Wealth Creation

. . . and Preservation

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Is your will up to date?

Last quarter I sent you some information about Prepaid Legal Services, the original "half" of the Identity Theft Shield product I have discussed in recent issues of *Wealth Creation & Preservation*. I don't believe I mentioned that a Prepaid Legal membership is probably the least expensive way for you to get your will and other essential legal documents drafted and updated regularly.

Prepaid Legal Services (NYSE: PPD) has been around for 35 years. I have been using my membership since 1986, and though I have generally been pleased with the service over the years I am delighted that it has improved dramatically during that time.

Have you ever said to yourself "I wish I could talk this over with a competent attorney?" Now you can - and the cost is far less than you might expect.

Most of my clients ought to have a Prepaid Legal membership. In addition to wills you can consult with a lawyer regarding any legal matter including real estate transactions, motor vehicle incidents, financial obligations, and much more.

Please review the enclosed information and call or email me if you have questions or would like to know more.

MARKET VOLATILITY

. . . and what it means to you

Last month I observed something I had not noticed previously. In my own trading, and when I trade on behalf of my clients, I usually avoid "expensive" stocks. (I think a stock is expensive if it sells for more than $25 a share). On more than one occasion last month I saw stocks like BHP Billiton fall as much as 6% to 10% in the course of one trading day, even though the overall market was only down 1% or less.

Now, falling 6% to 10% in one day is not unusual for a "penny stock". As I have mentioned in recent e-mails to my clients, I have seen stocks like ITRO rise 100% in one day and fall 67% the next. However, penny stocks are just that; they sell literally for pennies per share. You buy them knowing that they have tremendous potential and significant risk, and you don't put a lot of money into any particular one.

When you buy BHP Billiton, however, just by purchasing 100 shares you are making a significant financial commitment. 100 shares can cost you $7,500, and if the stock falls four dollars per share in one day

Charles W. Kraut, MBA

Please contact us at our new website:

www.wcandp.com

In this issue:

from *The Daily Reckoning*

"It is all a "fairy tale," said Bill Clinton. Of course it's a fairy tale. The whole campaign is a fairy tale – lies told by delusional desperadoes...earnestly reported by hacks...and taken up by a public eager for make-believe.

"American politics, like the empire itself, suffers from some wasting disease. But even from its hospital bed, it still puts on a good show. The whole baroque fandango is one part Dada theatre, one part religious revival...and one part low-budget circus. Nothing that is said is reliable; most is absurd or incomprehensible...and there are clowns everywhere. The important thing from the spectator's point of view is to suspend disbelief...and enjoy it. . . .

"'Google "presidential candidates" and "change" and you get 4,560,000 examples. Barack Obama promises "change you can believe in." The democrats suggest that you can "vote for change" by choosing one of them. John Edwards website says, "if you're ready to change our country, please join us."

"Change is the only thing that all of the candidates agree on – they're all opposed to it; each one pledges to do his level best to stop it. If there is going to be any change at all, it is going to be over their dead bodies. Which would probably be the best way. Voltaire once remarked that the best form of government was democracy, "with an occasional assassination." But it would be a waste of time. For not only are the candidates are opposed to change; it's the last thing voters want, too."

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you are down $400.00. That's about as much as you and I usually pay to take a position in a penny stock.

I then looked at a chart for BHP Billiton, and notice that the stock had "gone exponential" since about 2005. That means that after meandering in a trading range of somewhere between $1 and $10 per share for a number of years, the stock had turned up sharply to the point that it was almost moving straight up. One of my basic rules of investing, whether for myself or for my clients, is never to buy *anything* that is going straight up. It's simply too dangerous to do so, because the risk of a change in trend is just as great as the likelihood of a continuation of the trend. Yes, the stock may have been playing "catch up" for some time until it was trading at a "market multiple", but once the stock's price brought it to a certain price/earnings ratio, it would certainly be time to bail out. The hard part is knowing what price that would be.

It doesn't matter what your opinion is of that particular stock, or commodity, or mutual fund, or whatever it is you are looking at. **When something has gone exponential it's time to move out and stay away. At the very least, it's time to hedge or use some means to protect your positions**, should you decide to keep them.

The stock market today

I looked at several other stocks, all of them in the "commodities" arena, and discovered that many of them had likewise gone exponential. If you own a mutual fund that holds stocks in a particular industry, and many of the stocks in that industry have gone exponential, it is entirely likely that the mutual fund itself has gone exponential, and should be sold.

Making one more logical step, I looked at the overall stock market and discovered that it too has gone exponential. During its entire existence through 1993 the S&P 500 had never closed above 500. On March 10th of 2000 the S&P 500 peaked at 1552.87, an all-time high. In a little more than six years the S&P 500 had tripled - and had gone exponential in the process.

