinder owned a share or two of these bubble bobbles? In a belated attempt to regain a little credibility, Merrill Lynch and Credit Suisse First Boston have promised that their analysts will no longer trade in the shares of companies that they are supposed to be dispassionate observers of.

Months after they helped to destroy billions.

Thanks.

Render unto Caesar

But, believe it or not, I come to praise the telecoms, not to bury them. At least some of them. Well, one in particular, which I'll get to in just a moment.

Despite the puffery that pushed their valuations beyond reason, despite the fact that they tore up the streets laying down more fiber-optic pipeline between here and North Nowhere than anyone can figure out how to use in the next five years, they really do represent the investment of the future.

And the future will come, eventually, and it will change everything… eventually. It's just a question of timing.

The future is finally Arriving in Brazil

I am a bit of a contrarian. OK, make that a rabid contrarian. My idea of a good time is prowling war zones, garbage heaps and graveyards—searching for good deals.

I search for good companies in unpopular sectors. Stocks that have been unfairly pummeled because of their associates' and competitors' ill fortunes and bad choices.

I like it best when things appear to be at their worst. I'm peculiar that way. That's why I came to work every day during the tunnel crisis. And that's why I like Brazilian telecoms right now.

Because as bad as things appear to be in Baltimore, they appear to be worse in Brazil. Appearances, however, can be deceiving.

It was the best of times…

2001 didn't start out badly at all for the boys in Brazil. Word around the bourse painted a rather pretty picture, with Brazil enjoying the best economic conditions in a generation, and seemingly well on the way to a period of sustained economic expansion.

Most of the leading indicators were pointing toward another strong year of growth, with GDP expanding by 4.5% in 2001, a 12.5% increase over 2000's 4% growth rate. Better yet, real interest rates were about to dip to single digits for the first time in a decade or two.

But a series of brutal shocks managed to almost completely unwind that rosy scenario: Since the start of the year, the real has depreciated by more than 20%, and whereas 2.5% growth is hardly the makings of a disaster (heck, it beats the paltry 1.72% expected Stateside), it's still well short of the bullish performance of earlier forecasts.

It was… oh, you get it

The problems afflicting Brazil would be familiar to any resident of, say, San Mateo, California. For several years now, Brazil has skirted the edge of major power shortages, neglecting to expand capacity to match the growth in demand and leaving the reservoirs that fuel the power stations precariously low. Despite the easy math required to predict the impending crisis, the introduction of rationing still came as a nasty surprise to most Brazilians.

Want a quick peek at where things will be headed in L.A. when state-imposed conservation wraps its hands around the economy's throat? Just look at what happened in Rio when households and businesses were required to cut their energy consumption by 20%. Most economists have shaved their forecasts for growth this year by 1 to 2 percentage points.

This kind of damage would be disastrous in the States, where one or two points off the current projection would be a grim picture indeed.

But the actual effect of the crisis in Brazil is harder to pin down. To begin with, many forecasters are presuming that rationing will not succeed in reducing consumption, and that more drastic measures will be required. But the response from households has been strong, and anecdotal evidence suggests that many companies have been finding it relatively easy to cut energy usage.

That light at the end of the tunnel...

The economic impact of the crisis could be significantly reduced if the government succeeds in its efforts to launch an effective wholesale market for electricity. Many members of Brazil's most power-hungry industries, such as aluminum producers, have indicated that they would welcome an opportunity to shut down production during price lags and still be compensated by selling back the energy they had contracted to buy. Brazilian companies for which energy is a small but critical cost—restaurants, shops, massage parlors, etc.—could carry on as normal.

On top of the energy crisis, the economy has taken several other hits. The slowdown in the U.S. has inevitably affected Brazil. More important has been the slow-burning crisis in Argentina, which has caused spreads on Brazilian bonds to widen and contributed to the depreciation of the real.

The infighting and corruption scandals within the coalition have given the impression of a government on its last legs, and increased the chances of a victory in next year's elections for the left-wing opposition—another source of increased risk in the market's mind.

...might be a burning train

These factors, however, have served to highlight an underlying weakness already apparent at the start of the year: Brazil's balance of payments situation. The current account deficit is likely to reach around 4.5% of GDP this year. According to Standard & Poor's, Brazil's gross financing requirements for 2001-2002 are equivalent to between 260% and 290% of reserves—among the highest of countries it analyses.

