

Jim Shepherd has the

**ONLY System that issued
a 'Crash Signal'
BEFORE the '87 Crash!**

Inside - Find out why his proven system is now issuing an early crash warning signal again - for only the 3rd time in over 100 years! See page 3

So, if you've had an
uneasy feeling in the pit
of your stomach lately ...

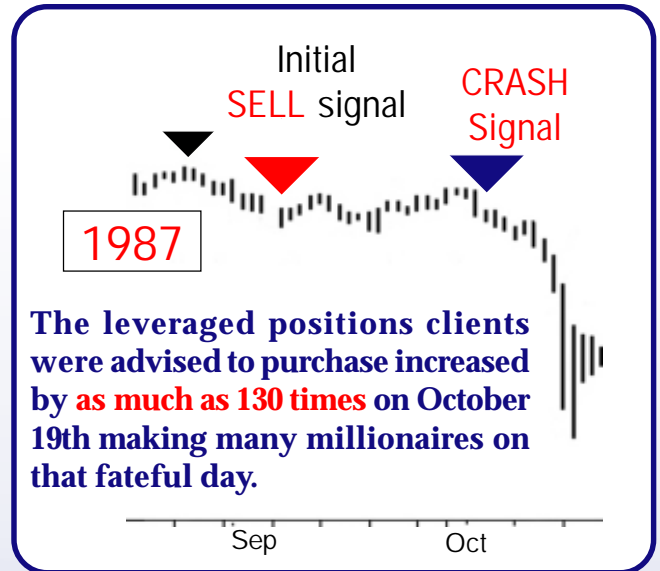
Ignore at
YOUR Peril!

"HUGE CRASH Near"

"Nowhere else will you get an honest portrayal of what is happening or about to happen in the markets."



4972% profits in last bull and 70.83% in this bear market



Jim Shepherd, RIA, CTA
America's #1 Independent
Consistent Wealth Builder

With 23 consecutive years of profits, Jim is America's #1 Wealth Building Advisor - just one reason why this service has probably more subscribers and clients that are advisors than any other.

The Advisor's Advisor

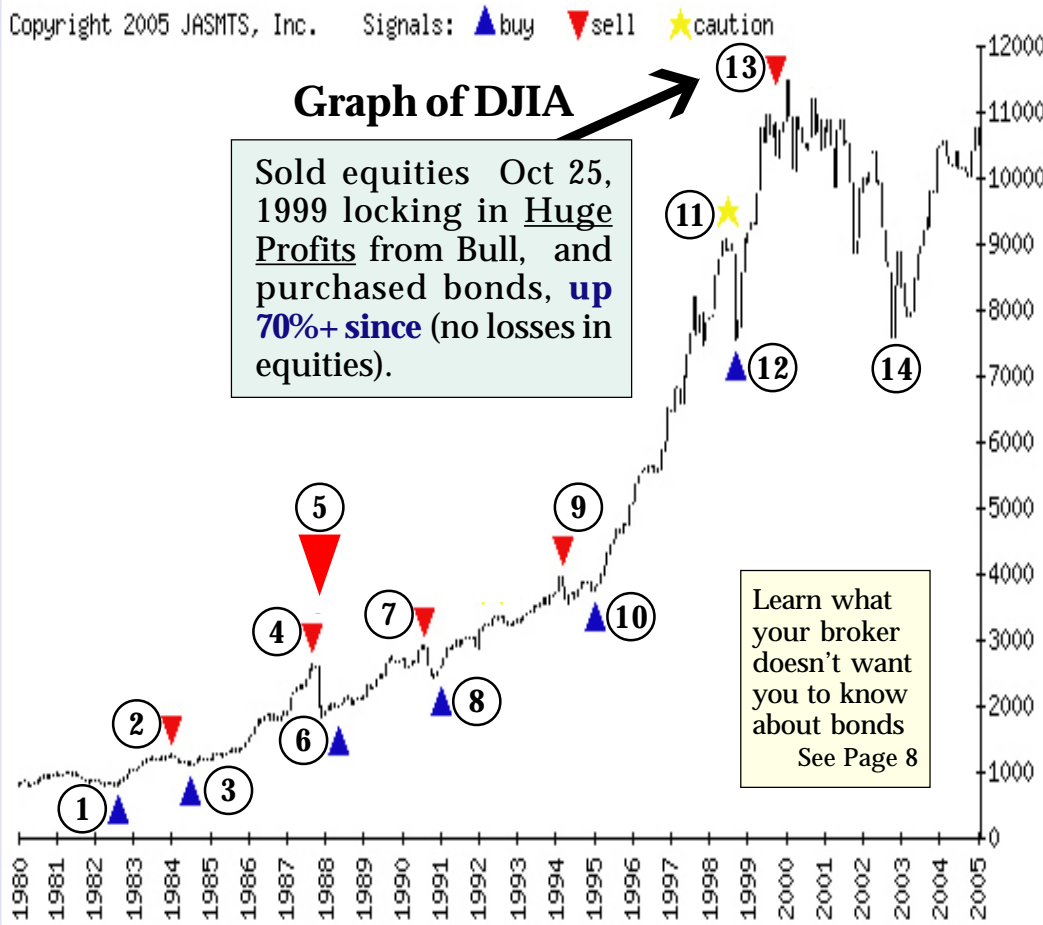
- Learn how you too never have to lose like 2000 again See Page 3
- 3 Deadly Misleading Headlines See Page 6
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- What the media says See Page 11
- What our subscribers say See Page 13-14
- Excerpts from recent newsletters See Page 20-21