I spent 2000 through 2002 siding with Robert Prechter's argument that the market had reached the end of a cycle, and that we could expect the market to fall sharply over the next several years. Prechter was wrong and so was I, and by early 2004 I realized that we had always had at least a 50-50 chance of a new all-time high. You may recall that I repeatedly informed you of this possibility, and when I had become more comfortable with the Refined Elliott Trader software my confidence in a new all-time high increased dramatically.

In October 2007, the month that is mistakenly famous for market collapses, **the S&P 500 passed its previous high and moved 24 points higher**. Once that happened I began talking about "musical chairs" once again, for **it was**

obvious to me that the market was going to enter a period of great volatility. I felt that increased volatility was inevitable simply because having reached a new all-time high the market was much closer to *finishing* a long cycle than it was to *beginning* one, and the odds of a major decline had increased significantly. Back then and today I didn't expect the stock market to find its new direction quickly; in fact, we could see several years of volatile trading in a relatively narrow range. For example, for most of the year 2007 the Dow Jones Industrial Average (DJIA) traded roughly in a range between 12,000 and 14,000. That's a very wide range, even for a directionless market, and it means that we will see and are seeing significant volatility.

Many people, including many professional money managers, have a very difficult time making money in "range-bound" markets. In November 2007, for example, I watched in dismay as many stock mutual funds gave back all of the year's gains and then some as the market moved from the top of its range to the middle. In many cases the fund was down for the year even though the stock market was still up for that same period.

What is volatility?

Volatility refers to the normal range in which something will trade as well as the speed at which its price changes. For example, the stock of a company that can rise or fall 10% in one day is a very volatile stock.

When the market itself is in a very broad trading range, you would be right in expecting many stocks in that market to likewise trade in a very broad range. When you have high volatility, you have higher risk. It becomes more difficult to reach your target return because there are more risks affecting your investments than usual.

I correctly anticipated the volatility of the US stock markets to the extent that I put much of my clients money that should be committed to those markets into Equity Index Annuities (EIAs). **By using EIAs we eliminate the potential for a downside, though we have to pay a price to remove that risk.** You don't hire an investment manager to successfully time a highly volatile market, because very few of us are capable of doing that. Instead, you would turn to a hedge fund, if you had enough money to buy one. Unfortunately, many hedge fund managers had a bad year in 2007, primarily because of the volatility they are *supposed* to turn to their benefit.

All right, we are now three pages into this article and you are wondering where this is going. Here's what you need to know:

1. **The volatility in the broad market affects every industry in that market.**

2. Though governments attempt to reduce volatility and "stabilize" markets (whatever that is supposed to mean), **volatility is actually *exacerbated* by government intervention**, as witness recent action by the President and Congress regarding the subprime mortgage mess.

3. **Some of the industries I believe you ought to have money in have gone "exponential"**, and are much riskier than they were two or three years ago.

4. Foreign markets are still greatly affected by what happens in the United States, even though they have grown much larger in the past 20 years and represent a much larger share of the world's capital.

I determine a target return for your money each year. That target is determined by an assessment of inflation, tax rates, and the trend of the dollar against a basket of foreign currencies. **If we manage to hit that target all we have done is**

S-I-R

Savings

ING Direct is currently paying an FDIC-insured 4.10% for those of you with Internet access. Otherwise, look for the best interest rates you can find at your local bank and Credit Union. *To open an ING Direct account, please e-mail me and I will send you a coupon good for $25.00 cash.*

Everbank (www.everbank.com) offers an FDIC-insured checking account which pays a minimum of 3.01% with no fees. Their Money Market Account pays 4.26% APY. Please see their website for further information.

Investment

My recommendations for investment and retirement money have changed slightly. Check the *Recommended Investment Allocations* section. You should now increase your holdings in precious metals, particularly silver coins and 1-ounce Eagles. **20-25% of your net worth should now be in a combination of precious metals and foreign currencies.**

Your Investment program can also include the "*Stocks at a Discount*" *Program* and *The Silver "Insurance" Program*.

Retirement

A significant portion of your retirement money should be invested in places where it is guaranteed by top-quality companies. This means Total Return Fixed Annuities (TRFAs) and Equity Index Annuities (EIAs).

The balance - up to 50% or more, depending upon your circumstances - should be diversified into investments which have the potential to beat inflation, taxes, and the declining dollar. This would include the precious metals and energy funds, domestic and foreign stock mutual funds, foreign currencies, the precious metals themselves, and a few others. *All investments should be professionally managed and timed*.

How Goldman Sachs profited from the subprime meltdown

"Traders at the company bet against securities backed by risky home loans even as Goldman's mortgage department was underwriting them, raising questions about the balance of responsibilities.

By The Wall Street Journal

"The subprime-mortgage crisis has been a financial catastrophe for much of Wall Street. But at Goldman Sachs, thanks to a tiny group of traders, it has generated one of the biggest windfalls the securities industry has seen in years.

"The group's big bet that securities backed by risky home loans would fall in value generated nearly $4 billion of profits during the year that ended Nov. 30, according to sources familiar with the firm's finances. Those gains erased $1.5 billion to $2 billion of mortgage-related losses elsewhere in the firm.