For the past two years, a massive flow of foreign direct investment has just about covered this hole in the external accounts. But, while still strong, FDI is expected to be much lower this year and next. The result is an increased need for fresh foreign financing and vulnerability to external shocks at a time of heightened international uncertainty.

Even if the energy crisis turns out to be less serious than initially imagined, the 15-month run-up to the presidential elections promises to be filled with uncertainty.

Charmed?

For a start, there are the elections themselves. It is possible that investors will be convinced by the charm offensive the opposition is currently undertaking. More likely, the currency will continue to come under pressure due to fears of a new government less committed to maintaining stability.

In addition, Argentina, which has bought itself some time to kick-start its economy, could still face a severe economic crisis at any time over the next year, which would have a sharp and immediate impact on Brazilian markets.

The obvious response from the government to such a shock would be a steep hike in interest rates and perhaps a new round of fiscal tightening. In the past, the economic team has always had support from President Fernando Henrique Cardoso when it came time to dish out such harsh medicine.

Attractive

If all of this sounds like the makings of a horror story, you'd be right—and wrong. Oh, there's no doubt at all that emerging markets are a conflagration just waiting to happen.

The place is stacked high with kindling, and the house at the end of the row is already burning. No sane investor would dream of stepping in now.

Wrong! No smart investor walks away from a heavily discounted situation like this without first taking a good look around. Because the reward for squinting into the smoke and wind is frequently a flash of brilliance amongst the ashes.

In this case, the flash that caught my eye is **Tele Centro Oeste Cellular (TRO:NYSE)**, one of the companies formed as a result of the breakup of TELEBRAS by the Brazilian Federal Government in May 1998.

TRO offers analog and digital cell phone service, as well as the usual pricey add-ons like voicemail, call forwarding, call waiting, caller ID and three-way calling. In '99,TRO began selling cellular handsets in connection with the introduction of prepaid service, an alternative plan designed for lower-volume cellular subscribers.

Cash up front

The setup is sweet: subscribers must purchase a card with prepaid credits within 90 days of activation. Once the credits in a card are used, a new card must be purchased within 180 days, or else service is canceled and the subscriber must request a new activation in order to regain service. The deal is all cash and up front. Through its agreements with other cellular service providers, TRO offers automatic roaming services throughout Brazil, allowing subscribers to make and receive calls while out of their region. TRO also offers international roaming in Argentina and Uruguay through agreements with local cellular service providers in those countries. As of January 2000, TRO began offering international roaming in over 60 countries in North America, Europe, Asia, South Africa and Australia.

TRO's comparative values are par or better. Its price/earnings ratio of 22.82 holds up well against the communications industry's 22.49, and beats the S&P 500's 27.76. (The S&P is still shockingly bloated after a year's punishment. No wonder they are having such troubles maintaining any kind of rally.) Same story with price/sales: 2.30 versus 2.66 and 3.97 respectively.

Sweeter still

Where the company's numbers really become impressive is when you get to sales and net profits: TRO's Q over Q sales increase of 43.32% dwarfs the industry's paltry 15.51%—and all without giving away a dime in profits, which, at 8.92%, are 25% higher than trade's 6.31% figure.

My sources expect the company to continue its rapid subscriber growth and reach 2.1 million subscribers at the end of 2Q01. I believe that the attractiveness of the company's main territory and TRO's outstanding financial performance will help it to continue to yield above-average returns.

For 2Q01, expect a 3% growth in net revenues over 1Q01, to R$286 million. I am projecting a net income of R$33.5 million, or US$0.12 per ADR, in 2Q01. This net income compares to R$34.5 million, or US$0.13 per ADR, in 1Q01. You can expect results in general to remain stable from 1Q01. For 2001 overall, I am looking for earnings of R$144 million, or US$0.46 per ADR.

Net revenue should grow at a lower rate than in 1Q01, as 1Q01 included rate adjustments. As the company maintains its subscriber growth, revenue from handset sales will continue growing to R$56 million.

All told, the gross revenue from services should be R$301, or slightly greater than in 1Q01. For the entire 2001, we are projecting R$1.16 billion in net revenue, which is 28% greater than in 2000.

The play: Buy TRO below US$8, with a 12-month target of US$16 and a -20% trailing stop.

