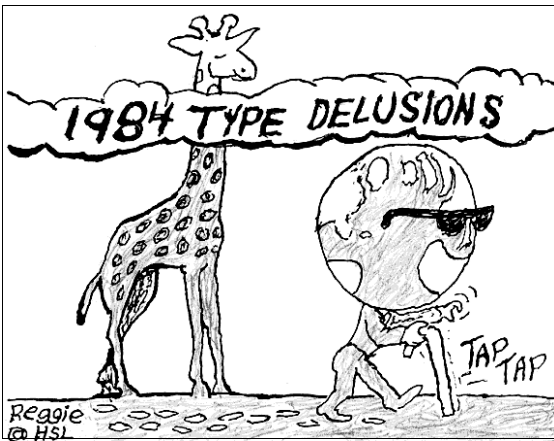


"HSL is tomorrow in your lap."

**Big Picture** Forecasting the future is my job, as best I can. But even with good forecasts, people can't cash in on any prediction by anyone if they aren't flexible investors. If U are old enough U may remember the *Star Trek* TV episode where Capt Kirk encountered a race of people in space who were black on the right side of their body, white on the other. It was done to make a point about prejudice & stubbornness. I make the same point & apply it to markets. If U are a perma-bull (meaning permanent) or a perma-bear, by instinct or training, U can't get full benefits from your investments. Roughly speaking, most mkts have as many downtrends as uptrends, over time. So, if U only bet on red, only invest on the long side—& never sell short—or never step out of the mkt when it gives technical sell signals, U will, generally, only do half as well as those who either sell short (or short against a long position) or simply sell & sit on sidelines—earning interest & preserving capital. Not only will U only do half as well, but U will almost certainly overstay the bull moves (being prejudiced) & end up losing money on some investments.

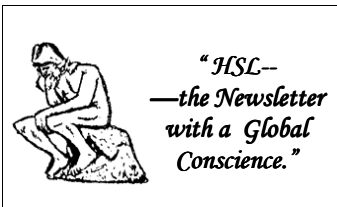
Of course, there are other alternatives. U can switch from stocks to bonds (or vice versa) or from one stock group to another. Most people are not comfortable making the stock-bond transition. I bring this subject forward because



the 2005 outlook isn't that great (see below). And not as many clear trends as U would like, for taking new positions—or holding

old ones despite tech warnings. Example: gold gave a pair of sell signals in the last 2 months. I think our *Gold Charts R Us* service was the only advisory to call both signals in clear, loud, even screaming language. And, IMO, gold will go lower (after a mini rally to 433 +/-). My *GCRU* subscribers sold out at the top & are sitting with profits on the sidelines. A few sold short. I did. In *GCRU* last wk I gave the likely downside target & likely best buyback prices. But the point is: if U are a half black, half white investor, U can **mentally switch** from a bull to a bear in a twinkling. Good investors learn not to care what the mkt does; they just want to be on the right side. It's expensive to care. Leave caring to human relationships, not mkts. ☺

Here's my take on likely developments in 2005, not so much hardcore predictive as intuitive, & a bit of Spock-logic potentials. ••Stock mkts feel tired, heavy. I feel like shorting the Nasdaq (& probably will by presstime). I don't smell a mkt tsunami, but public bullishness is at 18-year highs & some chart patterns are turning negative. Eg, a bearish rising wedge in the NYSE Advance/Decline



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Line, which has been rocketing up for months. All good things come to an end & the charts are getting squeamish. I'm selling some longs & stopping others very tight.

China may have a harder landing than I previously thought. I sold my China Fund last week. It had fallen to where a nice profit had disappeared, a pretty strong hint! Friend Jim Rogers, a China bull, agrees & we hope to see a China buy signal coming later this year. ••I didn't want to sell my India Fund & take its fat profit as I think India will fare better than almost everyone. But it had risen so sharply it's overbought. So I sold, with order in to rebuy it at support below. •••The SoAfr Rand looks a short vs US\$ for now. Stops. ••The US\$ will rally strongly right now (see currencies), & surprise & scare the \$-shorts, but US\$ gives it all back later. Don't be short US\$ now!

Oil is forming an inverted H&S base & looks set to rise like a phoenix ere long. See chart Pg 11. Oil services, however, are a better bet than oil stocks. They sell their stuff regardless of oil price. •••US mkts have gone nowhere much for 6yrs (1998-2004), so the momentum isn't there. The Super Trend bear mkt will reassert itself soon. •••Another mkt tactic tip: whatever mkt buying or selling or shorting U do this year, do it slowly! If U plan to action 5000 shares, do 1000 at a time, at different price levels—that prove U are on the right side. It gives U a chance to get out cheaply if it turns against U. •••The commodity mkt boom is only in stage 1. It bounces like a bungee, but the long-term will be up because no supply is being increased in virtually any commod. And no large oil or gold finds occur anymore. •••Interest rates seem fated to keep inching up, so bonds will inch down. The US 10yr Note chart is on a cliff edge of a sell short signal. ••Fortunately, if

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"Independence is my happiness, & I view things as they are, without regard to place or person. My country is the world, & my religion is to do good."  
--Thomas Paine

my predicto-hunches start to look wrong, I can adjust them month by month. But it helps to have a framework, even if tinkering is needed later.

Russia is a long-term villain for Europe, if not the world. I warned years ago that Europe should not sign up for Russian gas so heavily. But they have & now EU is **dependent** on it. Russia is also a military threat medium-term (see *War/Peace* inside for details). •••The European Union has become more bureaucratic than democratic. Look for this to increase & cause a geo-political crisis with new EU members in future. •••The euro currency will drop sharply shortterm but recoup the loss in 2-3 months. •••Emerging Mkt funds will probably outperform most others in '05. •••**Stagflation** will likely be the best label for the economic world as a whole for 2005. •••European workers will continue to fight their govts' attempts to trim benefits to salvage govt budgets, but globalization makes such change inevitable. France will dump its ridiculous 35-hour week, is already a policy with handy loopholes. ••My guideline for 2005: rent stocks. Don't marry them.

US trade deficit is a given villain. What could shock&awe the world is if US consumers reduce spending & begin saving money. That would dissolve the trade deficit. Always watch for the unexpected (& the unlikely) & thus be ready to act on it quickly at the first hint, while others deny it. In this example, it would aid the US\$. •••Meantime, the switch from US\$ to euro & £ by Central Banks (& some commodities) will continue. 'Tis survival. •••While most in the West weren't looking, SoAmerica has become the world's new breadbasket. Colin Powell calls Brazil "an agricultural superpower." But it applies to Argentina, Bolivia, Paraguay & Uruguay also. Collectively, the area will soon pass the US as world's largest agricultural producer. Grain & cattle aside, the area already is main world exporter of chickens, orange juice, sugar, coffee, tobacco. This is changing the stability of SoAmerica. Investment here should be considered.

I predict China will not revalue the renminbi in 2005. More downside than upside, which is the way U should measure **every** investment U make. It often surprises when U find the downside is say 45% vs an upside of only 25%. We tend to focus on the upside with scarcely a glance at southend. Of course, stops can bridge the south gap. ••Biggest 2005 worry: overthrow of the Saudi govt. Their key leaders already have houses in Switz & the UK. •••Biggest potential folly: attacking Iran. •••IMO, the environment will get serious attention in '05. It better or we'll need another planet. •••The comforting thing about investment is that U have near-magic *wands* that tell U if U are on the right track. The generic term for these *wands* is: *charts*. ☺ The more familiar U become with them, the better they work. Happy '05!

**Your Voices** "I just noticed the paragraph in the current *HSL* regarding the premature demise of the historical subscriber base of investment newsletters, grim reaping amongst the readerships. In regard to *HSL*: My father introduced me to it (he ran into the Harry on some investor junkets 3-4 decades ago) in the 1970's. He has since gone looking for the untracked powder run in the sky, but one of his children subscribes, & at least one other has business access to the letter, & a couple of grandchildren are forced to listen to *HSL* news & views recounted over the dinner table. So that should be about 1.375:1 on the readership base. Be well! Vjb." Thanks for a generational update. Ideas have consequences!

"Uncle: Great (giraffe) cartoon. One's perspective is always more complete when one can see the entire forest from above the trees. That's *HSL*. Regards, Elan." •••"Uncle: U chose the right animal. And it's fun too! RR." Smiles lighten our burdens. •••DHL writes: "I finally decided to become a lifetime member. I believe U have the greatest newsletter there is. Thanks. David Hollman." Who am I to argue with the man? •••CT writes: "I've been reading *HSL* for most of 25yrs now. Still read every issue cover to cover within hours of receiving it. Green sheets were good but email is faster. I enclose a check for an 8mos gift subscription for my nephew. I conclude that if *HSL* has been good for me, it's time my family started reading it too. Your God-ordained wisdom has increased me financially & sociologically. Blessings on U & all your hand touches. Carl Turner."

Nobody ever ordered all the "sets" of *HSL*'s past articles we offer for sale, **at once**. But Mike Bradley did & he topped it with a life sub, plus our *FMU* service. He writes "I've finally bought a lifetime sub to your wonderful newsletter after subscribing annually for years. Warmly, Mike Bradley." U broke new ground; thank U. •••Another sub broke ground with a 6-word letter with a big message. HR says: "Enclosed find check for lifetime subscription. Hugo Rombouts." Thnx for your confidence. •••HH asks "Will the US spend itself poor?" On present course, yes. Depends on **wars**—which usually badly damage an economy &/or the currency. •••Your letters are really important to me—my lifeblood. Like this note from Bill Scott, a Carmichael, CA realtor: "Be encouraged, secure in the knowledge that U do make a tremendous positive difference in the lives of your subscribers. Be encouraged as U are a plumb line of truth & wisdom in an otherwise crooked world."

I feel guilty for including so many positive letters in *HSL* today, but there's been a heavy flow of goodwill (& life subs) in past 2mos, which I can't ignore in *Voices*. •••Boyd Hall writes: "I recall conversations with U on Paradise Island & in Vancouver. My appreciation of *HSL* has increased over 20yrs. I don't know if U are getting wiser or I am." Let's share the credit ☺. ••Marvin L. writes: "I agree with U re no publicity for terrorists, on which they thrive. Cut off their thrive-supply! Your data of 28,150 US wounded in Iraq is an eye opener! Why silence from *NYPPost*, *WashTimes*, etc?" I've been battling press bias since I was 16. I learned U must search out your own honourable news sources. And even then, read between the lines.