Click on this bar to order

“We shocked the investment world”

with our “Sell” signal of October 25, 1999 allowing our subscribers to lock in their profits from the huge stock run up of the late 1990’s

... **and we further shocked them with where we put our own money then!**



“If you were subscribing to other newsletters in late 1999 and early 2000, you’ll remember they were talking of a continuing Bull Market!”

You’re not serious about your investments ... if this graph doesn’t make you want to subscribe right now.

The Shepherd Investment Strategist.

A Service of JAS MTS, Inc.

Turn to page 23 to subscribe now.

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Note: ** Signals are never revealed to non-subscribers for a minimum of six weeks.

Event #	Date & Instruction	What Most other Advisors and the media were saying	What Actually Happened
1	Aug. '82 Buy	Continue to avoid equities. Stocks are Dead.	Beginning of the Great Bull Market
2	Jan. '84 Sell	Get into stocks. The Bull market has started (1/1/2 yrs late ... and wrong timing!)	Market dropped almost 12%
3	July '84 Buy	Buy and Hold	Market moved up 131%
4	2nd Week of Sept. '87 Sell	“Stocks set another record.” This market has a long way to go!	Market traded in a narrow range for a few weeks
5	1st Week of Oct. '87 Crash Signal	After the Crash: The crash was an aberration and was not foreseeable!	On October 19, Dow fell 23% Jim and clients' profits were up as much as 130 times
6	May '88 Buy	Buy and Hold	Market gained almost 50% to July 1990
7	Aug. '90 Sell	Buy the Dips	Market dropped 20% over next three months
8	Jan. '91 Buy	Buy and Hold	Market proceeded to rise 52% over the next three years
9	March '94 Sell	Buy the Dips	Market dropped 10% over the next two months
10	Jan. '95 Buy	Buy and Hold	Market began to rise

Event #	Date & Instruction	What Most other Advisors and the media were saying	What Actually Happened
11	July 10, '98 Caution. Sell all stocks that won't attract tax repercussions	Buy and Hold	Market began down July 17th, ultimately dropping almost 20%
12	Late Sept. '98 Buy	Media was pessimistic and well known Advisors were telling their subscribers to get ready for a crash and buy puts	Market moved up smartly beginning early October 1998, ultimately moving up another 30%
13	5th Week of Oct. '99 Sell	Media and most other Advisors remained positive on the market into mid 2000. Through to recently the media and brokers alternated from lukewarm to very hot on equities.	Dow topped Jan 14, 2000 with NASDAQ topping in March. Our Bond positions were already up 10% at that time.
14	Explanation - The investment world changed on 9/11. Our bonds were up 65% as of June, 2003 (from our sell signal). We would normally play bear market bounces. However, being under the influence of a sell signal and in what Jim sees as a secular bear market, to be long stocks in the event of another terrorist attack (which, we are told, is a very high likelihood) could be disastrous. Exposing our capital, no matter how tempting some rallies appear to be, was seen as unnecessarily risky. Market conditions will be different when under a buy signal - any effects of another terrorist attack would be muted by the strength of the economy and markets. Staying in bonds, as we did, was the correct decision given our philosophy of safety of capital first. The future risk/reward favors bonds.		
	Mar. '05 Stay the Course**	New Bull Market is born	Up over 70% by 2005 in T Bonds. No losses in equities.

