

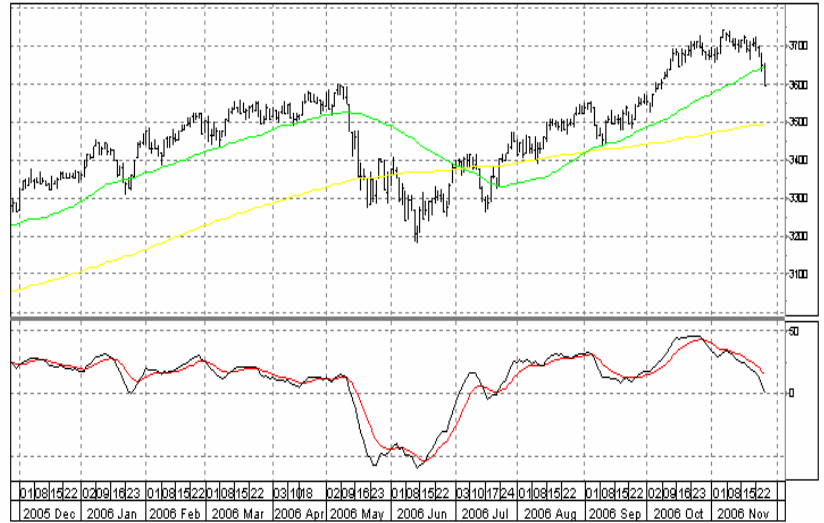
100 VILLAGE CENTER DRIVE ♦ SUITE 260 ♦ NORTH OAKS, MINNESOTA ♦ 55127-3024 ♦ USA  
 PHONE: 651.379.5070; TOLL FREE: 866.527.8698 ♦ FAX: 651.379.5080 ♦ E-MAIL TIS@TISGROUP.NET

**Geopolitics-Mideast and Asia**—There are some very interesting business trips underway, or about to be underway, for important members of the U.S. government. In the Mideast, it seems rare to have the Vice-President fly out of Washington, D.C. the day after Thanksgiving, making a beeline for Saudi Arabia. Virtually on the Veep's heels, President Bush is headed to Amman, Jordan to hold meetings with Prime Minister Maliki and King Abdullah of Jordan, regarding the future of Iraq. One has the impression the future of Iraq is at stake now and everyone in the region, including the Iranians who would like to have Iraq in their pocket, know it.

Accordingly, the Iranian government will attempt to hold summit meetings in public as they are doing even now. There will no doubt be back channel conversations as well, in an effort to thwart American plans in the region. It was interesting, over the weekend, to see the King of Jordan echo almost verbatim our forecast of multiple wars in the Mideast, when he stated civil wars could erupt in Lebanon, the Gaza Strip and Iraq. The game is on and in my opinion that means the U.S. will send more troops to the Mideast, rather than pullout.

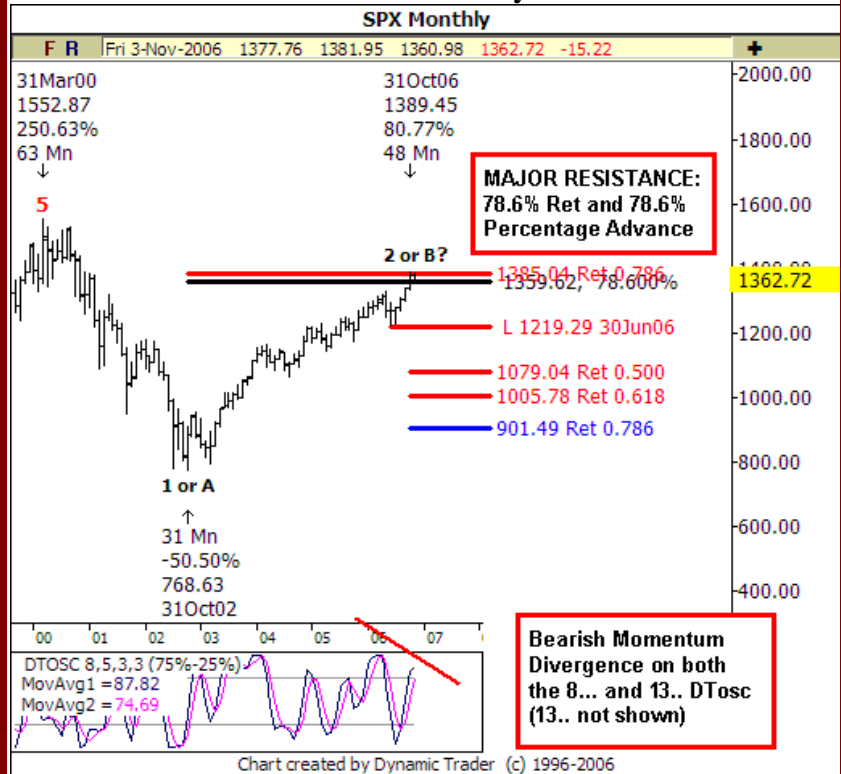
The million dollar question now is whether Bush/Cheney actually follow the blueprint being laid out by the Iraq Study Group or ignore it. Events are moving so fast on the ground in the Mideast, that whatever the ISG comes up with may be obsolete before implementation can even begin. If the U.S. divides Iraq into 3 provinces, leaving security to the locals or if the U.S. should announce a phased withdrawal with security turned over to the Iraqi government, we expect the following market impacts, which are our real interest. One is we would expect to see a genuine fight erupt over control of Iraq's asset—oil. That would suggest new supply interruptions, of the type which we think started the bull market in oil in 2003. According to Yahoo News on November 27, two mortar rounds struck a pipeline filtering

**Dow Stoxx 50**



Courtesy of Bloomberg LP

**S&P Monthly**



This report has been prepared by TIS Group on behalf of itself and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, TIS Group and any officers or employees of TIS Group may, to the extent permitted by law, have a position or otherwise be interested in any transaction, in any investments (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of clients of TIS Group who are expected to make their own investment decisions without reliance on this report. Neither TIS Group nor any officer or employee of TIS Group accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of TIS Group, Inc.