ACTION ALERT

Tele Centro Oeste Cellular (TRO:NYSE)
Address: SCN Quadra CN2, Lote F, 2 Andar Sala, 201 Brasilia-DF, Brazil
Phone: (212) 495-1784
Web: http://www.telegoiascelular.com.br/ (warning: it's all in Portuguese)
Market Capitalization: US$892.8M
Shares Outstanding: 121.5M
Float: 19.5M
Sales (ttm): US$418.9M
Profit Margin (ttm): 9.9%

It's always a good time to sell!

Lighten up on some profitable positions as we head into the Autumn months

by Brain Hicks

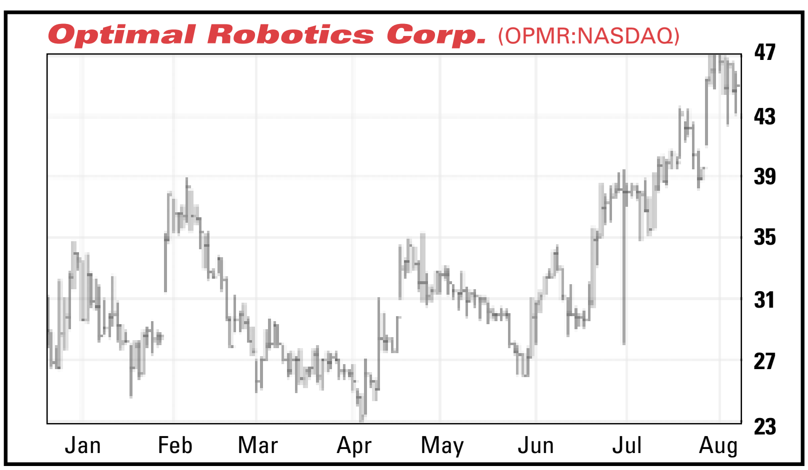
• **Optimal Robotics (OPMR:NASDAQ)** has gone nuts—pushing to a high of US$47 a share, a new 52-week high. In July, the company announced it sold a record 315 U-Scan systems in the second quarter of this year.

The announcement spurred a massive rally that day—pushing the stock up US$5 a share on volume of 2 million shares.

The breakout to a new 52-week high is very bullish on a technical basis.

But the bullish technical development is a prime opportunity to sell into strength.

Over the years, the stock is up more than 327% in the *Taipan* portfolio. I recommend selling into the rally and locking in the profit. Sell Optimal Robotics at current levels.



Another FDA Disappointment For Aviron... Another Buying Opportunity For You?

Perhaps.

I'm writing this on August 8, days after the FDA voted 10-4 to not approve Aviron's FluMist. The non-approval decision was based on safety concerns, not efficacy.

The way I read the advisory team's explanation is that it doesn't necessary think FluMist is unsafe. Rather, Aviron didn't provide enough evidence that FluMist isn't unsafe.

There's a big difference.

And that might explain why the stock—after the negative advisory meeting—didn't sell off that much.

I've been in biotechs that have been shot down by the FDA… and the stock lost 50% to 75% in one day.

As I write this, **Aviron (AVIR:NASDAQ)** is trading at US$29 a share.

Not bad. Not bad at all.

Now, I've always made money on Aviron. In fact, I've played it on several separate occasions.

But I want to sell it.

Taipan entered Aviron at about US$22 a share. Even after the negative review by the FDA, we're still up 32%, which is a blessing.

Don't ask any questions—just sell.

But keep an eye on it. I may re-enter the stock if it pulls back to levels I feel are compelling.

Three times is the charm, right?

• I have one more stock I want to sell—**Sensormatic (SRM:NYSE)**.

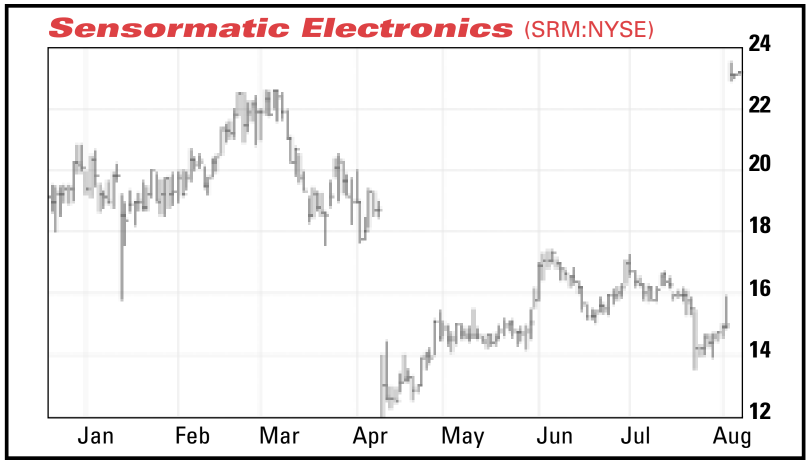
Taipan entered Sensormatic in October of 1999 at a price of US$12.50. I recommended the stock based on very compelling valuations. In other words, it was cheap as hell.