The Signal with a 100% Track Record for growing and keeping money safe every year throughout its 23 Year History

Although it has not yet signaled, the model is now warning ...

“Huge Crash Approaching”

Just as with our sell **BEFORE** the 2000 NASDAQ meltdown, you won't hear about this from any other newsletter writer

The major market crash I see approaching will make the 2000 - 2002 swoon pale in comparison.

I made millions for my clients in the 1987 crash (see page 12 for more on this). My model also predicted ALL the major moves, both UP and DOWN in the market since 1982, including the 1987 crash (see opposite page).

With the aid of my model's signals I was able to ride the Stock Market with confidence through to just before the market topped in 2000, when we sold and locked in HUGE profits from the Great Bull Market!

You will remember that 2000 was where \$7 trillion dollars was washed away, decimating retirement funds, college funds and life savings in a massive wave of destruction. Not only did my subscribers not lose a dime, my model had them move into a new asset class in late 1999, to take advantage of the new environment the model saw ahead. Thus, even as the NASDAQ began its melt down, my subscribers were already safely out of equities and up over 10% in an alternate asset class. Now as this goes to press in early February, 2005 we are up over 70% (and that is with NO losses in this bear market of 2000-05).

You can see at left that although I concentrate on major moves, the model catches smaller

moves also. It is clear from research, that getting in front of and positioning before major market moves is the fastest way to grow one's portfolio ... AND by far the safest!

Market crashes are rare events! After all, there have only been two truly major crashes in the last 100 years. However, on the issuance of my crash signal in the first week of October 1987, it was very exciting since the only other time my model had issued such a signal was just before the 1929 crash (during back testing). Of course the crash my model predicted in real time occurred on Monday, October 19th, 1987. Never, until recently, has my model been as close to issuing another crash signal.

The Bush tax incentives have aided in the delay of another down move in the equity market, which will increase the probability of it happening in a sudden collapse ... a crash, rather than a slow meltdown. This is because of the poor underpinnings in the economy, which I will discuss later.

However, this is not a recent problem. This problem has been setting up over sixty years and is an almost natural culmination of government decisions going back decades.

It's wrong to look at this as doom and gloom. It offers unbridled opportunity to the thinking person who is able to see and prepare in advance.

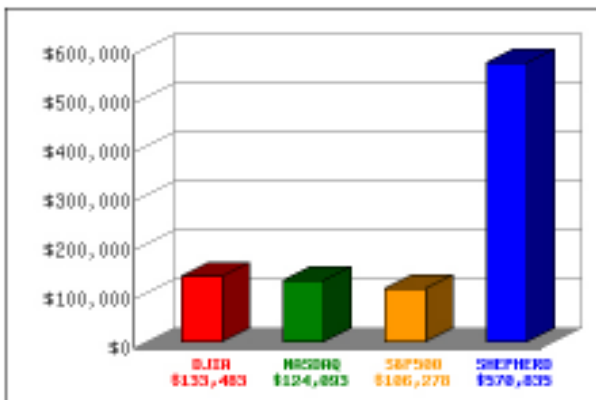
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Mission

My mission is to grow my subscribers' core capital as quickly as possible with safety and preservation of capital being paramount. Safety is the result of my philosophical view on risk aversion in difficult markets.

Timely Signals Before Major Market Moves

As you can see from the list of major signals listed on the inside front cover, my model has signaled every major change in the equity market in advance since 1982.