"On Tuesday, despite a terrible November and some of the worst market conditions in decades, analysts expect Goldman Sachs to report a record net annual income of more than $11 billion.

"Goldman's trading home run was blasted from an obscure corner of the firm's mortgage department - the structured products trading group, which now numbers about 16 traders.

"Two of them, Michael Swenson, 40, and Josh Birnbaum, 35, pushed Goldman to wager that the subprime market was heading for trouble. Their boss, mortgage-department head Dan Sparks, 40, backed them during heated debates about how much money the firm should risk.

"This year, the three men are expected to be paid between $5 million and $15 million apiece, people familiar with the matter say.

". . . Goldman's success at wringing profits out of the subprime fiasco, however, raises questions about how the firm balances its responsibilities to its shareholders and to its clients.

"Goldman's mortgage department underwrote collateralized debt obligations, or CDOs, complex securities created from pools of subprime mortgages and other debt. When those securities plunged in value this year, Goldman's customers suffered major losses, as did units within Goldman itself, due to their CDO holdings.

"The question now being raised: Why did Goldman continue to peddle CDOs to customers early this year while its own traders were betting that CDO values would fall? A spokesman for Goldman Sachs declined to comment on the issue. . . "

to retain your money's purchasing power for that year; your money hasn't gained anything in real terms. If we make any amount less than the target, in all likelihood you have lost money in real terms. For many years, perhaps as far back as 1945, most people who had money in the stock market have lost money in real terms year after year.

Fixed or guaranteed products, such as certificates of deposit and fixed annuities, never have and never will keep ahead of inflation and taxes, much less a declining dollar.

The bottom line: As long as we have inflation - and we have had it in earnest for half a century or more - **if you want your money to grow you must take some risk.** In times of higher volatility like today, those risks are greater than usual and it is more difficult to keep ahead.

The bottom line

I haven't defined a target for 2008 because it is still too early in the year to do so. However, if I assume constant taxes and about 7% inflation, along with a 5% decline in the dollar, the target will be somewhere around 10%. (There is some overlap between inflation and the dollar's decline.)

If we are going to hit the target in 2008 I am going to have work harder than ever. **Whether I am successful or not you are going to see greater volatility in your non-EIA accounts from month to month throughout this year.**

I continue to hone and refine my strategy as the investing environment changes. The fundamental premises for that strategy remain the same:

1. The Federal Reserve, with the tacit consent of the Congress and the President, is systematically destroying the dollar. The dollar is going to zero - or some reasonable approximation of zero. It is already more than 97% of the way to zero.

2. The United States Government is bankrupt by every definition. Only the misplaced faith millions of people place in Federal Reserve Notes - a.k.a. the dollar - keeps us going.

3. The current Chairman of the Federal Reserve, nominally the most powerful man on the planet, has demonstrated repeatedly that he doesn't have a clue about his job or even the basics of macroeconomics.

4. The United States, once the world's economic giant, has reduced itself to a shadow of its former self. A nation's wealth is created by its industrial might, and we have been shipping ours overseas for decades.

5. The 3rd World is endeavoring to make its way into the "1st World" along with us. The world's most populous country, the Peoples Republic of China, is making great strides in that direction - and destroying itself ecologically in the process.

6. For the first time in history the world is running out of many essential, non-renewable resources. We may already have seen Peak Oil; we may soon see Peak Silver, Peak Lithium, Peak Platinum, Peak Natural Gas, Peak Uranium, and even Peak Fresh Water. In my view, the economics of scarcity will be the dominant theme of the rest of our lives - and most of us haven't the faintest idea of how to deal with it.

7. There is little or no political will in our government - or any other of which I am aware - to seriously address and solve these problems. Americans in particular are prone to ignoring problems until they become critical. We knew the levees in New Orleans were in poor repair but did nothing until a hurricane broke

them. We know that 162,000 or 27.5% of the nation's bridges are rated structurally deficient or functionally obsolete, but it takes a major rush-hour collapse to bring any attention to the danger. America passed its peak of oil production in the 1970s, but rather than formulate a national policy of conservation, development of alternative energy sources, and shepherding the remaining resources around the world we buy Hummers and Suburbans while we invade, antagonize and threaten countries possessing the oil we desperately need.

I pledge my best efforts as I continue my work with new and better tools, and as I focus on real profits with minimal risk.

Recommended Investment Allocations

PLEASE NOTE: Beginning with this issue I have eliminated all of the mutual fund families I track except for Franklin Templeton and Fidelity. Very few of my clients have any money in MFS, John Hancock, American Century and others, and this frees up a little space for analysis and commentary.

The "A" Strategy - An income-producing and low -risk strategy using bond funds and money market funds. **All 'A' Strategy money should now be in U.S. Government Bond Funds.**

Type I accounts - Moderate risk, seeking growth using combinations of all available funds. **Note that there are significant changes below to Fidelity Funds.** I will now show you two hypothetical Fidelity accounts, one with access to all the mutual funds, stocks, ETFs and options available in a Fidelity Brokerage account (Investment and Retirement accounts including IRAs, SEP-IRAs, and some 403(b) accounts), and 403(b) and other retirement accounts which have access only to a limited group of the Fidelity Funds.