**As U know,** I adopted the giraffe as *HSL*'s mascot & symbol. We see, as does he, the *Big Picture* from above the trees (& the herds). Some friends were quick to pick up the chase. Two newsletter writers (the Aden sisters in Costa Rica & Chris Weber in Monte Carlo) conspired to find & deliver a 5'2" wooden giraffe. Then Barb Moriarty at her nice website [www.gold321.com](http://www.gold321.com) sent me a fabulous factual book on giraffes called *Tall Blondes* by Lynn Sherr, a reporter cum giraffophile. It tells of giraffes as an important symbol in ancient Egypt. The Egyptian hieroglyph for giraffe means "to prophesy, to foretell." Wow, does that auger well as *HSL*'s symbol? Fate!



Then, partner Joy gave me 3 grand giraffe paintings & some small giraffe figurines from Galleries Lafayette toy dept in Paris. Then, Hslm Nick de Bever, in SoAfrica, sent me a hand-painted Christmas card of a Santa sleigh pulled by 2 galloping giraffes. In the sleigh were: gold bars, chart predictions, & a barrel of oil. Friends/readers are getting the message: don't send chocolates; send a giraffe toy. Then a friend

alerted me to an article in the *FT* entitled *Marriage madness grips India's middle class*. Discusses fantastic conspicuous consumption this wedding season. One much-publicized Punjabi wedding had South Africa as the motif; the parents of the bride actually transported 8 giraffes from Africa to add that authentic touch.

I'm invoking a new global measuring standard. Instead of 4 or 5 stars, we can now say 4 or 5 giraffes. A 4-giraffe hotel, a 5-giraffe restaurant. As a spin off benefit of that, a **5-Giraffe Standard** is our newest ploy to educate the unwashed masses about the gold standard—through satire. Maybe: Giraffe Gold Standard (its natural colour). U can play this game along with me. Refer to hotels, cafes, anything, as 2,3,4,5 gold giraffe standard, a new way to measure things that brings a smile & brings a lesson. A gold standard is the world's best hope of returning to a free society, unshackled by govts who ditched the gold standard to allow them to print money & create debt & credit without limit or backing, which robbed us of control over govt & robbed us of choice. Choice is what **freedom is about!**

**1984** They've designed a software program to "read" words that have been blacked out. Tip to hslm's: the type font Courier is harder to decipher with such computer techniques.

Especially avoid Times New Roman type, which looks like this line. And this line is what Courier type looks like.  
 •••UK Labour govt is trying to ramrod ID cards through parliament despite no evidence it would improve security, & refusing to recognize the ghastly loss of civil rights. The cards empower police to stop anyone, anytime, & ask for a card, a Nazi & Soviet hallmark. Thus, Blair govt was embarrassed last week to have National Archives made public which revealed the Harold Wilson Labour govt of 1974 dismissed the outcry for ID cards in the face of IRA pub bombings in Birmingham that killed many. Their erudite Home Secretary Roy Jenkins studied it & concluded it was "hugely expensive & ineffective."

Also "they create difficulties for ordinary people & infringed civil liberties." The learned Roy Jenkins refused to bow to public pressure, instead warned against responding to terrorist attacks by adopting ever more draconian laws which are "unwarranted infringement of personal liberty." Public demanded limiting travel between Ireland & UK. Jenkins wisely turned all such panic ideas down (unlike US Congress who voted away American rights via the infamous Patriot Act without a debate or even a reading of the Act). A day of infamy. Instead, Jenkins opted for spot checks. •Blair govt Home Secretary says "the technology will allow officials to double-check someone's identity simply by scanning, for example, an iris &/or a fingerprint."

This spotlights a new pitfall. Author & freedom activist Dr. Vernon Coleman asks: "Has anyone checked if iris scans are safe? Will repeated iris scans be safe? Particularly when performed by the sort of incompetent, poorly trained thugs employed to police borders & search for nail files? How many will be blinded before they discover the dangers? Even if the equip is safe, what are risks when equip is faulty (as it often will be) or ill-maintained (as it often will be)? Frequent travelers will have irises scanned a lot. Remember, doctors once thought x-ray & cigarettes were perfectly safe. They also said MadCov Disease wouldn't affect humans, & they insisted benzodiazepine tranquilizers couldn't possibly be addictive. What's the potential for error? In theory, U should ask the person x-raying your eye to sign a form accepting full legal responsibility for any damage which might be done to your

eyes." (This was excerpted from *Why everything is going to get worse before it gets better & what to do about it*, by VC. £17. Order from [www.vernoncoleman.com](http://www.vernoncoleman.com))

According to experts, some printer companies quietly encode the serial number & manufacturing code of their colour laser printers & colour copiers on every document those machines produce. Govts, including US, already use the hidden markings to track counterfeiters. Peter Crean, a senior research fellow at Xerox, says his company's laser printers, copiers & multifunction workstations, such as its WorkCentre Pro series, put a "serial number of each machine coded in little yellow dots" in every printout. Millimeter-sized dots appear about every inch on a page, nestled within the printed words & margins. Sidestep Xerox colour laser printers. •••Censorship is a worry in every right wing govt. Under current US govt there's no blanket censorship of everything proposed to write, but rather prohibition of writing or cameras on certain subjects. Eg, returning Iraq vet coffins, & total figures of Iraq vets wounded/maimed. Info is thus channeled/diverted.

3cheers for UK highest court which rejected its anti-terrorism law. Indefinite detentions ruled illegal. Citizens should press for similar reversal of these panic laws in US & elsewhere. Enacted in haste not wisdom, they damaged civil rights. •• Cheers also, for Theresa Villiers, Euro Parliament. Said money-laundering laws cause hardship for the law-abiding & fail to catch terrorists. •••Dutch parliament goes insane.

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New law says Dutch citizens & foreigners will be required to carry official ID documents from now on. Public not consulted. Mad Cow disease must have infected brains of Dutch parliament. The Dutch defied the Nazis but won't defy Big Brother.

*"Chase after money & security, and your heart will never unclench. Care about other people's approval & you will be their prisoner. Do your work, then step back. It is the only path to serenity." --Lao Tzu*

**People power?** Stamp it out quick! A political tsunami rumbled across Europe this week when dear, dear Poland roared in pain. Her parliament is set to debate a bill this week to make govt officials personally liable for bad decisions! Adam Szejnfeld says "Polish bureaucrats' incorrect rulings & improper tax demands have crippled & bankrupted companies." Penalties: up to 12 times the average monthly wage (ie, \$9,600, E7,350). W. Blaszyk, deputy president of Polish Private Employers Confederation says "Bureaucrats now have a lot of power & little responsibility. We want to change that equation a little to make them face the consequences of their actions." "The bill would essentially force officials to rule in favour of the citizen & not the state if there is a dispute over application of a regulation or law" says Adam Szejnfeld of Civic Platform party who may form the next govt. If this law isn't enacted now, he'll try next year when in power. AS says "I'd like to see a country with sensible & easily understood laws." Wouldn't we all? Reminds one of the US tax code with 19,000 pages. The better to control people.

But politicians will be in panic if this law passes & in any case if it gets global press. "Heavens," they say, "we can't do that! **Citizens** are responsible for their actions, but not the **political class**. Everyone knows that! If U did this, next they'd want referendums on every important issue, like those crazy Swiss. Madness! Can't have people making decisions for the country; that's for us bureau-rats. The Swiss suffer from the high altitude & eat too much chocolate, can't think straight. And if U open the door on these things, next they'd want public control of money supply & want gold-backing of currencies—like they had in the bad old days when global inflation was zero & govts & banks couldn't create money (for the good of the masses). Can't have that! This suing officials for damage responsibility nonsense could be contagious, a plague. Stop it there in Poland before it oozes out into our sanity-sanitized world. Poles must have caught the Swiss bug; they should get anti-referendum injections. Meantime, we govt folk must stock up on anti-responsibility patches. Remember, never admit a mistake (a la GW) & we're responsible for nothing, right, mates? Obligations: hah. Citizens, bah!" A slice of Polish sausage sanity could lead on to a whole new paradigm, a watershed in people power progress. (feel free to send this story to a newspaper of your choice) (published in *Int'l Harry Schultz Letter*, Lausanne, Jan 21, 05)

**My favorite** person in the Moslem world has just been made Defense Minister of Afghanistan. A big man, country, job, problem. There's a story here! General Abdul Rahim Wardak was appointed by President Hamid Karzai Dec 23, 2004. He replaces Mohammed Fahim, a prominent Tajik warlord who is also head of the Northern Alliance that spearheaded the US invasion. As readers recall, I (almost alone) was appalled at the excessive use of force in that campaign, especially by cowboys in the sky, & I reported it in *HSL*. US DOD denied it. It has subsequently been proved that most "targets" were faulty reports given to US pilots by those wanting revenge on fellow warlords. The Taliban leadership left Afghanistan early (a la Fallujah) so the bombing killed mainly civilians & a few hapless foot soldiers. General Wardak provided *HSL* with on the spot reports of all this at the time, not seen in the press-for-peasants 'til recently.

But I digress. General Wardak, a Pashtun, got his reputation fighting the Soviet occupation in the 1980's. He led Afghan freedom fighters in "Operation Avalanche" which gave the Soviet army their biggest defeat since WWII, according to US DOD & CBS News. Pres. Reagan provided covert aid in those days. It coincided with our *HSL* full-field children's hospital in the Peshawar border area, run by the Rawding sisters. When the general & some of his men were wounded by a Soviet scud missile he stopped at the *HSL* hospital for medical treatment.

• • A year later we had planned to move the hospital deep into the interior, to Jalalabad, but the general warned us not to do so, as the various tribal factions who had been fighting the Soviets were now fighting each other for power, so it wouldn't be safe to move. He was our guardian angel, just as we had been his—in a small way. What goes around comes around! The general should have been named Defense Minister in the original Karzai govt, but warlord politics delayed it 'til now. Still, it's never too late to do the right thing, my motto.

It's interesting that the many nations who promised aid & manpower to this still bombed-out country have failed to deliver most of their pledges, including the US. • • The general will have his hands full. As deputy defense minister he was already working to rebuild the army in the last 18mos. With 40,000 Iranian troops on the not far off Iraq border, & US neo-cons making bomb threats to his next-door neighbor, the Iranian govt, plus an internal war on opium growers (the world's leading source!), the general will be busy! I hope to meet with him before long. • • Hslms who supported the *HSL* hospital can be very proud of their role in building, then maintaining our hospital for 3½ years, giving care to 200,000 children! U even played a role in helping the general on his bad-scut day. ☺

**Lifetime** subscriptions have built a strong base of loyal readers over 40 years. For that I'm grateful. But financially they were always a gamble on the inflation rate & the value of the US\$. It's a gamble I **lost**. Inflation has never stopped a steady rise (& thus our costs) & over 40yrs the US\$ has fallen outrageously (thanks to irresponsible political leadership & 4 wars). In just the last 20 yrs, the US\$ Index fell from 164 to 80. That's 50%! So we've lost money on most life subs, since our readers mostly pay in US \$'s regardless of where they live. The apparent solution: ei-

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ther stop offering lifesubs or double the price. I decided on a compromise. Lifesubs will now be US\$3,500, which is still a risk for me, but acceptable. It's effective Mar 1, 2005. Those who bought them years ago (at lower prices) got genuine bargains. As always, new lifers will be showing loyalty, solidarity & voting their support, but they won't be getting the giveaway price that earlier lifetimers enjoyed. PS: In the 20yr period mentioned above, when the \$ was sliding, gold is now \$75 higher (350 to 425), despite its long bear mkt during that period. Gold holds its value; paper money can't.