Graph Representing "Buy & Sell" of following our signals vs the other indexes from 1982 through January 31st, 2005 (starting with \$10,000)

The graph above shows the results of starting with \$10,000 in 1982 ... now \$578,835. This does NOT include any of the huge profits from the few careful and successful leveraged plays during this time.

Although the model predicts moves in either direction, if one uses the investment vehicle we use to leverage our money, it 'pays best' on sharp moves, which are normally down moves. However, there are times, like the BUY signal in January 1991, when using leverage on an up move was very profitable also (we made 10 times our money in a leveraged play in the '91 buy). You see, when I get a signal I also

WHAT READERS SAY

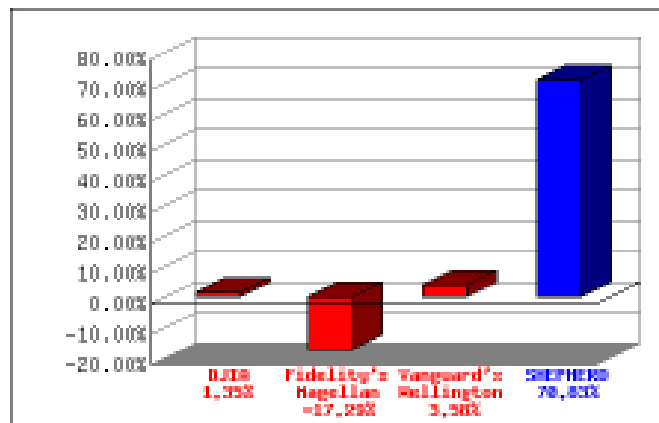
"Note to Jim. Thank you! You enabled me to preserve my capital! If not for your guidance, I would have been one of those that lost 50-60% of invested capital. I was fully invested in the market until I had the benefit of your services beginning in (editor: subscriber since March of 2000) ... 2000 still after your signal. Your service helps me to maintain a posture of patience and confidence for the future." B.B., Crystal Lake, IL (Subscribed March 2000, paid thru '05)

get indicators on how powerful it will be. So we may not always use leverage – only on those that indicate they are going to be a powerful and quick move. In the case of 1991 it was an explosive move up.

Let's first look at 2000. I warned it was time to take profits in late 1999 from the equity market upon a sell signal in the last week of October. It was just like my earlier 'sells' of 1994 and a caution in the spring of 1998 and to some extent even my buy in September of 1998 all over again! My staff promptly began receiving emails, faxes, letters and phone calls that I was crazy. The correspondence continued to build into a crescendo. Some did not want to believe nor listen. Those who didn't act, were among those who had their portfolios decimated.

Why does this happen? It is simply mass psychology. For an investor it is a much more comfortable 'feeling' if he or she is in synch with the rest of the investing public. However, that is a recipe for disaster at major turning points. In fact that is how I have made most of my money in the stock market ... being 'out of synch' with the vast majority at the right times, being positioned before the next major move! No, I understand it is very uncomfortable for my clients and subscribers at times like this. After many years now, my subscribers and clients, and I, look forward to these times, because we know that major financial rewards are just around the corner!

Leading up to the Bear of 2000 one must look back and understand why the delay in the market's change of direction. My sell was at the end of October 1999. Normally a change in the market direction begins within six weeks of a signal (and sometimes much faster) but shortly after the signal, the government pumped \$50 Billion into the economy in preparation for the uncertainty of Y2K. I knew at the time that the cash infusion would probably temporarily prop up and delay the market reaction somewhat.



Comparative Investment Results
October 1999 to January 31st, 2005

Click on this bar to order

But I was not going to go against my model, which still to this date has not ever been wrong. However, the cash infusion caused a slight delay with the DOW topping on January 14th, and the NASDAQ waiting until March before beginning its plummet.

Unfortunately, most, if they stayed in the equity market lost significant core capital. The NASDAQ dropped 80%. For a graphic depiction compared to the DJIA and a few randomly chosen other funds (of which some are still down even more) see graph on page 4.