Well, Tyco International just announced it's going to acquire Sensormatic for US$24 a share. This is roughly 92% over our entry price.

But I recommend you sell now. Don't wait for the buyout. Take the money and run.

Sometimes a deal will fall through… and the shareholder is left holding the bag.

Sensormatic is currently trading above US$23 a share. **Sell at current levels.**



IPO TRADER

Going Cross Country for profit opportunities!

by Siu-Yee Ng

There's one question that sticks in my mind from childhood, "What do you want to be when you grow up?" I thought long and hard. I concluded it was a silly question. I didn't know what I wanted to be at age ten!

But I had to think of something, and quick. So I raised my head high and said, "I want to be a nurse and help people."

As you can see, I'm not a nurse. My point is that, if I had only stuck to my original aspirations, then I could have helped with the current nursing shortage.

When a friend came to me with a proposition to invest in a nurse staffing company, I jumped at the opportunity. You see, with the aging of the baby boomers, along with technological advances in healthcare delivery, the demand for healthcare services is increasing.

Why a nurse staffing company? It's simple. The U.S. Healthcare Financing Administration projects total healthcare expenditures to grow by 8.6% in 2001, and by 7.1% annually from 2001 through 2010. According to these projections, healthcare expenditures will account for approximately US$2.6 trillion by 2010, or 15.9% of U.S. gross domestic product!

Migrating South

It makes sense for healthcare facilities to seek temporary staffing. Think about it. In the winter, there's a population upsurge in the Sunbelt states. And in the summer, people return to their homes in the northeast.

The use of temporary personnel enables providers to vary their staffing levels to match these changes in demand and avoid the more costly alternative of hiring permanent medical staff. The healthcare staffing industry also includes the temporary staffing of doctors and dentists, allied health personnel and professionals, and advanced practice professionals, but not home healthcare services.

Healthcare staffing is also expanding, providing new specialties such as medical billing and receptionists.

The *Staffing Industry Report*, an independent staffing industry publication, estimates that the healthcare segment of the temporary staffing market generated US$7.2 billion in revenue in 2000, and that this segment will grow 18% to US$8.5 billion in 2001.

Burning out

There's a growing shortage of registered nurses throughout the country. A recent study published in the *Journal of the American Medical Association* projects that by 2020, the nationwide registered nurse workforce will be nearly 20% below anticipated requirements.

I'm not surprised at this nursing shortage. One of my friends complains that she is already burned out. And she's only been working for four years! It's hard work, and she complains that she gets no respect.

You see, the nurse pool is getting older and retiring. The study in the *Journal* projects that within the next ten years, the average age of registered nurses will increase 3.5 years to over 45.

At the same time, enrollment in nursing education programs is decreasing. According to the American Association of Colleges of Nursing, nursing school enrollments have declined at an average rate of 5% for each of the past six years. Many registered nurses are choosing to pursue careers outside of acute care hospitals or in professions other than nursing.

So you can see why healthcare staffing services are on a rise. And why the largest provider of healthcare staffing services in the United States is gearing up for an initial public offering.

Cross Country, Inc. is well positioned to benefit from the boom in healthcare services. It has operated in the travel nurse staffing industry since the 1970s and has the leading brand name. Its Cross Country TravCorps brand is well recognized among leading healthcare providers and professionals.

Searching far and wide

Cross Country provides staffing solutions to an active client base of over 2,500 hospitals, pharmaceutical companies and other healthcare providers across all 50 states. It's a plus to see that it does not rely on any one geographic region or client for a significant portion of its revenue.

Cross Country also fills assignments in non-acute care settings, including nursing homes, skilled nursing facilities, and sports medicine clinics, and, to a lesser degree, in non-clinical settings, such as schools.