"A preventive war, to my mind, is an impossibility."  
--Pres. Dwight D. Eisenhower

**HSL price** rise too! If what I say above re **life subs** is valid, then clearly it applies to **all HSL subscriptions**. Since we last raised **HSL prices**, the US\$ depreciation vs the euro (where most of our costs are) has been 31%. So, we keep falling behind, like desperately bailing water in a life boat with holes. So, do I logically raise price by 31%—ie, by \$100? As usual, I'll eat most of the loss-gap, & compromise. The 1-year price from Mar 1 will be increased by only \$50, ie, to \$377 (other subscription periods will be raised on a pro rata basis). If only we had gold-backed currencies as we did pre-Nixon. Under a gold standard, prices don't change much. Nixon & predecessors ruined the system. Our newsletter publisher association, **NAPA**, says most quality newsletters charge from \$500 on up to \$5,000. So, our price is still in the basement level, out of habit & tradition, not reality.

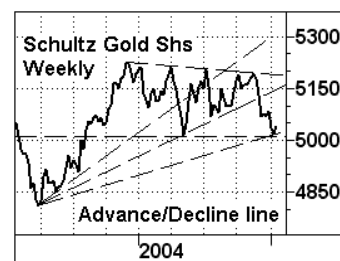
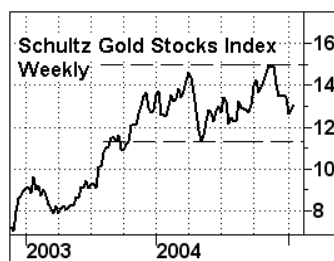
**Gold** As timer-trackers noticed, **HSL** continued to call the mkt well. So far so good ☺. I said lastime my upside target was 460-467. We got to 460.10. I then warned that gold's winning streak would need a rest soon & to prepare for it. I said it might correct to only 430-420 but maybe 400. That correction began at 460 & is still in progress. The low so far: 420. •••In my *Gold Charts R Us* (the Bible for gold devotees) I printed a theoretical road map for gold! It shows a 5-stage progression, 3 down, 2 up. Each stage tradable within itself. This format may be too rigid, may break its mold, but, so far, each stage has performed by the book. No mumbojumbo, just price/time/charts.

We're possibly going to top out (so far) in stage 4 rally about now in the 430-435 zone & will then, in theory, begin a descent of about 4 weeks to say 400 (390-410), where we can begin buying. I say *begin* because I assume most of U sold at higher prices, as *Gold Charts* members did. In any case, almost every gold chart now has overhead supply to fight through, so pick&choose with care. Look for base building or down wedges & breakouts to guide U. Don't buy just because XX is a lot cheaper than it was. Each gold chart is a different country, has its own personality & quirks; learn them & trade them. •••By the way, bullion (futures) have been more profitable to trade than gold shares lately, more true-to-chart, less fluky.

•What role has the US\$ played in gold weakness? A big one, as usual. The US\$ got oversold. I said so in *GCRU* (published each Wednesday) & we bought the \$ for the ride. The \$ will rise more (see *Currencies*) & 'til its ride is over, gold will languish. It's shorterm, but will scare some. •••Short positions are recommended for those who understand or want to learn shorting & will use stops. •••Richard Benson of Specialty Finance Group writes "Do U wonder why our govt is so actively involved in keeping the price of gold down? The logical reason is: if the gold price takes off, even the investment masses will look for the **real** problems (& structural

causes) of massive trade & federal deficits & global money creation." Better not let 'em notice.

•••Shanghai Gold Exchange shows 235.35 tons of gold valued at 22.96 billion yuan (US\$2.7 bil; euro 2.3 bil) was traded in 2003. In the first 7 mos of 2004, trading volume jumped to 363.76 tons valued at 36.9 bil yuan (US\$4.5 bil; euro 3.6 bil). It's lagging data, but shows steep uptrend in vol & value. •••The art of investment is the art of selling. Always plan to sell whatever U buy, usually as soon as possible, & often several times—as U learn the nature of the item & its mkt. *Buying* is a lesser skill, & *holding* requires no skill. •••Random gold stock comments: Possible bullish down wedges in Glamis, lamgold, Newmont, NorthgateEx. No-vagold: breakout from symmetrical triangle; a **buy**. Head&shoulder tops in many stks, eg, AAUK, MDG, NRD, TEKB, WRM. EPL-V: dble top. Trouble is: even the bullish wedges are only for rallies, not reversals. So golds are, at best, still in a corrective mode. I hope by the next **HSL**, it'll be over & we can plan widespread buying with chart backup.



**Off the cuff** My namesake, Prince Harry of the UK, who dressed as a Nazi for a London party, is a bit of a spoiled brat. Should have been sent to the Auschwitz concentration camp memorial ceremony & then put in the real army (not Sandhurst) to learn discipline & ego-deflation. •••**Funnilest** cartoon of the month: a guard atop a gate on a wall surrounding the EU (European Union) shouts down to a young family from Turkey seeking admission: "If I open the door, do U promise not to come in?" (courtesy Zurich am Sonntag (Zurich) Globe, in *IHT*) Cartoonists have a wondrous way of cutting through the chaff. And yes, Turkey should be admitted, in due course, as she fulfills the human rights rules, which are paramount. •••Wonderful bonus of the Ukraine people-power victory is the shockwave hitting ex-Soviet states. From Kazakhstan to Belarus. Maybe someday even thug-run Russia? Nah, that's reaching too far.

### 3 HSL Services

*HSL* is available (12 pgs) by airmail, e-mail or fax. Airmail OR e-mail: US\$327/yr—ie, \$0.89/day. If you want **both** e-mail plus green pages airmail copy: \$402. *HSL* via fax, to your desk automatically on deadline Sunday: \$437/yr (\*\$417/yr). If you wish *HSL* by fax plus green pages airmail copy: \$512 (\*\$492). Lifetimers can get *HSL* by fax for +\$110/year (\*+\$90/year) or +\$185 (\*+\$165) for both airmail & fax delivery; or e-mail plus airmail for +\$75/year. ••*HSL* offers market updates via Internet between *HSL*'s: A Free Mkt Update (see "Read Our Updates Between *HSL*'s", pg 4) & a Full Mkt Update (with stock picks), at only \$125/yr. ••*HSL* now offers a weekly '*Gold Charts R Us*' service (*GCRU*), by Net, fax & mail. Via Internet at rate of: 3-mos \$300, 6-mos \$585, 9-mos \$855 & 12-mos \$1,110. By fax add \$120 per 3-months. By mail only \$250 per 3-mos. U can subscribe on-line at [www.hsletter.com](http://www.hsletter.com) (click on '*Gold charts R Us*'), or subscribe via fax or mail (see page 3 masthead for contact details). **Note**: Special *GCRU* '2-Week Taster' offer available at \$45 via: [www.hsletter.com/GCRUpromo\\_Special.html](http://www.hsletter.com/GCRUpromo_Special.html) •New Subscribers only (limited time offer). •("Newsletters don't cost—they pay"). \*Reduced fax rate for No.American readers only.

"The difference between a welfare state & a totalitarian state.....is merely a matter of time." --anon

**War/peace** Very few have changed their stance on the Iraq war. I'm worried it's now at least partly an **ego thing**. *Defending* your original position (as pro or anti-war) has become a psychological barrier. The pro-war crowd crow that Saddam-the-thug is out & that was the main purpose. Also, Iraqis are now free. The anti-war crowd crow that yes, Saddam is out, but so are 25K Iraqis (killed) & 1300+ US & allied soldiers + 43K US soldiers maimed, seriously wounded, & terrorists are stronger than ever, with new enemies created daily. I wish both sides would draw a line under the above conclusions, concede nothing, but start afresh, only discussing recent & present Iraq war tactics, unrelated to whether the war was originally a good or bad idea—as I fear **that** will **remain** in limbo.

Unless people can start to do this, we are prevented from essential debate, by for example: **pro-war** people refusing to discuss the implications & higher-blame of the torture issue, the "pointless" flattening of Fallujah, & US govt's deep indifference to world opinion. And **anti-war** people refusing to admit some progress has been made in creating an open society in Iraq where none existed before, & the Iraq experiment of attempting democracy upon the undemocratic Middle East. If this **mental restart** button is pressed by both sides, there's hope. If not, the divide will last perhaps forever, &, lacking cooperation, Iraq will likely sink like a stone.

The US administration (& to some extent the US public) have admitted **indifference** to R.O.W. (Rest of World) **opinion**. But now something far deadlier than opinion polls has emerged: the negative effect on US **corp profits** abroad as a direct result of US foreign policies. Hurt US corp profits & U hurt US stock/bond holders & corp employees. The neo-cons have no answer to this, no defense. Neo-con popularity has plummeted. R.O.W. interpreted (wrongly, IMO) US re-election of G.Bush as support for his foreign policies. That redoubled the bad effect on US company sales abroad. Remember, R.O. W. "voted" for Kerry in global poles, due to Bush Iraq & unilateral (Kyoto, landmines, world court) policies.

*Financial Times* of Dec 30 full-page story by Dan Roberts on "Tarnished Image: is the world falling out of love with US brands?" **64 of 100** most valuable global brands are US. For 50yrs US products stood for progress, glamour, & freedom in minds of world consumers. Now that's changing due to neo-con policies, human rights abuses, & WMD fibs. Eg, a Scot management consultant won't allow Coca-Cola at birthday parties. DR asks: "Is the American Dream becoming an American nightmare? US brands benefited when *chic* was modern & American.

"The other side of that coin is when US policies become unpopular, there's a cost." Sales are dropping for McDonalds, Wal-Mart, Disney, Gap, Marlboro. Coca Cola makes **80%** of its profits **outside** NoAmerica; sales fell 16% in Germany in 3<sup>rd</sup> qtr. Marlboro sales fell 18.7% in Germany, 24% in France. US banks abroad also losing, eg, Citigroup. Ditto US hotel chains & US airlines (also seen as terrorist targets). The answer for many: **downplay** any US heritage, link or even a single global identity. Maybe, says FT, "**cool** will come from Tokyo rather than LA." Or Malaysia, China, India. *Brand America* author Simon Anholt says US has fallen from its pedestal but "world's love affair with America isn't exactly over, but it's stopped being a blind & unquestioning kind of love."