Another important time. Most know about the market's cycles. However, how they play out is never exactly the same. In fact they tend to always foil the most when least expected. Just look back to the fall of 1998 when most advisors were calling for a continuation of the apparent bear market that they saw as having begun in mid July (we had exited most equities on July 10th). The market moved down almost 20% over the summer. Right in the middle of this, in the last week of September '98, my model issued a strong buy signal. The market began to move up only a few days after our buy signal. It continued up 30+% over the next year. Remember, those were uncertain times with the Asian crisis and Russian defaults. In fact a number of well known advisors had told their clients to 'go short'.

In 1987 my Exit Signal came at the end of the first week in September – over a month before the 500 point Crash

The exit signal was not a surprise to us as we had received a cautionary signal and we had exited all stocks earlier in the summer ... on average the model made my clients 70 times their money, some including myself made 130 times ... See story on page 12.

Today - Timing is Everything

There are some out there now who are selling information and courses on how to short the stock market - the problem is, that those who are selling the information, do not have access to the REAL SECRET to shorting the market ... the all important - WHEN TO TAKE POSITIONS. Because you see, if there is little change in the market's level, the value of a "short position" erodes with time - and fairly quickly at that! In fact MOST short positions do expire worth-

less because they are put in place with incorrect timing-often too early. This can be very costly. If done with the "correct timing" that my proprietary model provides, as the 1987 example showed, then they can provide wonderful leverage – in 1987, a \$200 investment returned \$30,000.

I want to make it very clear here, however, that although my proprietary model may generate a 'short term' signal from time to time - it is those signals which the model will generate **before** major market turns from which serious money can be made! These 'sea change' signals will be clearly noted.

What's happening now? According to my model it appears extremely likely that the signal we are now waiting for will be the 'final' piece in this progression to what I call "critical mass". This signal, if received as expected, will be just like the signal received in the first week of October 1987 – a crash signal. At that time I will be issuing direction to my higher level clients on what to do. I will then pass this on in general to the Newsletter level. This timing will be crucial, as will taking the positions off, after the market makes its move.

And then after the final leg down, knowing the exact timing as to when to buy into equities AND what sectors of the equity market you should be in to best take advantage of the next up phase will be crucial to know (so one doesn't buy into a false bottom). I will be providing that advice to subscribers at that time.

New? ... but really just an old technique has most confused ...

We know that the FED has been struggling with the inflation/deflation question for some time. There is evidence now, if you know where to look, that the FED is confused as to how to ensure continuing growth in the economy. I have been writing about this for several years, and believe me, all is not well.

Of course if the FED is confused so is the media. That's why you see them grasping at every release by the FED and larger brokerage houses for news. However, the media are doing their utmost to portray a "rosy" picture of the economy in order to keep their readers interested in coming back. But the economy is anything but rosy!

"My proprietary model is emotionless. It doesn't panic in fear of what 'might happen'. It also eliminates greed. These are two of the major factors that lead to losses."

Jim Shepherd

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Stu Harper, Publisher:

Market Hype at all time high!

The best way to help illustrate the bureaucracy's and media's attempt to keep the investor confused is to look at some recent media headlines. Then we will get back to some more of Jim's own words with his predictions. **These are again so different than what most other advisors said at the time** – another indication of what makes Jim Shepherd so different.

Never before in modern investment history has the investment public been subjected to as much manipulation and misinformation about the markets and misleading headlines that are at record highs. In 2004 the government itself made it more difficult with the recent change in how the PPI is reported, causing delay after delay in the release of this important data, and ultimately significant difficulty in comparing data.

More than ever, the old adage of, "You can't judge an article by it's headline", is true in these times.

As we prepare to go to press with this booklet (February 2005) we found these examples from the past year of sensationalizing through the use of headlines, thereby relaying a false impression to the investing public.

Misleading Headline #1

"Job outlook brightens for workers"

The US Labor Department's non-farm payroll reports for March (as released April 2nd, 2004) stating that **308,000 new jobs had been created in March**, were so far above even the most optimistic analyst's expectations that they were almost unbelievable. In fact they were, but investors were being told the economy was recovering and they should quickly jump back into stocks again or they would be standing at the station as the train pulled away.