It staffs public and private, for-profit and not-for-profit facilities. In addition to its core nurse staffing business, it provides operating room technicians, therapists, and other allied health and advanced practice professionals in a wide range of specialties.

According to a report in *U.S. News and World Report,* in 2000, Cross Country worked with over 75% of the nation's top hospitals.

Worker bees

A major problem for any staffing company is finding good people and keeping them. But Cross Country recruits healthcare professionals from all 50 states and Canada, thereby increasing its prospects. In 2000, Cross Country received approximately 28,000 requests for applications from potential field employees, and approximately 12,500 completed applications were added to its database.

Nevertheless, Cross Country's clients demand more healthcare services than it can supply. There are just not enough nurses to go around!

So, to beef up its nursing staff, Cross Country recently initiated Assignment America, a recruitment program for foreign-trained nurses.

Through Assignment America, Cross Country plans to recruit registered nurses from foreign English-speaking countries, assist them in obtaining U.S. nursing licenses, sponsor them for U.S. permanent residence visas, and then place them in domestic acute care hospitals.

Dial N for Nurse

The shortage of nurses drives demand for Cross Country's services, because hospitals turn to temporary nurses to make up for shortfalls in their permanent staff.

Employee referrals generate a majority of the company's new candidates. Historically, approximately 70% of its nurses have accepted new assignments with the company within 35 days of completing previous assignments.

Approximately 80% of its revenue is derived from travel nurse staffing. Cross Country also provides complementary services, including staffing of clinical trials and allied health professionals, search and recruitment, consulting, and education and training.

The most common temporary nurse

staffing alternatives available to hospital administrators are travel nurses and per diem nurses.

Travel nurse staffing involves placement of registered nurses on a contracted, fixed-term basis. Travel nurses provide a long-term solution to a nurse shortage, present hospitals and other healthcare facilities with a pool of potential full-time job candidates, and enable them to provide their patients with continuity of care.

Assignments may run several weeks to one year, but are typically 13 weeks long. The healthcare professional temporarily relocates to the geographic area of the assignment.

The staffing company is generally responsible for providing travel nurses with customary employment benefits and for coordinating travel and housing arrangements.

But it's the per diem staffing that comprises the majority of all temporary healthcare staffing. This involves placement of local healthcare professionals for very short-term assignments, often for daily shift work. Per diem staffing frequently involves little advance notice of assignments by the client.

Trust me. When they say "short notice," they mean it. I had the brief pleasure of helping with the staffing company I helped to build. The clients call at all hours of the day. And when they need a nurse for 7:00 p.m., they call at 5:00 p.m. to see if we can find someone to fill the shift. Yeah, I can see the nurses waiting at the phones to see if they get called in.

But when I think about the profit margins, I forget about waking up at five o'clock in the morning and getting calls at nine o'clock at night. It's well worth it. Just look at Cross Country's numbers.

Buying out the little guys

In the past couple of years, Cross Country has been in expansion mode. In May 2001, the company acquired Gill/Balsano, a healthcare management consulting firm, for US$1.8 million in cash and potential earnout payments of US$2.0 million. In March 2001, it acquired ClinForce for US$31.0 million in cash. ClinForce supplies supplemental staffing services for clinical trials. ClinForce's revenue was US$28.9 million for the year ended December 31, 2000.

In December 2000, Cross Country completed the acquisition of Heritage, a provider of continuing education programs to the healthcare community, for a purchase price of approximately US$6.5 million in cash and potential earnout payments of approximately US$6.5 million.

In July 2000, it acquired E-Staff, an application service provider that has developed an Internet subscription-based communication, scheduling, credentialing and training service business for healthcare providers, for US$1.5 million in cash and potential earnout payments of US$3.2 million.

In December 1999, it acquired all outstanding shares of TravCorps' common stock in exchange for shares of Cross Country's common stock, then valued at approximately US$32.1 million, and assumed TravCorps' debt of US$45.0 million. TravCorps had revenues of US$113.0 million for the period from December 27, 1998, to December 15, 1999.

You can just imagine how all this adds to Cross Country's bottom line.

Money talks

Travel nurse staffing revenue comes primarily from acute care hospitals. Clinical trials staffing revenue comes primarily from pharmaceutical and biotechnology companies, as well as medical device manufacturers.

Revenue from allied health staffing services comes from numerous sources, including providers of radiation, rehabilitation, and respiratory services at venues like nursing homes, sports medicine clinics, and schools.