Press & the Net are full of news & leaks re threats of US bombing or invasion of Iran or Syria. IMO, this is useful jaw-boning, to coerce action, like Greenspan & Treasury secretaries do. Get action without taking any. Real US military moves are not likely, at least not shortterm. Reasons are many: no ally—even UK—would support anything substantial. US military is over-stretched. Some big-bucks Bush supporters told GW: we'll vote for U (Nov) but no more wars (unless we are attacked)! So, huff&puff is in, which is diplomacy by another name. Huff& puff beats Shock & Awe, & the price is right. Hope I'm not wrong.

"At the urging of the White House, congressional leaders scrapped a measure that would have imposed new restrictions on the use of torture by US intelligence officers. The Senate had approved the restrictions by 96-2. But in closed-door negotiations, they reversed their vote after White House expressed opposition (NYT 1/14)." If I was the **only one** reading such news—but of course the world reads all this syndicated news. The effect on US allies is bad enough, but the effect on neutral or hostile populations can only create new aggression & endanger UN & coalition troops if they're captured. Not to mention the effect on world consumers buying (or not) US brands. • • Columnist William Pfaff wrote the strongest copy I've yet seen on US pro-torture policy (*Tribune Media Svc*, Dec 22, 04). I have no space for it but this sentence sums it up: "We [the US] are indifferent to world opinion. We will stop at nothing."

**Time for tax** reform? Long past time! Will the US take the main step? Others would follow. US Congressman John Linder (R-GA) has given us his view on his Bill to abolish all income related taxes & the IRS itself. Pres.Bush is appointing a committee to study tax reform. Here's the Linder letter:  
 "Our current 50,000 page income tax code of convoluted legal text & complicated federal regulations, is undecipherable to 285 million US citizens. We don't need more tax cuts, credits, exclusions or loopholes. We need to scrap the whole plan & start over. The time is ripe for fundamental tax reform & a completely new Federal tax regime.

"My bill, the FairTax (H.R. 25) abolishes all income-related taxes (the personal income tax, corporate income tax, estate & gift taxes, capital gains taxes, & payroll taxes), as well as the IRS itself, & replaces them with a **national retail sales tax**. The FairTax also includes a monthly rebate for every family in America that guarantees personal spending up to the poverty-line is tax-free. The rebate would be paid in advance & updated according to Dept of Health & Human Services' poverty guidelines. Based on 2004 guidelines, a family of four would be able to spend \$24,980 annually tax free. They would receive a monthly rebate of \$479 every month (\$5,745 annually). Thus, no family would pay tax on essential goods & services, & moderate income families would be effectively exempt from tax on a large portion of their annual spending.

"This rebate fully protects low-income & moderate-income families. But there are even more benefits of the FairTax. First, its simplicity & uniformity will make both compliance & enforcement dramatically easier. Second, it will provide the US economy with an enormous boost, leading to dramatic job & economic growth. Third, it will turn the US economy into a large magnet for capital investment in the world, spurring further investment, growth, & job activity. Fourth, US exports will become fiercely competitive in a global marketplace, which will help all domestic companies. Finally, it will make sure that every American brings home their **full** paycheck,

free of the myriad of federal taxes & withholdings seen today. The FairTax will make sure that Social Security & Medicare—now teetering on the brink of bankruptcy—are fully funded with new dollars & new sources, protecting America's safety net. America's economic future is too important for closed minds & old stereotypes to stand in the way. Visit [www.fairtax.org](http://www.fairtax.org) & see for yourself, then U decide who is right and who is just selling U a highly-taxed bill of goods."

The companion bill in the US Senate, sponsored by Senator Saxby Chambliss (R-GA) is S.1493. US readers should write senators & congressmen, as both bills need equal support for the Fair Tax to be enacted into law.

Representative John Linder represents Georgia's 7th Congressional District & is the sponsor of the FairTax (H.R. 25). For more information about the FairTax please visit <http://linder.house.gov> or <http://www.fairtax.org>.

••••• "A wise & frugal govt ... shall not take from the mouth of labor the bread it has earned." –Thomas Jefferson •••

**PT** As PTs we're interested in FREEDOM to control our own personal life & our property that is, to be rude, as some put it: our "ass/assets". In so many ways we, all of us, are less free than we were 35 years ago. Let us count some of the ways. Here is an article contributed by an old PT *Jedi Warrior*. He writes:

"Of the more important freedoms we have lost, I'd include BANK PRIVACY as my Number One. Our private savings details, our income & purchases were private. But slowly over the years (not just since 9/11) they have become public & govt monitored; privacy is forbidden & even punishable! Another very important freedom is the RIGHT to TRANSFER ASSETS ABROAD WITHOUT BEING 'REPORTED' FOR IT, or to CARRY ANY AMOUNT OF MONEY anywhere, in or out of your country without any reports or explanations.

"It's **your** money & nobody has any right to tell U what to do with it. This is still possible in many nations, but the list is shrinking. Thanks to Uncle Sam's pressure, we have lost the FREEDOM TO OPEN A BANK ACCOUNT ABROAD or anywhere we please without getting the 3<sup>rd</sup> degree & providing passports, utility bills, taxpayer identification numbers & more. Since 9/11 it's gotten worse, but not wisely worse, rather stupidly worse. We have also lost the freedom to carry decent sums of cash on our persons—for cash discount deals, auctions, or to pay large bills, avoid credit card trails, or buy air tickets with cash without being reportable & suspect. Public servants became public masters & they love the power, & push it.

"Car dealers, art dealers, stock brokers & just about everyone must now file a Nazi-style denunciation 'suspicious transaction report' on anyone who pays cash for any major item. If they forget to file a report or if they notify the suspect that they will file, THEY CAN GO TO JAIL (in the US & it's spreading in silly Anglo Saxon world—**monkey gestapo see, monkey gestapo do**. Thousands of what used to be 'ordinary everyday activities' in the USA have been arbitrarily criminalized. When we are all **technically** criminals (like now), prosecutors can arbitrarily put anyone away or seize anyone's property. It is happening now! If U read this in a book U wouldn't believe it. Because it's actually going on, the mass mudhead mind thinks it's not like that, except exceptionally. **Denial** is rampant, by victim & govt alike. How ironic.

"We cannot get on an airplane without a govt-mandated search of our bodies & our possessions. Yet airlines & transport companies are not free to hire security with effective

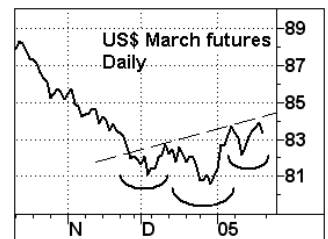
weapons to protect us on flights. 100 years ago, Wells Fargo always had a tough guy 'riding shotgun' on the stage-coaches. ••Airlines won't accept \$100 bills to pay for a ticket any more. That's strange when U consider in Al Capone's era (1930), \$1,000 bills were in common circulation. In today's terms U need to add 1-2 zeros! So a \$100 bill today is just like a \$10 bill (or even less) back then. With a lot less Big Brother stuff, the 'Untouchables' (FBI) of the 1930's still caught the crooks.

"Have hundreds of millions of people lost important freedoms so that the govt can maybe bag one extra guy they might have missed? Maybe if a million extra was spent on good cops, billions could be saved. The price, in terms of administrative costs (not to mention huge inconvenience, false accusations, career damage, & extra staffing) is not cost effective or effective by any measure at catching crooks, terrorists or drug dealers. Can all these controls of the last 20 years be justified? Only if U think an all-seeing, all-knowing Big Brother govt is a fine idea. As things are, the govt already has enough data to convict everyone of some obscure victimless crime. The *PT* solution? Stay off the databases!" Thanks, Jedi Warrior.

"You don't prevent anything by war except peace."  
--Pres. Harry Truman

**Currencies** have been rather wild lately. The gyrations can easily confuse one's attempt to determine trends. Some will exclaim: trends, what trends? But they are discernable. ••My forecast of a large US\$ rally has been unfolding & the \$ will gain ground for a while. We all use different currencies, live in different countries, buy investments which are denominated in several currencies. But most of us use the US\$ Index (US\$ vs a basket of currencies) as a focal point, into which we fit other aspects of our individual interests. It has nothing to do with whether we actually own any US\$'s.

• The euro is particularly vulnerable at the moment, more so, IMO, than other European currencies. I'd duck out of euros for the moment. £'s are better. Or SwFr, A\$ or NZ\$. And, as I mention in *Nutshell*, buying the US\$ makes sense for the shortterm. I have. It can be a hedge position against other currencies U hold. Whatever U do needs careful chart watching. Trend lines will keep U safe, along with essential stops of course. And stops should be TS: trailing stops, which means U have to go through the bother of changing the darn things every time price moves up enough to require a stop rise. But the bother is worthwhile as it preserves your profit & protects against a reversal.



Pleaz read our *Back to the Futures* section for precise buy & sell & stop numbers on some currencies. ••The US\$ will resume its bear mkt after this 2ndary rally is over, so don't fall asleep at the switch. Start inching toward the exit when US\$ futures creep into 84-85 zone, with orders to sell (&/or short) in the 86-87-88 zone. I don't run the NY mkts (yet) so allow me a margin for error. But U get the idea. \$ may overshoot or fall short, perhaps related to Iraq news or oil blastoff, or collapse (don't bet on the latter). ••It's my hunch the \$ turn may come with the Ides of March. It could be scary. But don't be a bear too soon. When/as the \$ moves out of its consolidation, bull-masks will be fashionable for the US\$. Later: gold, of course, will see sunrise when US\$ sees sunset.

"Doubt is not a pleasant state of mind, but **certainty** is absurd."  
---Voltaire

**Straws** in the wind: Iraq elections are either the beginning of the end or the end of the beginning. Either Iraqis turn out in large numbers, which will be great, or they won't—and that would be terrible as neo-cons have no Plan B. If U can't declare victory & leave, can U declare defeat & leave? Well, the British did, decades ago. And other occupiers. ••• Good advice from Iran news lady in UK: We want the US & EU to leave us alone. Don't bomb us (that would unite the people behind the govt) & don't make secret deals with the govt, which won't help the referendum movement for democracy. ••• Re Bush inaugural speech: was seen as a declaration of war to much of the world's population. China doesn't want this Bush version of freedom—democracy. They don't want Bush to "free" them. Mind your own biz, says Beijing. Saudis say same, among others. I thought the election was over. What's GB running for now? ••• Sorry, I ran out of space today; no room for *Trek* (Christmas in Paris, meeting 2 friends there) but will catch-up nextime. Also no space for health, but must mention a new study questioning the safety of mobile phones. Study says children should not use them, but adults may be ok. How's that again? U have selective danger? IMO, avoid mobiles except briefly & when the need is too urgent to get to a land phone.