FranklinTempleton Funds

- 15% Franklin Gold Fund
- 15% Franklin Natural Resources Fund
- 45% Franklin US Government Securities Fund
- 25% Franklin Money Fund

Fidelity Funds Brokerage accounts: ETFs, stocks, mutual funds and options. A * means that a stock has options. Stocks in **boldface** are owned by many of my clients with Fidelity or other brokerage accounts.

- "Stocks at a Discount" High-yielding ETFs: **GDF**, **VVR**, **CMK**, JCE, JGT, **BHY**, EMD, SBW, and MGF
- "Stocks at a Discount" penny stocks: AENS, BCTE, **ITRO**, **SCLL**, ETRUF, PEGX, SWFCF, UGTH, WWAT, **XSNX**
- **High-yielding energy-related stocks and ETFs:** AAV*, PGH
- "Commodity" stocks: AXU, BHP*, CNS, **GDX***, SPN, USU*.
- "Commodity" ETFs: **SLV**, GLD, PBW, PHO
- Other stocks - RET recommended: BHP*, VLO*

Fidelity Funds non-brokerage accounts: limited to the Fidelity Funds only

- 40% Fidelity Government Income Fund
- 15% Fidelity Select Utilities Growth Portfolio
- 15% Fidelity Select Natural Resources Fund
- 10% Fidelity Select Gold Fund
- 20% Fidelity Money Market Fund

Recommended Reading

I frequently run across books I feel are worth your time. Almost all of them are nonfiction and pertain in some way to my business.

The Long Emergency, by James Howard Kunstler. My background is quite similar to his, but even so I am surprised at how very much we are in agreement. This book is heavy reading in that it portrays the logical outcome of the convergence of Peak Oil and global climate change. I do not believe that we will experience the events he predicts as soon as he anticipates, and I also continue to hope that Ray Kurzweil is right about the accelerating growth of technology, but if Ray is wrong and Kunstler is right you will want to read and heed this book.

"Stocks at a Discount"

NOTE 1: I own some of the stocks mentioned below, and I actively trade most of them. Prices quoted are as of January 18th. Please use a trailing stop (TrSt) with these stocks whenever possible.

NOTE 2: I suggest you hold off buying anything until the stock market has completed its current decline. The S&P may decline as far as 1220 before it begins to recover. That level should give us a very good buying opportunity.

Buy (Closed-end Funds):

Now that the subprime mortgage mess has begun to implode all of the closed-end funds we utilize have dropped significantly in value. That provides some good bargains for us but it also means that they are getting close to the prices at which we will cut our losses.

Please look at "What Do the Stock Symbols represent?" below for yield and discount information.

"Stocks at a Discount"

(Continued)

1. Buy Western Asset Global Partners Income Fund (GDF) at $11.30 or better. This is a Mark Skousen recommendation; remember that Mark believes in holding things for the long term and is not a technical analyst. GDF is a particularly volatile closed-end fund, and has give us nice profits up till now. (TrSt $.30)

2. Buy MFS InterMarket Income Trust (CMK) at $8.05 or better. (TrSt $.25)

Buy (Aggressive/"Penny"/"Story" Stocks):

1. Buy Alexco Resources (AXU) at $4.50 or better. We recently sold it at $5.40.

2. Buy iShares Silver Trust (SLV) at $140.00 or better and plan on holding it indefinitely.

4. If you bought Octillion Corp. (OCTL) at $3.15 or better it continued to fall and you should have taken yourself out of the position. (Trailing stops are not available for OCTL). We are getting back in now that it has fallen to $1.40.

Current Positions:

1. We continue to hold MFS Government Markets Income Trust (MGF) at $6.28 or less. It pays a nice dividend, and the biggest bond manager in the world says Treasuries might get into a rally. Current price is $6.94. **Hold**. (Raise your TrSt to $6.75).

2. We bought XsunX (XSNX) several times, and are currently holding only a "half position" (about 1,000-1,500 shares) Current price: $.42. Hold only 1,000 shares or less.

4. We bought Itronics (ITRO) at $.019 or better. We bought and sold it profitably several times, and recently bought more at $.013 or better. You might want to own at least 30,000 shares. ITRO is currently all the way down to $.0032 and continues to trade very heavily. We recently took profits at $.0073 and bought back in at $.0049 or less.

Allianz and other Equity Index Annuities (EIAs)

- 50% S&P 500 / 50% Interest-bearing or
- 50% S&P 500 / 25% NASDAQ 100 / 25% Interest-bearing

Please call me about other fund families and annuities not listed here.

Type 2 accounts - higher risk, seeking growth using combinations of all available funds.

Allianz and other Equity Index Annuities - Type 2 accounts:

- 50% S&P 500 / 50% NASDAQ100

What do the stock symbols represent?