100 VILLAGE CENTER DRIVE ♦ SUITE 260 ♦ NORTH OAKS, MINNESOTA ♦ 55127-3024 ♦ USA  
PHONE: 651.379.5070; TOLL FREE: 866.527.8698 ♦ FAX: 651.379.5080 ♦ E-MAIL TIS@TISGROUP.NET

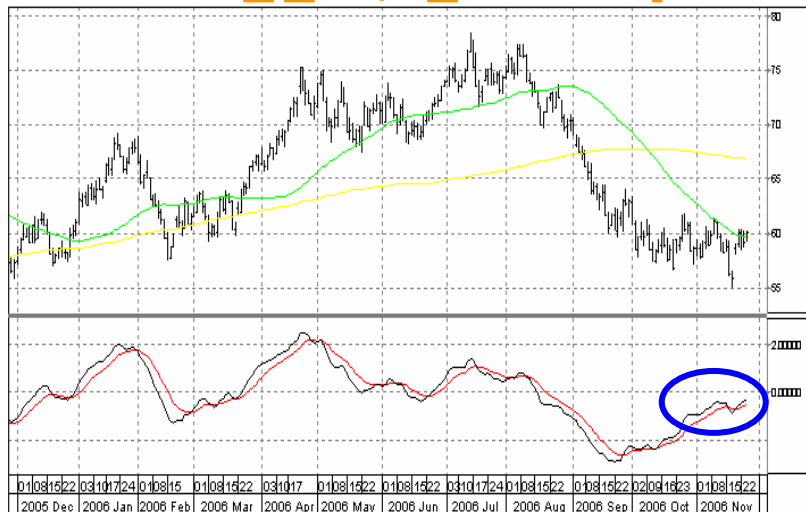
facility near Kirkuk. The flow of oil from Kirkuk to the Beiji refinery was shut down as a fire, caused by the attack, burned out of control. Second, the human tragedy which is unfolding in Iraq with tens of thousands of refugees fleeing across the borders also means money will move. Iraqi Dinars may mean little in Syria or anywhere else, but gold will. That's one of history's lessons.

We have also been noting in these pages, in recent months, the second precipitous decline in Middle Eastern stock markets this year. These geopolitical developments may help explain the price action in ME stocks, as well as the tidal wave of liquidity which is suddenly reaching Europe, the U.S. equity markets and gold. Alliances may be about to shift in the Mideast, political conditions are becoming very unsettled and the prize remains oil. How will Iran react if the Shiite Prime Minister of Iraq is replaced by a Sunni? How can he be replaced given the Iraqi is a constitutionally elected body?

On the other side of the world, my eyebrows were raised when learning of Treasury Secretary Paulson's trip to China along with Fed Chairman Bernanke. I cannot remember when the last time the Fed Chairman and Treasury Secretary took a trip together like this. They are sure to have an audience and I can imagine the topics will be pretty much the same items—RMB, trade, banking system etc. But the Chinese will not give much on the currency, in my opinion and the tag team of Paulson/ Bernanke must know that. So what do they go for? What is the purpose of this trip, at this point in time?

Just ahead of their trip, John Thain head of the NYSE has been in Asia, no doubt looking for other exchanges to link up with or perhaps buy, as well as attract more listings. The fast growing markets in India and China/Hong Kong/Singapore must be of interest to him if he wants to make the NYSE a truly global exchange. The Hong Kong exchange seems ex-

### Oil (MACD)—On a Buy Signal



Courtesy of Bloomberg LP

### Gold (MACD)—On a Buy Signal



Courtesy of Bloomberg LP

# MARKET INTELLIGENCE REPORT

Mideast & Asia

\$¥R\$£DM£Gff\$¥R

*The Institutional Strategist*

November 28, 2006

100 VILLAGE CENTER DRIVE ♦ SUITE 260 ♦ NORTH OAKS, MINNESOTA ♦ 55127-3024 ♦ USA  
PHONE: 651.379.5070; TOLL FREE: 866.527.8698 ♦ FAX: 651.379.5080 ♦ E-MAIL TIS@TISGROUP.NET

pensive to us, as does Singapore. India may be an interesting place to look for an opportunity in the exchange market. Still, I wonder if one of the items on Paulson's agenda is to give Thain a hand.

The price action in the U.S. and European equity markets on Monday may be the start of the long awaited correction. It was interesting to look at the tape today. It appeared very much like the way the year started-with oil, gold and commodities up while stocks floundered and bonds went nowhere. The year started with geopolitical problems/ commodities and oil as the main focus. It appears the year may end that way.

Sources:

Flinn, Ryan. "NYSE's John Thain Heads to China to Increase Listings, AP Says." [Bloomberg News](#), November 25, 2006.

Raum, Tom. "Bush Plans Week of High-Stakes Diplomacy." [Washington Post](#) November 26, 2006, <http://www.washingtonpost.com>.

Yacoub, Sameer. Attack sparks fire at Iraq oil facility." [Yahoo! News](#) <http://news.yahoo.com> 11/27/06.

**New Sales—Global and International  
Kyocera**

## **QUOTE OF THE DAY**

**Man is a rational animal who always loses his temper when he is called upon to act in accordance with the dictates of reason. ~ Oscar Wilde**