••• I'm indignant over the Airbus launch of their too-big A380. Did they ask the public if they wanted a bigger plane, for 555 passenger with 555 mobiles, which will guarantee longer queues in airports for customs & luggage & force bigger airport construction? No polls were conducted. It's a stupid design & oversize. I hope readers ask their airlines not to order one & cancel any ordered. It's not built to fill a need, but rather the greed of Airbus. And built with govt loans. No consideration was given to the Burnelli flying wing design to provide greater safety. Sales were the main consideration it appears. ••• Legaleagle friend Bill Easun suggests I start a **Trend** section in *HSL*, for non-traders. Good idea. Need to find a dependable trend! Right now just about everything is in corrective or countertrend. ••• Swiss referendum voted in favour of stem cell research. 2/3rds in favour. This follows like actions in UK & Calif. ••• HSL lifetimer Steve Woodruff has written a book that may cheer & help de-stress U, About life revolving around barbershop visits. About real people. *The Last Neighborhood*. Order via email: [www.lastneighborhood.com](http://www.lastneighborhood.com)


### US MARKETS (& its spin-off effects)


Well, the picture has certainly changed since we last visited in this corner. So much so, I am now short the Nasdaq! That pretty well sums up all I have to say. I will fill some space now, but I have nothing much to add. If I am short it means the charts have turned sour. Take not my word, but look forth at ye chart on yonder wall. S&P & Nasdaq made top patterns & broke down from them. See Nasdaq, S&P & HSLP charts on page 11. Also, see *Back to the Futures* on the same page for guidelines for what to do about it, if U want to cash in. If U want a reason (people do), I suspect the bullish consensus just finally toppled over after the longest run of public bullishness in mkt history. 60% bulls is top-heavy! *Investors Intelligence* survey reached a 17-yr high in bullishness. It was/is not the kind of indicator that is worth a darn for timing. It tells U there is a cliff ahead, but carry on driving if U dare—just slow down. Volatility indexes made 9-year lows. ••• The mkt is not likely to cave in, but the trend looks south in momentum terms now. We still found some good stocks to buy & most of those we bought lastime worked out


well. There are always some stks to buy, some to sell & a few to short. But if the major trend is changing (not sure yet), then we take more care with what we buy. U can invest with down trends. There are many stks that resist normal economic weakness, but if it gets into recession, then the pickings are slim & shortselling pays off more (Read my books on that subject ☺). ••• Asian mkts offer far healthier looking stk mkts than the US. HongKong has great base. Ditto Japan (chart, pg 9). Thailand mkt looks good. Oz mkt roaring ahead, pg 9 (use stops). Enough. Always plenty to choose from on these pages.


### WORLD MARKETS ANALYSIS

**Note 1:** Apply our trailing stop strategy to lock in shorterterm profits on all positions. Exit at mkt if trends turn sharply against you. Don't wait for stop levels to be hit. 1, 2-day close entry levels should be changed to mkt orders if intraday run-away action develops. **Note 2:** Where short selling (S/S) is not possible, use our guidelines to aid U in determining price levels for simply selling, & our S/S stops as buying levels. **TPS= Trailing Profit Stop.**

 **Canada:** poss H&S top. Traders long at 9055 &/or 9086 (or better) took ½ profits at 9250 ☺. Take 2<sup>nd</sup> ½ profits at mkt. Sell short 2-dc below 8925 for 8610 profit target. Stop: 2-dc over 9060. Gamblers buy small size on 3-dc over 9160; stop: 2-dc below 8985. Buy more on 3-dc over 9320. Use TPS to follow upside.

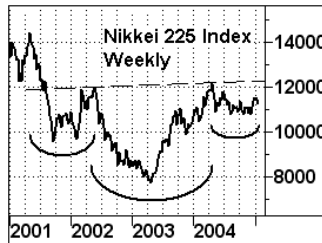
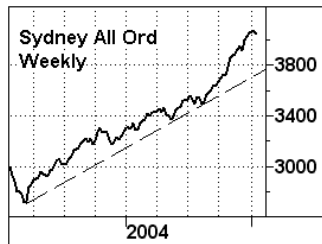
 **SoAmerica:** • **Brazil:** H&S top. Traders long from 23,220 &/or 23,800 exited via TPS for mini gain. Gamblers sell short bit at mkt &/or sell a bounce that fails below 25,000; stop: 2-dc over 25,750. Take ½ profits at 22,500 &/or 21,500. Above mkt buy cue: 3-dc over 26,300; stop: 2-dc below 24,500.

 **Europe:** • **Belgium:** bearish upwedge from Oct low. Sell short 2-dc below 2900 for 2740 profit target; stop: 2-dc over 3000. Re-sell a break below 2700. Buy 3-dc over 3020; stop: 2-dc below 2900. Take ½ profits at 3150. • **France:** rose above reverse H&S base. Traders are long between 3787 & 3821. Take ½ profits at 3925, ½ at 4045. Use TPS to lock in gains. Gamblers sell short 2-dc below 3725; stop: 2-dc over 3815. Take ½ profits at 3560. • **Germany:** broke upwedge. Traders long between 4160 & 4186 took ½ profits at 4295 ☺. Take 2<sup>nd</sup> ½ profits at mkt. Gamblers sell short bit at mkt &/or after bounce that fails below 4320; stop: 2-dc over 4320. Take ½ profits at 4030. Buy after pullback that holds 4000-4070 support band. Take ½ profits at 4290. And/or, buy 3-dc over 4330; stop 2-dc below 4200. • **Italy:** mega historical resistance at 25,000. Buy bit after dip that holds 23,200-23,500 support. Take full profits at 24,895. Sell, or sell short on 2-dc below 23,000; stop: 2-dc over 23,600. Take full profits at 21,650. • **London:** traders long from 4563 take 2<sup>nd</sup> ½ profits at mkt ☺. Re-buy 3-dc over 4860 for run towards 4995 profit/sell target. Sell, or sell short toehold positions on 2-dc below 4760; stop: 2-dc over 4860. Sell more on break below 4670. Take full profits at 4525. • **Netherlands:** 364 pivotal resistance. Traders are long at 342 &/or 344 for 360 profit/sell target. Use TPS to follow upside. Re-buy 3-dc over 366; stop: 2-dc below 350. Gamblers sell short bit on 2-dc below 348; stop: 2-dc over 356. Take ½ profits at 330. • **Switzerland:** rose above reverse (double) head & shoulder base. Traders long at 5537 took ½ profits at 5735 ☺. Take 2<sup>nd</sup> ½ profits at 5875. Sell, or sell short 2-dc below 5600 for 5360 profit target; stop 2-dc over 5700.

 **SoAfrica:** traders long at 12,260 &/or 12,300 exited via TPS for mini gain. Gamblers sell short bit at mkt; stop: 2-dc over 12,800. Take full profits at 11,600. Re-short below 11,400. Buy 3-dc over 12,800; stop: 2-dc below 12,300. Take ½ profits at 13,900.



**Asia/Pac Rim:** • **Australia:** gamblers long from 3936 level take full profits at mkt ☺. Re-buy after dip that holds between 3900 & 3950. Take ½ profits at 4095. Sell, or sell short on 2-dc below 3900; stop: 2-dc over 3970. Take ½ profits at 3730. • **Hong Kong:** failed to hold two stabs above key 14,000 resistance & broke May uptrend. Traders long at 14,262 exit at mkt. Re-buy 3-dc over 14,350; stop: 2-dc below 13,785. Use TPS to follow upside. Gamblers sell short bit at mkt &/or sell after rally that fails below 14,000; stop: 2-dc over 14,315. Take ½ profits at 12,510. • **Japan:** rise above 12,200 needed to validate massive 3½ year inverted head & shoulder base; 16,575 theoretical target. Shortterm traders bought 11,424 for 12,100 upside profit/sell target. Stop: 2-dc below 11,000. If out, buy 3-dc over 11,600. Buy again (big) on rise above 12,200. Take ½ profits at 12,975. Major bear cue: 2-dc below 10,600; stop: 2-dc over 11,000. Take ½ profits at 9750. • **New Zealand** (NZSX 50): buy after dip that holds on or above 3000. And/or buy 3-dc over 3100. Take ½ profits at 3195 & use TPS on rest. Sell, or sell short small size on 2-dc below 2950. Sell again below 2900 for 2750 profit target. • **Singapore:** bearish upwedge. Gamblers bought at 2038. Take ½ profits at mkt, ½ at 2150. Sell, or sell short small size on 2-dc below 2050; stop: 2-dc over 2100. Sell again below 1980 for 1905 profit target.



**CLOSED POSITIONS**

HSL recom's are followed by a wide selection of investors, ranging from novice traders to professional fund managers. And, many Hslm's have requested we give partial profit taking signals (at intermediate resistance levels) to allow incremental exit from medium to large share positions. Thus, recom's to take partial profits can be given up to 3 times before a position is finally exited.

• **Per HSL644:** Solarworld +105%; Kirkland Lake Gold +46%; Penn Virginia Res. +41%; Teck Cominco +40%; Eramet +36%; Massey Energy +34%; Voestalpine Ag +31%; Dragon Oil +30%; CFF Recycling +26%; Generale de Sante +22%; Westmoreland Coal +22%; Centurion Energy +21%; Dynegy +20%; Peter Hambro +20%; Kuehne & Nagel +19%; Randstad Hldgs +18%; Sherrit Int'l +18%; Silver Standard Res. +16%; Ceselio Ag +15%; Chevrontexaco +15%; iShares Nat Res. +15%; BHP Billiton +14%; Fortum Oyj +14%; Neopost +14%; Xstrata +13%; Clarcor +12%; Russel Metals +12%; Total +12%; Trend Micro +12%; Astrazenica +11%; Celtic Expl. +11%; Hexcel Corp +11%; Station Casinos +11%; Technip +11%; Zodiac +11%; Bolloré Inv. +10%; Park-Ohio +10%; Tiffany & Co -2%; iShares Tech GS -8%. • **Per Full FMU 12/19:** CFF Recycling +47%; Teck Cominco +38%; Voestalpine Ag +32%; Massey Energy +30%; Generale de Sante +26%; Westmoreland Coal +24%; Park-Ohio +21%; Russel Metals +16%; Fortum Oyj +15%; Norddeutsche Affinerie +11%; Sherrit Int'l +11%; Total (France) +10%; Group Technologies -7%; Northern Sts Fin'l -14%. • **Profit taking or stopped out:** Ketch Resources +58%; Petrel Res +51%; Groupe Bourbon +16%; Monterrico Metals +12%; Kirkland Lake Gold +9%; Occidental Petro. -2%; EADS -4%; XTO Energy -5%; Dynegy -6%; Placer Dome -7%; Pendragon -9%; Verint -10%; AOC Hldgs -12%; Cain Energy -12%; Castle A M & Co -12%; Countrywide -12%; Headwaters Inc -12%; Insteel Inds -12%; Petroceltic -15%.