What Jim Shepherd said about the non-farm payroll reports: "The only reason March non-farm payrolls increased was mainly due to temporary,

WHAT READERS SAY

"You have saved me lots of money the last 2 years and allowed me to see the REAL story behind the financial media and their tendency to mislead the general public." Ron Craft, CPA

(Subscribed January, 2001, paid thru Feb 2005)

part-time positions. Furthermore the jobs that were created were mostly service sector jobs that paid far less than the millions of manufacturing and high-tech jobs that had been lost. The reliability and impartiality displayed by the Labor Department when disseminating the important non-farm payroll data has fallen to an all-time low."

Jim Shepherd was proven correct again: In its next report, the Labor Department confirmed that **300,000 of the 308,000 new jobs created in March** were temporary part-time positions. Not only did the Labor Department confirm Jim's assertion about poor job creation, its subsequent reports were disastrous for July, and the **May AND June numbers were revised lower**. So what turned out to be incorrect numbers pumped up the market first, then when the real story came out a month later the news left the stock market in disarray and those who had bought stocks based on the payroll hype suffered losses again.

The Washington bureaucrats continue their attempt to confuse in this recent December, 2004 headline:

"Jobless claims post steep drop"

This was the lead-in to an article about new claims for unemployment benefits for the week ending December 11, 2004. Those claims fell by 43,000 to 317,000 from 360,000 the previous week. The article went on to report that the drop was the largest since December, 2001 when the new claims number dropped by 71,000. A more honest headline may have read **'Temporary holiday hiring reduces new jobless claims'**.

"Job Numbers Soft Again"

The U.S. Economy's ability to produce jobs continued to disappoint in **January 2005**, with the Labor Department saying non-farm payrolls only grew by 148,000 during the month. The Labor Department reported more bad news saying the number of jobs added in December was revised downward to 133,000 from a previously reported 157,000.

Misleading Headline #2

"Corporate earnings are improving."

As the economy picks up steam, company earnings reports are preparing to explode upward. This will add to the value of stocks that are grossly undervalued and will make the bear market a distant memory.

Click on this bar to order

What Jim Shepherd was saying in April 2004:

“Companies are under such enormous pressure to maximize profits that they are cutting costs at unbelievable rates using draconian cost cutting measures, including massive layoffs. Rarely have we seen actual expansion in gross revenues in the case of most companies. That is why there appears to be a recovery in corporate profits when in fact in virtually all cases all that has happened is that revenues have remained flat to lower while net profits have increased (if they have) due to cost cutting, much of which has been in the employment area.”

Jim Shepherd was proven correct again: As the companies began preparing to release their second and third quarter earnings statements a flood of downgrades and earnings warnings began, particularly in the Technology sector. Earnings were beginning to decelerate and many companies that had closed offices, manufacturing plants and laid off thousands of employees were running out of expense items that could be eliminated in order to put a pretty face on otherwise ugly income statements.

In early September Intel stock plummeted on poor 3rd quarter revenue warnings. And this will be the tone for the next while.

Misleading Headline #3

“Bond market crash likely.”

Several times over the last couple years, most recently, spring of 2004, bonds were pronounced dead by some of the highest profile managers in the world*. The argument went something like this: The Treasury Bond market is in peril of a crash as investors transfer funds from bonds to stocks. Interest rates that are at four decade lows can't fall any farther and growing inflation means higher interest rates are dead ahead.

* Contrary to these predictions, bonds have continued to rally mightily, now approaching record low yields/higher prices. Was this a ploy to drive prices down in order to purchase more at even lower prices? We think so.

What Jim Shepherd was saying in May 2004:

“We have suffered substantial erosion (approx 5%, but in a still very profitable position) in our bond positions beginning with the March employment data that I referred to previously. Although this data, as I said, was very suspicious in its delivery, it has had a negative effect on us. However, in one way this temporary rise in interest rates could actually greatly

benefit us. I would recommend holding our bond positions [they were up 59% at that time] for the time being. Bonds have become extremely oversold and offer an excellent entry point at this level.“ (See excerpts from recent newsletters see page 20)

And here's confirmation of what Jim was saying:

“Long-Term Rates down since June.”