Stock Symbol	Company or Fund Name	Type	Discount	Yield
Income Funds - none except AAV have options				
AAV	Advantage Energy Trust (Canadian)	Energy Trust	n/a	15.2%
BHY	Blackrock High Yield Trust	US Corporate High Yield	10.2%	9.33%
CMK	MFS Intermarket Income Trust	Global Income	8.8%	7.78%
EDF	Western Asset Emerging Markets Income Fund II	Emerging market income	11.3%	9.00%
EMD	Western Asset Emerging Market Inc Fd	Emerging market income	10.7%	9.59%
GDF	Western Asset Global Partners Inc Fund	Global Income	12.0%	8.8%
JCE	Nuveen Core Equity Alpha Fund	Equity Income	8.1%	10.6%
JGT	Nuveen Multi-Currency Short-Term Government Income Fund	Global Income	6.8%	10.1%
MGB	Morgan Stanley Global Opportunity Bond Fund	Global Income	9.0%	12.7%
MGF	MFS Government Markets Income Trust	Global Government Income	6.1%	7.6%
SBW	Western Asset Worldwide Income Fund	Emerging market income	11.8%	8.7%
VVR	Van Kampen Senior Income Trust	Loan Participation	7.2%	10.3%
WIA	Western Asset/Claymore Inflation Linked Securities and Income Fund	Inflation-linked debt	10.2%	5.6%

Stock Symbol	Company or Fund Name	Type	Dis-count	Yield
Foreign Currency ETFs - all have options				
FXA	CurrencyShares Australian Dollar Trust	Foreign Currency	n/a	5.5%
FXB	CurrencyShares British Pound Sterling Trust	Foreign Currency	n/a	5.1%
FXC	CurrencyShares Canadian Dollar Trust	Foreign Currency	n/a	3.4%
FXE	CurrencyShares Euro Trust	Foreign Currency	n/a	3.2%
FXF	CurrencyShares Swiss Franc Trust	Foreign Currency	n/a	1.2%
FXY	CurrencyShares Japanese Yen Trust	Foreign Currency	n/a	0.0%
Commodity Stocks / RET software recommendations				
Stock Symbol	Company or Fund Name	Company Type	Price Paid	Current Advice
AENS	Alternative Energy Sources Inc. - highly speculative "penny" stock	Consulting and sales	up to $1.20	Hold
AXU	Alexco Resource Corp. (Canada)	Mineral exploration	n/a	wait for decline
BCTE	Big Cat Energy Co. - highly speculative penny stock	Energy - fluid redistribution	up to $2.60	Hold
BHP	BHP Billiton Inc. - largest mining company in the world	Diversified Resources	up to $75.00	hold with options
CFW	Cano Petroleum Co. - independent oil and natural gas company	Energy	up to $7.00	buy at $6.50
CNS	Cohen & Steers - manages high-income equity portfolios	U.S. REITS	n/a	wait for decline
GDX	Market Vectors - Gold Miners ETF - use as a substitute for Fidelity Select Gold Fund	Gold and silver mining ETF	up to $52.00	hold with options
ITRO	Itronics, Inc. - silver recycler, Reno, Nevada - very cheap penny stock	Environmental process tech.	up to $.012	buy at $.0025
PBW	PowerShares Wilder Clean Energy Portfolio - renewable energy and cleaner energy	"Green" ETF	n/a	wait for decline
PHO	PowerShares Water Resources Portfolio	Water ETF	n/a	wait for decline
SCLL	Stem Cell Innovations Inc. - drug discovery and toxicology testing	Biotech research	up to $.14	hold

"Stocks at a Discount"

(Continued)

We also own several speculative stocks, some of which are doing reasonably well. Here is the short list. Those recommended for purchase now are shown in parentheses.

Closed-end funds:

MGF, (CMK, WIA, GDF, VVR, AAV)

Speculative stocks:

XSNX, (ITRO,), CCGY, (BCTE, CFW)

Closed Positions:

We took profits on AXU, GDF, SLV, CLCT, UGTH, WWAT and a couple of others, and got back into most or all of them.

We took losses on SVU, which was a RET software recommendation. They didn't make any money on it either.

Please contact me

If you are trading stocks on your own you might want to talk to me before you make a purchase or sale. The markets are so volatile right now it is more difficult than usual to get in and out at good prices. Note that I have not fully detailed all of my recommendations in this issue, and you may have questions about this information.

Your ideas

If you come across a stock idea you believe might be appropriate for the "Stocks at a Discount" program, please contact me. Your recommendations may be income-producing stocks, closed-end funds or ETFs, or speculative "penny" stocks. I will look into each suggestion.

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Silver "Insurance" Program Update

Both the One Contract and Aggressive SIP programs are still out of the market. This is a highly speculative program where, when we are in the market, we lose a little money each day (time value) by betting on an event whose likelihood, to my mind, is unquestioned. The analogy to the lottery cannot be overstated, with the sole difference being that this is a real thing, the opportunity to purchase a scarce resource before the rest of the world comprehends its real scarcity.