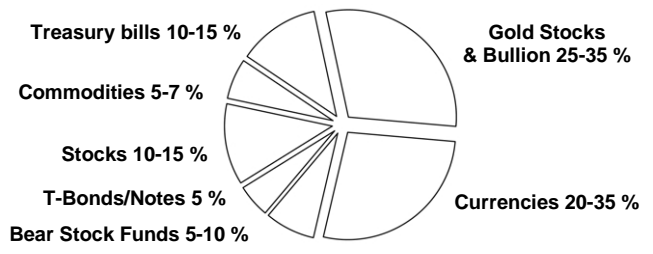
**HSL INVESTMENT BOX**

Managing your assets is a job you can't totally delegate. Know-how is your best protection; learn to do-it-yourself. (Abbrev: ST, MT, LT: short-, medium- & long-term). Changes are underlined. **COUNTRY/REGION WEIGHTING:** US: 20%; Europe: 25%; Cda: 5%; UK: 15%; Oz/NZ: 12%; Asia: 20%; Latin Amer: 3%.

- **5% T-BONDS/NOTES:** 1-year maturities recommended in NZ, Oz or UK treasuries (govt or govt-backed only).
- **10-15% STOCKS** (non-gold's). Put half in energy stks. Lower to 5-7% if Dow Jones World Index (Index: DJW) makes 2 consecutive day close below 178.
- **5-7% COMMODITIES:** via futures & commodity stocks. Conservative investors can buy (Jim) 'Rogers Int'l Raw Materials Fund, LP'. Contact George Rohrs: Tel (US) 312-264-4360. Email: grohrs@pricegroup.com Offshore (clone) fund available for non-U.S investors (min invest. \$100K) via Dundee Leeds Management Services Ltd. E-mail: cayotte@dundeeleeds.bm Or Fax: (441) 292 2239.
- **10-15% TREASURY BILLS:** 90-day or equivalent in first world nations. Maximum 10% in US\$ T-Bills, 75% in AUD\$/NZ\$/CAD\$/Sterling/Euro or equivalent T-Bills, 15% in own/other country (if first world).
- **25-35% GOLD STOCKS & BULLION:** To increase profits in gold shares, we recommend buy & sell trading with stops, not just holding. Our weekly 'Gold Charts R Us' service (GCRU) is available via Net, fax or mail. GCRU offers gold mine charts with specific buy&sell & stops levels for each pick. \*\*\*Note: NEW 'Trend Investors' strategy now included for "learner drivers" & less active investors. Via Internet at rate of: 3-mos \$300, 6-mos \$585, 9-mos \$855 & 12-mos \$1,110. U can sign up online at: www.hsletter.com (click on 'Gold Charts R Us'), or subscribe via fax or mail (see page 3 masthead for contact details). **Note:** Special GCRU '2-Week Taster' offer available at \$45 via: http://www.hsletter.com/GCRUpromo\_Special.html • New Subscribers only (limited time offer).

• **20-35% CURRENCIES:** (See Nutshell, pg 11). Time Deposits &/or actual cash &/or futures. Recommended longterm currency weightings for your portfolio: US\$: 10% or less; AUD\$/NZ\$/CAD\$/Sterling/SwKr: 75%; Euro: 15%.

• **5-10% BEAR STOCK FUNDS:** No current positions. Buy only if/when recommended entry levels are reached. Prudent Bear Fund (BEARX): buy 2-dc over 6.10; mental stop: 5.70. Rydex Ursa Fund (RYURX): buy 3-dc over 9.70; mental stop: 8.75. UltraBear Profund Fund (URPSX): buy 3-dc over 25.50; mental stop: 20.95.



**OPEN POSITIONS**

S/S = shortsale. M/stop = mental stop. Take P/P = take partial profits at mkt. S/C/O = stop close only. Non-US stops are 1-day close above/below indicated stop levels. Price paid is listed after company name, last closing price in brackets.

• **AUSTRALIA:** Northern Gold @ 0.24 (0.28); stop: 0.24 S/C/O. • **CANADA:** Candian Nat'l Res. @ 27.00 (52.53); stop: 44.45; Celtic Expl @ 8.62 (10.05) take P/P; stop: 8.62; Imperial Oil @ 57.90 (71.72); stop: 66.45; Paramount Res. @ 25.59 (27.39) take P/P at 28.65; stop: 23.60; Russel Metals @ 12.75 (15.10) take P/P; stop: 13.30; Sherrit Int'l @ 7.75 (9.79) take P/P; stop: 8.30; Talisman Energy @ 32.00 (35.91) take P/P; stop: 30.45; Tan Range @ 0.91 & 1.90 (1.06); stop: 0.95; Teck Cominco @ 26.40 (35.97); stop: 29.45; Vaquero Energy @ 3.20 (4.84); stop: 3.95. • **FRANCE:** Areva @ 287 (316.30) take P/P; stop: 287; CFF Recycling @ 14.70 (19.26) take P/P; stop: 17.95; Eramet @ 50.00 (69.00); stop: 63.00; Generale de Sante @ 11.87 (16.75); stop: 14.95; Rubis @ 38.25 (38.25) take P/P at 42.45; stop: 36.20; Technip @ 113.20 (130); stop: 118; Zodiac @ 30.50 (34.70) take P/P; stop: 31.00. • **GERMANY:** Fortum Oyj @ 11.55 (13.17); stop: 11.95; Norddeutsche Affinerie @ 12.75

(15.23) take P/P; stop: 12.75; **OMV Ag @ 156 (224.45)**; stop: 202; **Pkn Orlen @ 17.20 (17.29)**; stop: 16.40; **Rio Tinto @ 22.60 (22.90)**; stop: 20.20; **Schoeller Bleckman @ 12.50 (16.95)**; stop: 14.45; **Voestalpine Ag @ 41.10 (55.70)**; stop: 52.00. ••**NETHERLANDS**: **Corus Grp @ 0.77 (0.76)** take P/P at 0.86; stop: 0.68; **Randstad Hldgs @ 24.30 (28.55)** take P/P; stop: 26.95. ••**SWITZERLAND**: **BP @ 11.15 (11.40)** take P/P at 12.50; stop: 10.70; **Kuehne & Nagel @ 194 (235)**; stop: 225; **Syngenta @ 121.10 (126.10)** take P/P at 133; stop: 115; **Xstrata @ 18.50 (20.40)** take P/P at 21.95; stop: 18.50. ••**UK**: **Anglo Pacific @ 94.00 (110)** take P/P; stop: 94.00; **Astrazenica (S/S) @ 2347 (1879)** take P/P; stop: 2250; **Burren Energy @ 425 (484.75)** take P/P; stop: 395; **Dragon Oil @ 42.00 (76.25)**; stop: 59.00; **Palladin Resources @ 128 (173.25)**; stop: 150; **Peter Hambro @ 480 (512.50)** take P/P at 539; stop: 490. ••**USA**: **American Centy Int'l Bond @ 13.80 (14.47)**; stop: 13.80; **Armour Hldgs @ 44.00 (42.07)** take P/P at 48.50; stop: 39.60; **Aviall @ 22.95 (21.29)**; sell at mkt; **Bucyrus Int'l @ 36.10 (35.62)** take P/P at 39.95; stop: 31.55; **BHP Billiton @ 21.25 (24.36)**; stop: 19.50; **Cash America @ 27.60 (26.62)**; stop: 24.95; **Centene Corp @ 29.30 (31.48)** take P/P at 32.25; stop: 25.45; **Chevrontexaco @ 47.62 (51.98)**; stop: 49.95; **Clarcor @ 48.20 (53.11)** take P/P at 55.43; stop: 48.20; **Encore Capital @ 22.25 (20.82)**; stop: 19.10; **Exxon Mobil @ 43.55 (50.44)**; stop: 47.30; **Federal Natl Mtg (S/S) @ 67.75 (64.85)** take P/P at 61.00; stop: 79.00; **General Dynamics @ 101.86 (100.51)**; stop: 95.20; **Hexcel Corp @ 14.30 (14.50)** take P/P at 15.95; stop: 13.25; **iShares Nat Res. GS @ 118.23 (129.79)** take P/P at 134.95; stop: 121.60; **iShares 20+ Trs Lehm (S/S) @ 86.15 (91.01)**; stop: 92.50; **Massey Energy @ 27.20 (34.87)**; stop: 29.95; **Moog Inc @ 40.85 (41.00)**; stop: 38.40; **Park-Ohio @ 21.39 (24.81)** take P/P; stop: 21.39; **Penn Virginia Res. @ 38.30 (51.83)**; stop: 46.80; **Prudent Glb Inc. Fd @ 12.40 (12.45)**; stop: 11.75; **Semiconductors HLDRS (S/S) @ 36.40 (30.22)**; stop: 35.20; **Spdr Tr Energy Sector @ 30.60 (36.40)**; stop: 33.95; **Station Casinos @ 51.05 (56.59)** take P/P; stop: 52.60; **Total @ 98.17 (105.72)**; stop: 99.95; **Transocean @ 39.00 (43.27)** take P/P; stop: 36.40; **Trend Micro @ 47.50 (47.01)**; sell at mkt; **Westmoreland Coal @ 24.25 (28.94)**; stop: 24.25.

**NEW RECOMMENDATIONS**

Non-US stk stops are **1-day close** above/below price for **all** recommendations. Mkt = market. S/C/O = stop close only.