Revenue from Cross Country's search and recruitment, consulting, and education and training services comes from numerous sources, including hospitals, physician group practices, insurance companies, and individual healthcare professionals. Its fees are paid directly by clients, rather than by government or other third-party payers.

Revenue is recognized when services are rendered. Accordingly, accounts receivable includes an accrual for employees' time worked but not yet invoiced. Cross Country's field employees work predominantly under contracts where the individual is its employee. Cross Country also offers mobile contracts, under which the individual is an employee of the client facility for the purposes of payroll and Cross Country is paid an hourly or weekly administrative fee.

Revenues have been increasing yearly and quarterly. Revenue increased by 16.0% to US$103.9 million for the three months ended March 31, 2001, as compared to US$89.6 million for the three months ended March 31, 2000. Revenue from Heritage and ClinForce totaled US$4.9 million for the three months ended March 31, 2001.

Excluding the effects of these acquisitions, revenue increased US$9.6 million, or 10.7%, as compared with the three months ended March 31, 2000. This increase is primarily due to an increase in the average hourly bill rate.

Of the US$103.9 million in revenue from the three months ended March 31, 2001, 83.2% was generated by travel nursing operations, 9.5% from other staffing operations, and 7.3% from other services. Of the US$89.6 million in revenue from the three months ended March 31, 2000, 87.7% was generated by travel nursing operations, 8.4% from other staffing operations, and 3.9% from other services.

Revenue for the year ended December 31, 2000, totaled US$367.7 million, as compared to US$193.7 million during the same period in 1999.

For the year ended December 31, 2000, 87.5% of revenue was generated by travel nursing operations, 7.8% from other staffing operations, and 4.7% from other services.

Cross Country, Inc. plans to raise US$143.8 million dollars under the proposed ticker symbol CCRN. The underwriters for this offering are Merrill Lynch & Co., Salomon Smith Barney, Banc of America, The Robinson-Humphrey Co., and CIBC World Markets.

Understanding options just got a lot easier: How you can use the "delta" to become a master trader

by Bryan Bottarelli

On the options trading floor, you learn the meaning of "sink or swim." This is the mentality on the Chicago Board Options Exchange (CBOE).

They throw you in with the sharks, and you either fight for your life, or you become the chum. You have to learn fast. When I was trading options on the CBOE, one of the first things that was drilled into my head was understanding a number called "delta."

Using any tracking service, you can access an option's delta. It will always range between 100 and -100. Calls have positive delta. Puts have negative delta. **The delta represents the dollar value change of your option as the underlying stock moves up or down US$1.00**

If a stock option with a 50 delta goes up US$1.00, then your call options contract will go up US$0.50. On the other hand, if a stock option with a 50 delta goes down US$1.00, then your put options contract will go up US$0.50.

Say Amgen is trading for US$70 a share. You buy a September 70 Call. This option gives you the right to buy 100 shares of Amgen anytime before the September expiration for US$70 a share. You pay US$7 a share for this option.

This is what is called an "at the money" option. The price of Amgen stock is the same as your option's strike price. Look up the delta on this option and you'll find that it has a delta of 50. So, the question remains: if Amgen goes up to US$80 a share, and I have the right to buy 100 shares for US$70, how much will the option be worth? The answer lies in the delta.

Since this is a call, every US$1 move up in Amgen stock will move your Amgen call up US$0.50. For example, if Amgen ticks up to US$71 a share, your option to buy 100 shares for US$70 will be worth US$7.50 (remember, you paid US$7 for the option).

So, if you think Amgen will trade at US$80 a share before September, your US$7 option contract will go from your buy price of US$7 to US$12 (a US$10 rise x US$0.50). Thus a 14% gain in Amgen stock equates to a 71% gain in your Amgen option.

Get it? OK, try this example: eBay is trading for US$60 a share. You pay US$5 for the right to buy eBay for US$65 a share by September expiration. (Did you notice you are now buying an "out of the money" option? In other words, your strike price is higher than the actual eBay stock.) Since you are buying the right to buy eBay for US$65 a share, even though it's trading for only US$60 a share, your delta is less. The delta of this option is 35.

Should eBay move up to US$65 a share, how much would your option be worth?

Let's calculate it: a US$5 move x US$0.35 = US$1.75. Add that to your US$5 buy price, and you get US$6.75. And there you have it. Once again, an 8% gain in a stock gives you a 35% gain in the stock option. And best of all, you know ahead of time how your option moves compared to how the stock moves.