The Refined Elliott Trader (RET) software currently indicates that silver could rise as high as about $16.85. It did that the other day and then began to sell off sharply, as it usually does. However, this time there is significant volatility (there's that word again) and, like the stock market, silver may not be indicating its next direction.

We might have been able to profit from silver's recent move from $13.80 to $16.80, but I chose not to take a position. The options remain very expensive.

We will enter new positions in the Silver "Insurance" Program, but I can't tell you exactly when.

Tax Returns

I am available to prepare your Federal and State income tax returns again. As usual, I will charge less than what you have paid to others, and I will probably not accept estate, corporation, or very complex personal returns. Most of my clients' returns are relatively simple, especially because I already have most of the information on my computer regarding their investments.

Travel Schedule

Tax season is upon us, and I'm not planning on going anywhere prior to April 15th. I will let you know when I plan on traveling to your area again.

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RTK	Rentech Inc. - transforms underutilized energy resources	Technology development	up to $1.72	buy at $1.25
UGTH	US Geothermal Inc. - in the development stage	Geothermal energy	up to $3.25	Hold
VLO	Valero Energy, Inc. - major U.S. refiner of fuels and other hydrocarbons	Refineries	up to $58.00	hold with options
WGPWF	Western Geopower Corp. (Canada)	Geothermal energy	up to $.45	buy at $.40
WWAT	Worldwater & Solar Technologies Corp. - solar engineering and project management	Solar-powered equipment	up to $1.75	Hold
	Commodity ETFs			
GLD	streetTRACKS Gold Shares ETF	1 share = 0.1 ounces of gold	n/a	n/a
SLV	iShares Silver Trust	1 share = 10 ounces of silver	up to $164	buy at $136

This is neither a detailed nor a comprehensive list, but it will give you a brief introduction to the stocks, closed-end mutual funds and ETFs (Exchange-traded Funds) I research and work with for my Fidelity, E*Trade and Ameritrade clients. I will detail this list in the near future and explain the reasoning behind each stock.

All of these stocks trade on U.S. stock exchanges. Those that have options give you the opportunity to sell covered calls against them. Call options are the right but not the obligation to buy something at a certain price by a certain date. If you bought BHP Billiton, for instance, at $74.00 per share you could have sold someone the right to buy that stock from you for $80.00 per share between now and June 2008. The buyer of that option would have paid about $4.00 per share. Therefore, if BHP was at or above $80.00 per share on the option's expiration date you would have sold your shares for $80.00. You would keep the money you received for the option and all dividends you may have received while you owned the stock. Since you paid $74.00 for the stock, ignoring commissions your profits would be as follows:

Bought BHP for	$74	
Sold BHP for	$80	Profit: $6.00
Sold BHP June $80 Call for	$ 4	Profit: $4.00

Total profit: $6.00 + $4.00 = $10.00 per share. $10 / $74 = 13.5% in six months. If you are not required to sell the stock you may sell another option when the first expires.

I know you have questions about all this. I will do my best to explain it in a Special Issue of *Wealth Creation and Preservation*.

As always, please feel free to call me with your questions and ideas.

It is my privilege to serve you.

Charles W. Kraut

The Chart(s)

BHP Billiton (BHP)

To the right is the monthly chart of BHP Billiton, the company I discussed in the lead article. This is a great example of a company whose stock has gone "exponential", and though it has a bright future the stock's volatility has increased dramatically.

The S&P 500 ($SPX)

Have you ever seen a more perfect double top? It took seven years of guess-work to complete, but the last [red] bar on the right would seem to indicate that we have seen the final high. I'm sure Robert Prechter thinks so, though Mark Skousen does not. In fact, I have seen very few warnings that we may have seen the peak of this market. Maybe my peers are all spending too much time cheerleading for stocks instead of evaluating them.

Personally, I see no reason at present for the broad stock market to rise and eclipse its double top. I do see specific sectors doing well, however, including energy and precious metals.

Silver (SI #F)

The silver chart is also a monthly chart. Each bar is one month of trading. This is not a commodity that has gone exponential, and if you look carefully at the chart you can see why. Notice that silver has paused repeated at different levels and consolidated before making another dramatic move upward. Based solely upon the appearance of this chart, if the pattern continues the next stop for silver could be about $23-25 per ounce.

Buy silver!

The "Behind the Charts" Market Update

Data as of 18 Jan 2008

The Elliottician software is proving itself to be quite reliable in predicting certain markets at certain times. Fortunately, unlike most analytical methods, this software tells you when it may not be quite as accurate.

U.S. Stock Markets

Dow Jones Industrial Average (DJIA). 12,099.30. It looks like the market has finally "made up its mind" and chosen a new direction, and that direction is **down**. The DJIA is down 8.8% since 31 Dec 2007 and down 14.8% from its peak on 11 Oct 2007. he market never really went into a trading range; it just hit a new all-time high and fell from there. January has been just awful so far, the worst in many years. The potential for more downside movement is great, but we have to get oversold and rebound at some point, even if only temporarily.

