

THE INSIDE-OUTSIDE REPORT.

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MORE FED JUICE COMING. WE LIKE OUR GOLD STOCKS & ADDING MORGAN STANLEY.

Outside:

The market bounced off the consolidation floor of the past two weeks ahead of the Fed’s anticipated announcement of a launch of QE3. Recall last week we sighted the bullishness of the spike in the volatility index as investors looked for bad news. We believe the recent consolidation has simply put the market into a position for more upside.

The Fed is not going to sit on the sidelines during the diminishing odds of a Republican victory and the fast approaching financial cliff deadline.

The evidence of economic softening is being offset by the Fed’s accommodation and the possibility that housing (the most significant US economic sector) may have found a bottom. This is attracting investors to the US stock-market versus Europe, whose issues remain more structural and in need of more time to correct. We continue to be exposed to stocks as we approach the end of the third quarter.

Inside:

Given the Fed’s anticipated QE3, RAM continues to hold a 4% (8% of longs) weighting in gold producers. We believe that gold has completed its consolidation (chart #1) and should have the wind at its back as the Fed sees no way out but to provide liquidity until bipartisanship can be re-

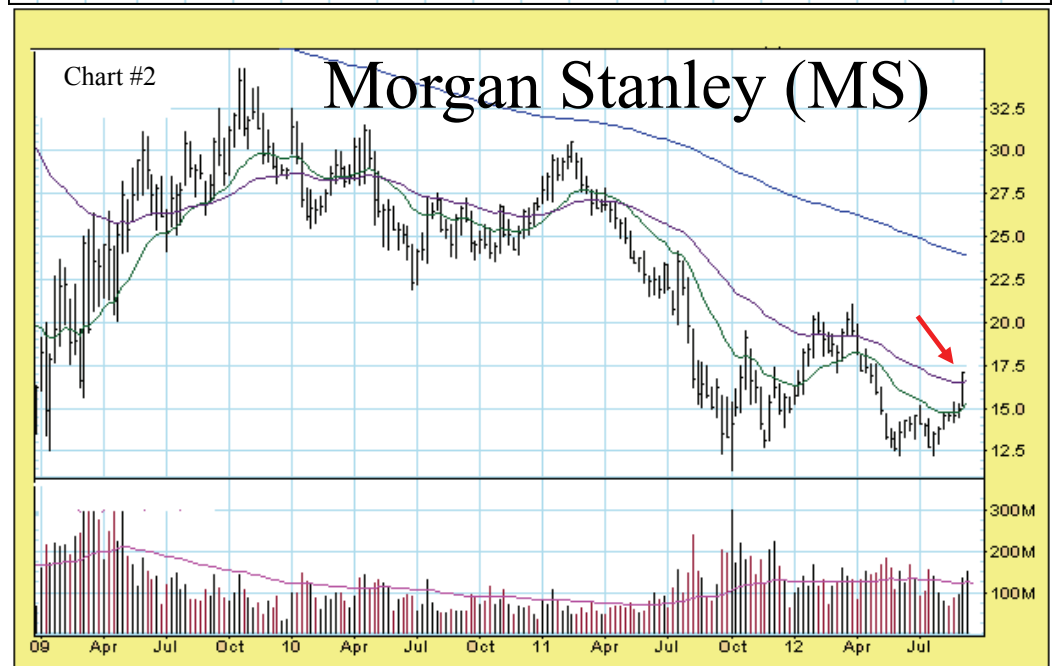
established after the election.

In addition, we have added a half-position in Morgan Stanley (chart #2) to our overweighting of financials thanks to their “drip” accumulation of Smith Barney from Citibank. As a moti-

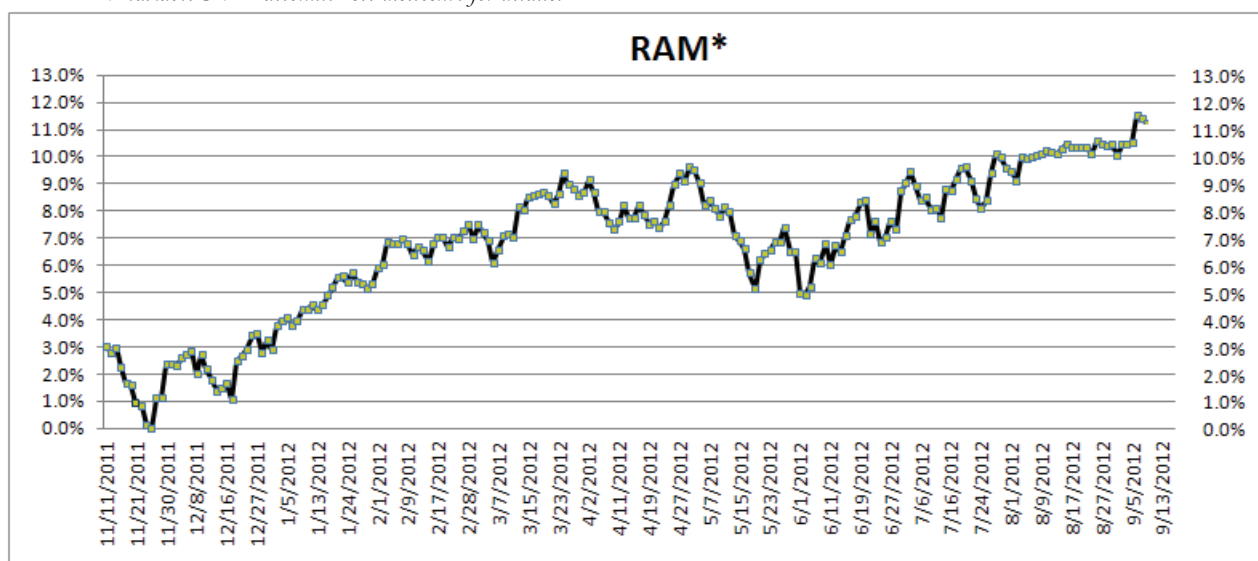
vated sell, Citi is ripe to part with this valuable asset at an attractive price for Morgan Stanley shareholders.

Our short-term bullishness aside, we are now anticipating that our next move will be to start selling long posi-

tions. With the economy weakening, the election expected to favor Democrats, the “cliff”, and our *Stock-Market Risk Indicator* approaching lofty levels, we expect to be taking portfolio risk down. This may include both long-sales and short-sales.



RAM taxable SMA account. *see disclosure for details.



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