••**CANADA**: **Desert Sun Mining (TSE: DSM - precious metals)** buy if dips between 1.83 & 2.05; stop: 1-dc below 1.60. **Duvernay Oil Corp (TSE: DDV - Oil/gas expl-prod)** buy if dips to 19.55; stop: 17.60. **Gamblers** buy bit at 20.40. **Encana Corp (TSE: ECA - Oil/gas expl)** buy if dips between 66.80 & 68.45; stop: 62.45. **Strathmore Minerals (TSE: STM - Uranium)** gamblers buy small size if dips between 1.60 & 1.80; stop: 1.30. **Speculative.** ••**FRANCE**: **Group Bourbon (CAC: 006590 - Oil/gas svcs)** buy if dips to 37.00; stop: 33.30. And/or buy at 41.00-stop; stop: 36.90. **Siparex Croissance (CAC: 006158 - Invest firm)** buy strength after dip towards 25.60; stop: 23.10. ••**GERMANY**: **Aker Kvaerner (DAX: AOB97B - Oil/gas equip)** buy bit if dips to 21.00; stop: 18.48. **Bumi Resources (DAX: 895404 - Oil/gas Expl-prod)** buy if dips to 0.75; stop: 0.59. **Gamblers** buy bit at mkt. ••**JAPAN**: **Cosmos Oil Co (Tokyo: 5007 - Oil/gas)** buy at mkt; stop: 279. **Forval Telecom (Tokyo: 9445 - Telecom diversified)** buy strength after dip towards 325; stop: 290. **Mitsui & Co (Tokyo: 8031 - Extractive industries)** buy if dips to 910; stop: 825. And/or buy 2-dc over 965. **Mitsui Mining Co (Tokyo: 3315 - Mineral extraction)** gamblers buy toehold longs at mkt; stop: 360. Buy again at

455-stop. **Yodogawa Steel Works (Tokyo: 5451 - Steel prod)** buy if dips to 515; stop: 463. ••**SWITZERLAND**: **Zehnder Group (SMI: 000235293 - Furnishings/flooring)** buy after dip that holds on or above 1450-1500 support band; stop: 1350. ••**UK**: **Aberdeen New Thai (LSE: ANW - Investment Fd)** buy after dip that clearly holds 105; stop: 96.75. **Biofuels Corp (LSE: BFC - Commodity chemicals)** gamblers buy 1-dc over 157; stop: 138. **Friends Provident (LSE: FP - Life insurance)** buy bit at mkt; stop: 147. **Retokil Initial (LSE: RTO - Business support svcs)** sell short small size at mkt; stop: 161. **Tullow Oil (LSE: TLW - Oil/gas expl)** buy if dips to 155; stop: 139. **Gamblers** buy toehold longs at mkt. ••**USA**: **Big Lots Inc (NYSE: BLI - retail disc chain)** gamblers sell short bit at mkt; stop: 12.40. **CHC Helicopter (NYSE: FLI - Oil/gas-field svcs)** buy bit at mkt &/or buy if dips to 42.00; stop: 38.85. **Cost Plus Inc (Nasdaq: CPWM - Retail-home furnishings)** sell after bounce that fails below 30.00; stop: 33.55. **Gamblers** sell small size at mkt. **Phelps Dodge (NYSE: PD - Metal ores)** buy if dips between 93.25 & 96.36; stop: 85.70. Or, buy 2-dc over 102.50. **Quicksilver Resources (NYSE: KWK - Oil/gas expl-prod)** buy if dips between 37.00 & 38.50; stop: 32.85. **Superior Industries Int'l (NYSE: SUP - auto/truck equip)** sell short after bounce that fails at or below 27.00; stop: 29.75. **Usec Inc (NYSE: USU - Energy/uranium)** buy if dips to 10.00; stop: 8.95. Or, buy at 11.25-stop; stop: 9.90. **Valero Energy Corp (NYSE: VLO - Oil/gas refining)** buy if dips between 44.50 & 46.00; stop: 40.65. **Gamblers** buy bit at 47.10.

**HSL MODEL PORTFOLIO**

NOTE: USA stops are INTRADAY. All others are a 1-day close beyond stop price.

S/C/O: stop close only; LT: Long-term; MT: Medium-term; ST: Short-term

STOCKS	Price Paid	Jan 22/05	STOPS	Gain/Loss
<b>Australia</b>				
Rio Tinto	14.00	41.25	LT: 35.50 S/C/O	+194%
<b>Canada</b>				
Gammon Lake	2.56	6.26	LT: 5.60 S/C/O	+144%
Silver Standard	3.65	14.82	LT: 12.30 S/C/O	+306%
True Energy	1.88	4.30	LT: 2.95 S/C/O	+128%
<b>France</b>				
Maurel & Prom	4.95	17.01	LT: 8.0; MT: 10.00 S/C/O	+243%
<b>Germany</b>				
Solarworld	28.50	73.60	LT: 36.00 S/C/O	+158%
<b>Netherlands</b>				
Mittal (merged Ispat)	6.00	27.59	LT: 18.00 S/C/O	+360%
<b>So.Africa</b>				
Gold Fields	4.75	12.10	LT: 9.00 S/C/O	+155%
<b>U.K</b>				
Bisichi Mining	106.00	274.50	LT: 155.00 S/C/O	+159%
Centurion Energy	156.00	601.00	LT: 375 S/C/O	+285%
Jkx Oil & Gas	45.50	111.50	LT: 92.00 S/C/O	+145%
<b>U.S.A</b>				
Agnico Eagle (NYSE)*	6.50	13.24	LT: 10.00 S/C/O	+104%
Glamis (NYSE)*	3.27	16.82	LT: 12.29 S/C/O	+414%
Petroleum Dev Corp	13.20	37.18	LT: 28.00 S/C/O	+182%
<b>FUNDS</b>				
<b>USA</b>				
Nauticus C (Tudor BVI)			Jan 01 - Oct 04 (est)	+82%
Oceanus (Tewksbury)			Jan 01 - Oct 04 (est)	+38%

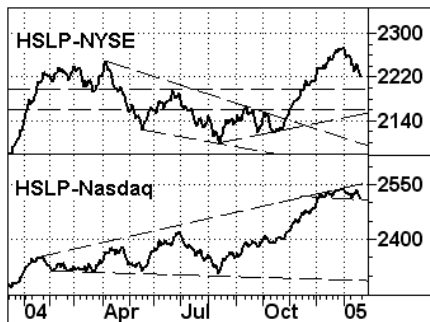
The average gain for the 14 stocks only listed above is +212.64%. When dividends are added on a reinvestment basis (base S&P 500: 1973-1995), the gain is +578.75%.  
\* This Canadian stk traded mainly in US.

**HSLP (HSL MARKET PREDICTOR)**

**HSLP-NYSE:** powerful rally-leg from Oct lows exceeded 2248 measured target of 7-month downwedge. Current overbought condition invites consolidation dip towards 2195 support with 2160 extended target (NYSE Comp 6700 equiva-

lent). Developments at/above these pivotal support levels expected to give next indication on **medium term trend**, ie, prolonged break of 2160 would raise odds for a resumption of the major bear mkt, whereas base action (above 2160) & new monthly highs may provide springboard for a surprising strong buying climax/conclusion to the secondary move.

**HSLP-Nasdaq**: rose to 2537 to push technical limits of bearish broadening top (B/T). A dip below 2508 neckline of new 7-week head & shoulder top would terminate Aug rally-leg & leave **HSLP-Nasdaq** vulnerable to the type of **vicious** sell off normally associated with B/T formations (2300 minimum downside target). **Not** a good omen. **HSLP-Nasdaq** can be viewed between **HSL's** via online mkt updates (see Web Box. Pg 4).

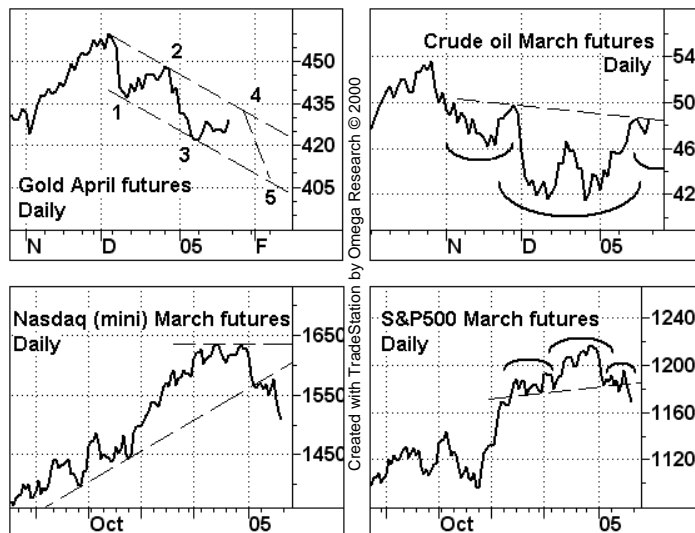


**BACK TO THE FUTURES**

•Written: Jan 22, 2005. Comments below concern trades from prior **HSL's** only (not **FMU's**). **TPS** = Trailing Profit Stop.

**..Euro (March Cx)**: gamblers long at 1.3290 took ½ profits at 1.3490 & exited 2<sup>nd</sup> ½ via **TPS** ☺. **H&S** top (1.2320 theoretical target) vs. **poss** bullish downwedge. Sell short 1-dc below 1.2880; stop: 2-dc over 1.3050. **Or**, sell short after bounce that fails below 1.3100; stop: 2-dc over 1.3100. Take ½ profits at 1.2680 &/or 1.2520. Gamblers (only) buy bit on 2-dc over 1.3100; stop: 1-dc below 1.2950. Take **full** profits at 1.3390. Re-buy 3-dc over 1.3450. **..£ - GBP (March Cx)**: downwedge hints at shortterm bounce; stability **uncertain**. Vegas gamblers buy toehold longs **at mkt** (if up on day); stop: 1-dc below 1.8560. Take **full** profits at 1.9050. **Or**, buy after dip that holds 1.8200-1.8375 support band; stop: 2-dc below 1.8200. Take ½ profits at 1.8790. Sell short a rally that fails at or below 1.9050-1.9160 resistance; stop: 2-dc over 1.9160. Take ½ profits at 1.8700. **..Yen (March Cx)**: symmetrical triangle. Traders who bought a dip between .9475 & .9550 took ½ profits at .9790 & exited 2<sup>nd</sup> ½ via **TPS** ☺. Buy strength after dip that holds .9575-9635 support band; stop: 1-dc below .9540. Take ½ profits at .9795. **Or**, buy big on 2-dc above .9840 for run towards 1.0150 **theoretical** target; stop: 2-dc below .9700. Sell short 1-dc (2-dc if not decisive) below .9540; stop: 2-dc over .9650. Take **full** profits at .9270. **..US\$ Index (March Cx)**: reverse **H&S** base. Gamblers short from 82.20 level exited via **TPS** for mini gain. Buy bit **at mkt** &/or buy after dip that holds above 82.70; stop: 2-dc below 82.70. Buy more on rise above 84.25 (**H&S** neckline). Take ½ profits at 85.70. Gamblers sell short **small** size on 2-dc below 82.70; stop: 1-dc over 84.25. Take ½ profits at 81.00. **..DJIA: (March Cx)**: gamblers long at 10,585 (or **better**) took ½ profits at 10,785 & exited rest via **TPS** ☺. Sell short 2<sup>nd</sup>-dc below 10,425; stop 2-dc over 10,570. And/or, sell short after bounce that fails below 10,640 resistance; stop: 2-dc over 10,640. Take **full** profits at 10,055. Gamblers buy bit on 2-dc over 10,640; stop: 2-dc below 10,480. Take ½ profits at 10,840. **..Nasdaq mini (March Cx)**: Sell short bit **at mkt** &/or sell after rally that fails below 1550-1575 resistance; stop: 2-dc over 1575. Take ½ profits at 1438. Bulls **wait** for **poss** basing action to develop on or above 1400-1438 support band, or rise above 1638 for new buying. **..S&P 500 (March Cx)**: broke down from **H&S** top. Gamblers sell