S&P 500 (S&P). 1,325.19. The S&P too has fallen a long way from its new all-time high of 1,576.09 on 11 Oct 2007. That October date marked a classic double top, one a technician could certainly call the end of a long trend.

I predicted a new all-time high, and we got it. I then predicted volatility, and we are certainly getting that. Now it seems obvious that the market has established a new trend. The RET software indicates that the S&P can fall as far as 1220, and that is a long way from where we are now.

NASDAQ 100 (NASDAQ). $NDX, 1844.09. The NASDAQ has also fallen on hard times, and is down 17.6% from its Halloween 2007 high of 2,239.23. The NASDAQ fell off its peak and was rebounding until 27 Dec 07, when it began to fal in earnest. I am now recommending the NASDAQ 100 in our EIAs because it made money in some instances even when the S&P made nothing for the year.

Bond Markets

US Treasury Bonds. 119 19/32, **continuation contract**. Bonds have now effectively double topped in early June 2005 and now on 17 Jan 2008. The all-time high was reached back in June 2003. With Ben Bernanke destroying the dollar by lowering short-term interest rates in the face of a huge amount of inflation it is possible that Treasury bonds may rally beyond their previous high.

High Yield or "junk" Bonds. We are completely out of High Yield bond funds as of 26 July, but we still hold some of the ETFs or "closed-end" funds I describe in "Stocks at a Discount." We purchased them at a significant discount after their price had fallen dramatically.

Commodities

Oil $90.57/barrel, **continuation contract**.

The wild ride continues. Oil recently traded just above $100 a barrel. We may have passed Peak Oil already; T. Boone Pickens seems to think so, as do many others who know much more about it than I do. If so, expect oil to rise to as high as $200 a barrel in 2008-2009 even without an oil "shock".

I move my clients out of the gold and energy funds into the natural resource funds, but look forward to moving back into both when the trends resume.

Real Estate

I moved out of our Real Estate positions in November 2005. The commercial real estate industry is now showing signs of distress, though nothing like what we are seeing in residential housing.

Gold and silver. Gold $881.14, Silver $16.21 per ounce.

What a difference a quarter makes! Gold hit a new all-time high of $916.10 on 15 Jan 08, and silver hit $16.715 the day before. Adjusted for inflation gold still hasn't begun to approach its 1979 prices. The RET software is now indicating a good possibility of continued strength in gold, perhaps rising to $1,000 or more by this year.

Silver is also showing potential, according to the software. The charts still indicate a possibility of silver as high as $17.50 by mid-2008, but I really can't tell what the future holds for this very scarce and very precious metal. Silver's chart is, to put it mildly, very unusual.

Fundamentally, nothing has changed regarding silver. It remains in very short supply, and the regulators seem to be ignoring the massive manipulations going on all around them.

The Euro $1.4618, continuation contract.

The Euro hit a new all-time high of $1.4916 on 15 Jan 08. It has fallen off somewhat since then, and at the moment the trend is down, possibly because this high was a double top.

What to do now

1. Buy Australian Dollars, Canadian Dollars and Silver. You can do all three in your Fidelity brokerage account, but you should also own "junk" US pre-1965 coins including dimes, quarters and half dollars. You can buy them from Dallas Gold & Silver Exchange or you can buy them on eBay. I have no inventory to sell at this point. You should consider selling your certified gold coins if you will replace them with junk silver coins.

2. Make your home as energy efficient as possible.

3. Store food and water. Prices are only going to go up.

A "Commercial Message"

IdentityTheft SHIELD

a service of Kroll Background America

Identity theft has become a major threat for anyone who has a Social Security number - and that includes just about all of us. I sent this announcement with the last issue of *Wealth Creation and Preservation*, and it generated a much greater response than I had anticipated. I recently received some true accounts regarding "new" ways of stealing your identity, and I thought I would pass them on to you along with another application for Identity Theft Shield. For those of you who have already signed up for the product, feel free to pass this application on to someone else. For those of you who were confused by the application itself, I have checked a couple of appropriate boxes for you. The cost is $12.95 per month plus a one-time $10.00 setup fee. This is a service you shouldn't be without - and which you hope you will never need, except for free access to your credit report.

Your homeowner's insurance provider may have contacted you regarding a reimbursement program if your identity is stolen. Such insurance may reimburse a portion of the huge expense you can incur by trying to reclaim your identity. It cannot, however, reimburse you for the countless hours you may spend in frustrating and often fruitless effort trying to prove who you are and regain control over your finances and your life.

IdentityTheft SHIELD is <u>not</u> just an insurance plan that reimburses you with cash for some of your losses. Instead, IdentityTheft SHIELD is offered by Kroll Background America through Pre-Paid Legal Services, Inc.. Kroll is the premier company in the industry dealing with security issues like identity theft. If you have Identity Theft SHIELD insurance and your identity is stolen, **Kroll will determine the nature and extent of the problem and take the necessary steps to restore your name and credit for you**.