But that's just the first definition of delta.

Delta gives you the percent chance that your option will expire "in the money"

On face value, simply looking at an option's delta will tell you point blank how risky it is. And it does that by giving you a percent chance that your option will expire in the money, or, in other words, above the price of your strike.

Here's another example. HGSI is trading for US$50 a share. You buy a September 50 Put. This would give you the right to sell 100 shares for US$50 a share. The delta on this option is 50. So, you have a 50/50 chance of this option expiring in the money.

On the flipside, you buy a September 40 Put. This would give you the right to sell 100 shares for US$40 a share. Since this option is out of the money, it has a lower delta—or a lower chance of expiring in the money. In this case, the delta is 35.

So you know ahead of time that you have a 35% chance of this option expiring in the money. Knowing the percent chance of an option expiring in the money will help you make better sense of the options you pick.

For traders only—the delta gives you a "hedge rate"

This definition will help you if you're looking to hedge your options positions with stock. For example, say you're really bearish on Microsoft, and you buy 20 September 50 puts. But, to be safe, you want to protect yourself should the stock go up, so you want to buy some shares of the underlying stock, too. The only question is: how many shares do you buy?

Once again, look to the delta.

Let's assume the delta of the September 50 Put is 45. You bought 20 contracts, which give you the right to control 2,000 shares of stock (20 contracts x 100 shares of stock per contract). You don't want all your gains to be eaten up as Microsoft goes down, so you need to hedge with the appropriate amount of Microsoft stock. Here's what you do:

Take the total number of shares you control (in this case 2,000) and multiply it by the delta (.45). What you get is 900—and that's the number of Microsoft shares you want to buy to hedge against your put position.

There you have the three ways you can evaluate options investments using one simple number.

If you're interested in getting started trading options, hedging against your stock positions, and profiting off a falling market, I suggest checking out http://www.indxtrader.com, where we show you exactly how to profit using market-timing tools to play the everyday ups and downs in the NASDAQ 100. If you're serious about making money trading index options, that's the place to go.

TECHNOLOGY

Artificial scent detection: News on the Robo-Nose

by Jay Salomon

In the six years since Taipan first brought you word of mechanical proboscides, you might say that the artificial noses themselves have had a nose job. We believe that the leader in the field now is Alpha MOS, a public company located in France and the United States and traded on the Paris stock exchange.

Despite hefty price tags—noses of the non-human variety go for between US$25,000 and US$100,000—their sniffers are widely used. Industrial users find the investment pays off in about six months. These noses sans nostrils are most widely employed for sniffing in the food industry, perfumes, and packaging, with the remainder in miscellaneous other fields, especially government. Quality control is their main task at present, but other, more futuristic applications are already envisioned.

Here's how it works: Let's say you want to analyze a cup of coffee. The human nose recognizes the smell and sends the "data" to the brain, where neurons compare the odors to others stored in memory and recognize the coffee as "Brazilian." The E-nose takes raw signals from the coffee, digitizes them, and compares them in its own "neural networks" to stored data; finally, the input is similarly recognized as "Brazilian."

The nose knows

At the present time, 80% of the Alpha MOS noses are used for quality control in labs and 20% in research and development. A full 50% are found in the food industry, 15% in perfumes and cosmetics, 15 % in packaging and polymers, and 20% in other applications. If you're looking for futuristic uses, try this one: an E-nose at a crime scene detects body odors and "fingerprints" them for matching with possible perps.

One of the most exciting applications of the Alpha MOS nose is in research, where the mechanical smellers can instantly make judgments that used to take panels of consumers many months and many dollars. The E-nose programs the preferences of earlier panels into its memory and projects human reactions without the further need for humans.

And don't think this company stops at the nose. It has now begun the manufacture of E-tongues, which follow the same principles. Best of all, these tongues only wag when ordered to do so. They taste… but never talk!

Alpha MOS can do the important work of that animal with the famous nose, but neither slobbers nor stinks up the workplace. Many would gladly trade their four-legged friend for the antiseptic, always-reliable robotic hound.

ACTION ALERT

For more information, please contact Tze Tsung Tan, c/o Alpha MOS America, 102 Towne Center Drive, Hillsborough, NJ 08844, USA; tel. 908-359-9396; email: tttan@alpha-mos.com.