short **at mkt** &/or (all) sell after bounce that fails below 1183; stop: 2-dc over 1183. Take ½ profits at 1140. Above **mkt** buy cue: 2-dc over 1200; stop: 1-dc below 1175. Take ½ profits at 1240. Use **TPS** to **lock** in any gains. **..T-Notes (March Cx)**: symmetrical triangle. Sell short 2-dc below 111^00; stop: 2-dc over 112^00. Take ½ profits at 109^12, ½ at 108^09. Buy mini size on 2-dc over 113^00; stop: 2-dc below 111^28. Take ½ profits at 114^18 & use **TPS** on rest. **..Gold**: traders who bought Feb Cx after dip to 436 exited with small profits or at breakeven. **April Cx**: gamblers sell short after rally that fails at or below 437-440 resistance; apply 8-pt trailing stop above daily close (do not raise stop if higher close made). Take ½ profits at 420 (if short at higher level) &/or 410. Needs sustained rise above 440 &/or base action that develops on 400-408 support to justify new longs.



**ACTIONS TO TAKE - IN A NUTSHELL**

- • US dollar in bear mkt relief rally, offers shortterm buy opportunity; possible 86-88 upside target basis March Dollar Index. Hedge **non-US\$** currency exposure via futures &/or temporarily convert 5-10% of **non-US\$** time deposits to US\$ (&/or use profits from recent gold trades). US subscribers can contact Chuck Butler at Everbank for info on FDIC insured world currency accounts. E-mail: everbank-worldmarkets@everbank.com. • • Most global equity mkts show signs of shortterm fatigue. Raise stops up VERY tight.
- • Gold bullion making possible 5-step correction from Dec peak. Leg 4 rally (where we are now) is fading. Leg 5 target area is 390-400. Reduce gold shs exposure &/or hedge (via short sales in stks &/or futures) into shortterm strength. Plan buying slowly around 400. • • A pullback in crude oil that **holds** on or above 46.00 may form right shoulder of reverse (double) head & shoulder base; 58.80 **theoretical** target. Increase exposure to oil, gas & energy related stocks on strength from 46.00 &/or on rise above 50.00.

• • • • • **Top Picks of the Month** • • • • •

- • **CANADA**: Duvernay Oil Corp (TSE: DDV - Oil/gas expl-prod) buy if dips to 19.55; stop: 17.60. Gamblers buy bit at 20.40. • • **JAPAN**: Cosmos Oil Co (Tokyo: 5007 - Oil/gas) buy at mkt; stop: 279. • • **UK**: Tullow Oil (LSE: TLW - Oil/gas expl) buy if dips to 155; stop: 139. Gamblers buy toehold longs at mkt. • • **USA**: Big Lots Inc (NYSE: BLI - retail disc chain) gamblers sell short bit at mkt; stop: 12.40. Quicksilver Resources (NYSE: KWK - Oil/gas expl-prod) buy if dips between 37.00 & 38.50; stop: 32.85.

**Uncle's Notes:** Our page 1 cartoon was sent to me by our in-house cartoonist, Reggie, with the following note: "This is an ink blot test, which can be interpreted as the viewer sees fit. Most people will probably see themselves as the giraffe, which in the main is not valid. In truth, the earth is trying to find its way while under the influence & control of various delusions, denials & '1984' impositions, & represents the mass. The giraffe represents a near-extinct species, almost non-existent." Ink blot in your court. . . . Zimbabwe is teaching us a lesson. Outsiders can't help when a legitimate govt evolves into a dictatorship (read: strong left or right wing govt). Insiders must stop the rot before it's too late, before it evolves into that mode. This applies to every nation. U usually don't get a 2<sup>nd</sup> wakeup call.

China's economy is a font of fear & attraction, rightly says Keith Bradsher (NYT). HK&S Bank confirms that bank assets in China will surpass those in the US by 2034. It'll be felt in stages steadily between now & then. In industry after industry, nation after nation, from steel to oil to cars to credit cards, China is poised to become the world's biggest producer & market for a great many goods & services. It has/will call for competitors to slash prices by 25-50%, job losses, other cutbacks, outsourcing, moving to China. Europe is worst positioned. US next. Will it lead to a defiant set of quotas & tariffs or world depression & ultimately to war? If the past be prologue, yes, all 3 are possible. I'll probably visit China this year for a closer look.

Congrats to OECD for bravely saying: leading nations which continue to run persistent budget deficits are "sacrificing their children." They'll inherit recession, poverty, depreciated currencies. . . . Congrats to new Euro Enterprise (not Startrek) Commissioner Gunter Verheugen, who vows to slash red tape, remove unnecessary restrictions, screen existing laws to delete or simplify, & pass no laws without proper impact assessment. Good luck! We should clone him, for all nations! PS: He also wants to end a 15-yr battle with the French over EU patents, wants them registered in English only! This is realism, for though Europe has only 1 English speaking nation (UK), the new wider Europe can only jointly speak English—now the business language of the world. The French will just have to live with that.

Columnist Thomas Friedman clarifies for the world that newspapers (& by inference, newsletters & news mags) are "another form of intelligence gathering." Just as effective as most govt agencies, IMO. Better at times (eg, Afghanistan & HSL). And the fewer layers of editors in-house, the better says TF. I agree. If I submit an article for an opinion to all my think-tank, I get many views, often divergent. Excessive cooks at times. One needs reality checks, but final judgement is solitary, for generals, writers, teachers, CEO's, etc.

Socialists be damned. The taxers of the world (socialists) are determined to "harmonize" taxes in Europe. But after 3yrs of wrangling, the pinks haven't won yet. Austria (3 cheers) is among the holdouts, thankfully preventing unanimous agreement. Austria reports a sharp increase in the number of foreign investors in '04 since they slashed Corp taxes to 25%, lowest in EU. . . . US SEC seeks more disclosure on executive pay. I'm with the SEC. If a company is private; no need! But a public company has no right to keep exec pay secret. Secrecy implies excess payment & under-table perks. That implication needs visibility. Let's not forget the ex-NYSE head-jerk. . . . Final fine-tuning: IMO, the US\$ is a buy or a rebuy at 84.25-stop (basis Mar. contract) for the shortterm (3-7 wks?). . . . End of Uncle Notes. . . . HSL is at home in the world, permanently anchored to no dock. . . . HSL is an attitude, an approach, as well as a microscope & a telescope.

**Potpourri** Thanks to many of U who sent Christmas cards. Thank goodness the Email has not taken over Christmas like they have birthdays. People still send nice cards. In a way it's like the difference between sending a fax—on any subject—or sending an email. A fax requires real effort, several steps; they're not undertaken so easily. But emails have little meaning anymore; they require almost zero effort & we (all) send things to 8 people at a time. *Mia culpa*. I'm guilty too, but I try to break the habit. We need *Emails Anonymous*. Besides which, email is how govts want U to communicate, as they can track EM easily & record everything. Fax-tracking is far more difficult for them. And faxes don't crash, corrupt, glitch or erase what U wrote! Or cause stress, eyestrain, or neckache. ☺ *Email is the wave of the past*. I hope. *Faxes are the future*, unless U are masochistically inclined ☺. Emails are not all bad, but we've overdone it & neglected the personal, substituted speed for sensitivity. Faxes never say: my server is down, as with AOL lately. I couldn't email anyone with an AOL address for 3wks. There, I feel better I got all that off my chest! ☺

Neologism Contest (via WP). Alternative meanings for common words: 1. Coffee: the person upon whom one coughs. 2. Flabbergasted: appalled over how much weight U've gained. 3. Abdicate: to give up all hope of ever having a flat stomach. 4. Esplanade: to attempt an explanation while drunk. 5. Willy-nilly: impotent. 6. Negligent: describes a condition in which U absentmindedly answer the door in a nightgown. 7. Lymph: to walk with a lisp. 8. Gargoyle: olive-flavored mouthwash. 9. Flatulence: emergency car that picks U up after U are run over by a steamroller.

**Thanks** also to so many of U who sent in a record number of 2 & 4-year subscription renewals, to both HSL & GCRU, cashing in on year-end tax-deductible discounts. Family members remain loyal & with vigour! Now if we could coax a few new subscribers, we could be a better Paul Revere. Gift subscriptions, anyone? ☺ . . . Literal jokes: A dyslexic man walks into a bar. . . . A man walks into a bar with a slab of asphalt under his arm & says: "A beer please, & one for the road." . . . Two cannibals are eating a clown. One says to the other: "Does this taste funny to U?" . . . Two antennas meet on a roof, fall in love & get married. The ceremony wasn't much, but the reception was excellent. . . . A jump-lead-cable walks into a bar. The bartender says, "I'll serve U but don't start anything." . . . A sandwich walks into a bar. The bartender says, "Sorry, we don't serve food in here."

**Next HSL** will be mailed on Mar 14 or more likely on Mar 21 (due to moving). Email & fax subscribers will have HSL in hand Sunday Mar 13 or Mar 20. (or Mar 27 if moving goes blah). Next Gold Charts R Us: Jan 26 (each Wednesday). Next FMU (Market Update): Feb 27. Whew! . . . An Hslm writes: "Restaurants should have a sign on front door: Lunch \$/£50. Lunch using mobiles: \$/£65. Lunch using restaurant as an office (over 1 hour): \$/£75. . . . Dr.Phil (popular US TV personality) says "Parents over-indulge their kids. That doesn't prepare them for the world; it is no favour to give kids an easy time." I've met a lot of those overindulged. Takes them years to get over spoiling. Some never do. Rich kids are at a severe disadvantage. . . . More literal jokes: . . . 2 cows standing next to each other in a field. Daisy says to Dolly, "I was artificially inseminated this morning." "I don't believe U," said Dolly. "It's true, no bull!" replied Daisy. . . . An invisible man marries an invisible woman. The kids were nothing to look at either. . . . Got to go feed the giraffe now. Hope U thought this was a 5-giraffe HSL. Bye from your Uncle Harry D (for Droll) Schultz