I have used Pre-Paid Legal Services, Inc. for over twenty years, and I will send you information about their program with the 3rd Quarter 2007 issue of *Wealth Creation and Preservation* - or sooner, if you would like to hear more now. Identity Theft SHIELD has just recently become available in New Hampshire, and I am adding it to my regular Pre-Paid Legal Insurance coverage. With all the theft and fraud taking place every day, I don't know how the average American can afford to be without this coverage. Our household averages 10-20 attempts to steal our identity every day of the year, and that's fairly typical these days.

Please read the enclosed brochure and call me if you have any questions. The coverage is very inexpensive at only $12.95 per month. If purchased with a Pre-Paid Legal Insurance plan, the cost of IdentityTheft SHIELD drops to only $9.95 per month. By comparison, just one incident of identity theft could cost you thousands of dollars and hundreds of hours of your time.

I have enclosed an application for your use. IdentityTheft SHIELD is available in most states now, though I am not licensed to offer it in each state where it is available.

Charles W. Kraut

SCENE 1:

This is a new one. People sure stay busy trying to cheat us, don't they?

A friend went to the local gym and placed his belongings in the locker. After the workout and a shower, he came out, saw the locker open, and thought to himself, "Funny, I thought I locked the locker. Hmm." He dressed and just flipped the wallet to make sure all was in order. Everything looked okay - all cards were in place.

A few weeks later his credit card bill came - a whooping bill of $14,000! He called the credit card company and started yelling at them, saying that he did not make the transactions. Customer care personnel verified that there was no mistake in the system and asked if his card had been stolen.

"No," he said, but then took out his wallet, pulled out the credit card, and yep - you guessed it - a switch had been made. An expired similar credit card from the same bank was in the wallet. The thief broke into his locker at the gym and switched cards.

Verdict: The credit card issuer said since he did not report the card missing earlier, he would have to pay the amount owed to them. How much did he have to pay for items he did not buy?

$9,000! Why were there no calls made to verify the amount swiped? **Small amounts rarely trigger a "warning bell" with some credit card companies.** It just so happens that all the small amounts added up to one big one!

SCENE 2:

A man at a local restaurant paid for his meal with his credit card. The bill for the meal came, he signed it, and the waitress folded the receipt and passed the credit card along. Usually, he would just take it and place it in his wallet or pocket. Funny enough, though, he actually took a look at the card and, lo and behold, it was the expired card of another person. He called the waitress and she looked perplexed.

She took it back, apologized, and hurried back to the counter under the watchful eye of the man. All the waitress did while walking to the counter was wave the wrong expired card to the counter cashier, and the counter cashier immediately looked down and took out the real card. No exchange of words —- nothing! She took it and came back to the man with an apology.

Verdict: **Make sure the credit cards in your wallet are yours.** Check the name on the card every time you sign for something and/or the card is taken away for even a short period of time. Many people just take back the credit card without even looking at it, "assuming" that it has to be theirs.

FOR YOUR OWN SAKE, DEVELOP THE HABIT OF CHECKING YOUR CREDIT CARD EACH TIME IT IS RETURNED TO YOU AFTER A TRANSACTION!

SCENE 3:

Yesterday I went into a pizza restaurant to pick up an order that I had called in. I paid by using my Visa Check Card which, of course, is linked directly to my checking account.

The young man behind the counter took my card, swiped it, then laid it on the counter as he waited for the approval, which is pretty standard procedure. While he waited, he picked up his cell phone and started dialing. I noticed the phone because it is the same model I have, but nothing seemed out of the ordinary.

Then I heard a click that sounded like my phone sounds when I take a picture..

He then gave me back my card but kept the phone in his hand as if he was still pressing buttons.

Meanwhile, I'm thinking: I wonder what he is taking a picture of, oblivious to what was really going on. It then dawned on me: the only thing there was my credit card, so now I'm paying close attention to what he is doing.

He set his phone on the counter, leaving it open. About five seconds later, I heard the chime that tells you that the picture has been saved.

Now I'm standing there struggling with the fact that this boy just took a picture of my credit card. Yes, he played it off well, because had we not had the same kind of phone, I probably would never have known what happened.

Needless to say, I immediately canceled that card as I was walking out of the pizza parlor.

All I am saying is, **be aware of your surroundings at all times**. Whenever you are using your credit card take caution and don't be careless. Notice who is standing near you and what they are doing when you use your card. Be aware of phones, because many have a camera phone these days.

When you are in a restaurant and the waiter/waitress brings your card and receipt for you to sign, make sure you scratch the number off. Some restaurants are using only the last four digits, but a lot of them are still putting the whole thing on there.

I have already been a victim of credit card fraud and, believe me, it is not fun. The truth is that **they can get you even when you are careful, but don't make it easy for them.**

Please feel free to pass this page on to others.