

# The Bull & Bear

## FINANCIAL REPORT

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# Rare Earth Stocks In Classic Uptrends

*"It is very early in the Rare Earth major bull market, says James Dines, publisher of The Dines Letter and possibly the last chance to buy before the big rise ahead. After a long and patient study Dines started his own Rare Earth Average in 2003. Recommending Rare Earths to his subscribers when they were at bargain-basement prices. The Dines Rare Earth Index is up 376% since October 2008. Here is the latest from "The Original Rare Earth Bug."*



James Dines  
Editor, *The Dines Letter*

Metals appear to be an attractive investment arena, especially our favored targets: precious metals, uranium and Rare Earths.

Rare Earth metals are our latest favorite because they are essential in upcoming growth areas, yet supply has been increasingly constricted by Chinese producers who control perhaps 97% of world production. We have repeatedly called attention to this situation in recent issues of TDLs (*The*

*Dines Letter*) and, in fact, our IWB (*Interim Warning Bulletin*) of 4 June 09 was headlined "TDL Blows the Whistle on China's" 97% monopoly on Rare Earth assets. Our TDL dated 14 Aug 09 reiterated that China was slowly choking off exports of Rare Earths, and predicted that those metals would eventually be consumed entirely in China, with nothing exported to the world. We have been dismayed that the rest of the world was not paying attention to the crucial importance of Rare Earths, and we did our best to awaken the West too busy dozing in the sunshine to care. That issue of *The Dines Letter* took effect on Monday, 17 Aug 09 but, on the very next day, Tuesday, August 18<sup>th</sup>, China's Ministry of Industry and Information Technology shocked the mining world by proposing to halt all exports of five of the seventeen Rare Earths! Stocks of Rare Earth miners leaped higher on the news, and we were gratified that

we got our loyal, long-term TDLers into those stocks before others were alerted to the situation. Indeed, it is better to drink upstream from the Herd than downstream.

Turning to the Rare Earth stocks, they are in classic Uptrends so we would be in no hurry to take profits yet. Many investors who were shell-shocked by the 2008 Crash are understandably eager to immediately nail down any winnings. Sometimes a champion boxer's first defeat mars his ability in subsequent battles because of intimidating emotional scars. However, the *Secrets of High States* book was deliberately provided to you to heal that, otherwise an investor could become overly wary and thus be too easily frightened out of a Major Uptrend. A crash on the level of what happened last year seems to happen only once a generation, and it is crucial for the serious market student to get past that and recognize that not every dip is going to lead to a crash. We still believe that the big money to be made in the stock market is by being invested in as large a portion of a Major Uptrend as possible, understanding that getting in anywhere near the Bottom and out anywhere close to a Top is enough to be very lucrative in building your assets. Accordingly, we ourselves are in no hurry to take profits, except small amounts might be taken off the table on the way up, hopefully sufficient to get your original investment back and after which you will be playing only with the amount of your remaining profit.

We believe it is still very early in the Rare Earth Major bull market, not yet even at the stage where the large brokerage houses are devoting at least one full time Security Analyst to the area, much less a mutual fund specializing in such stocks.

Nonetheless, since there are no "sure things" in the stock market, we likewise seek to protect you by studying what might go wrong in what seems to be a very exciting prospect for increasing you assets. One concern might be the World Trade Organization forcing China to continue its exports, but we consider that outcome unlikely since China could truthfully claim it intends to use Rare Earths to build its own windmills, electric cars, and solar panels, thus legitimately taking care of its own needs first. Or, there might be another stock market crash of the kind that drags everything down, as those who need money sell whatever is saleable to raise sufficient cash to meet margin calls. That's what happened to gold, silver and uranium stocks last year: the metals held up well while their mining stocks were sold with other stocks "just for the money." Gold, silver and Rare Earth shares are already recovering, so uranium shares should be next.

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