The Fed has been on a rate-raising campaign for nearly eight months delivering six increases for a total of 1.5 percentage points (to short-term rates) since June, 2004. In spite of the Fed's actions the market has been steadily pushing long-term interest rates down, a staggering statement because long-term rates, determined by traders making bets about the future, usually rise when short-term rates are raised by the Fed. Long-term rates have now fallen from 5.33% to 4.48% (as of early Feb. 2005) since June 2004, when the Fed began raising rates - which increased the profit on the 30-year bond by 16½%, including coupon.

Coverage of these and similar misleading headlines would not be complete without some further explanation

The media need your viewer-ship as it directly impacts their Arbitron rating. The higher this rating number, the more the media company is able to charge its advertisers. To keep investors coming back the announcers must project positive outlooks for the future of the market, better known as 'spin'. So even though most news announcers have little financial training they sound believable and positive about the future of the stock market to keep you tuning in.

The other half of this equation, which helps to make “Wall Street: The Most Dangerous Street in the World” (one of the reports available at time of order, see page 22-23), are the brokers. After all the headlines about the fines handed out over the past few years to the big brokerage houses you should be asking ... why? The failure to understand the language of Madison Avenue is a fatal mistake. These people are well trained to make bad sound good. Obviously they receive their pay checks from the commissions you pay. Keeping you involved is in their interest. The emails we have received from subscribers, after trying to act on a call by Jim to sell equities, are to say the least, interesting. In the worst cases, the brokers convince the subscriber to stay the course in equities. Those who gave into their brokers in 2000 were soon just that: broke! ... c/o their broker!

Click on this bar to order

Between brokers churning your account and encouraging 'buy and hold', and just plain dishonest brokerage houses, who can you believe?

We realize that **inertia plays a big role here**. You don't have to quit your brokerage and move your money elsewhere. All you need to do is simply give your broker direction based on Jim's direction and ensure he/she follows through ... and try not to be influenced by the media hype!

Remember too, it is in the direct interest of brokerage houses to have the public believe the market can't be timed. That way they can purport the need to always stay invested in stocks. Large moves in the US stock market can be timed – we have proven it over and over much to the delight of our subscribers. Although the model plays the major role here, Jim's knowledge of market fundamentals and his technical ability are of significant importance also. He isn't relying on unfounded theories like many others do. His are tested and have shown their predictability over his 23 years in this business (not to mention his model's 100 year back testing, where it caught all major moves).

Note: Investment recommendations are only released to the general public a minimum of six weeks (often longer) after being disseminated to clients and subscribers.

Bonds 101



There are two main profit components to bonds. When you buy a government bond you in effect lend the government money at a predetermined rate of interest. If the interest rates fall after you buy the bond the value of the bonds you've bought, increase in value. If the interest rates rise after

you've bought the bonds, the value of your bond falls (because investors can now buy bonds paying a higher rate of interest than the one you're trying to sell). In the case of our advice to purchase bonds in late October 1999 (5+ years ago) the yield was almost 6.5% and it is now below 4½%. The difference represents a capital gain of more than 40%.

Additionally one must factor in the coupon interest rate received. At the time Jim's model issued the

SELL signal in October 1999, the coupon interest rate paid on the 30-year Treasury Bond was 6.47%. And now five years later you must add the interest received which is almost 32.5% to date (6.47% x 5 years). So in total the return on our bond purchase is 70%+, done with safety of core capital in mind. If you do the calculation yourself remember to use the actual bond as our subscribers were told to purchase and not a bond fund. Bond funds have fees deducted that can be substantial.

If interest rates continue to fall to around 3 to 3 ½%, for the reasons outlined, we can expect substantially more profits in coming months. Very soon however we anticipate we will be into the next step: another more aggressive position to take advantage of the next leg (and here we are meaning a step prior to any leveraged play).



Special Reports



Before we get to Jim's Forecasts, you should know that there are up to seven reports that can be yours FREE if you join us. **See them on page 22.** The value of these reports exceeds \$100 dollars.

NOW AGAIN FROM JIM:

Forecasts

#1. "Today's oil prices will seem like a bargain."

As the world's oil supply peaks and then goes into decline, millions of new users in China and India are making demands on current production that is struggling to meet the demand. Supply/Demand rules dictate that when demand is rapidly outstripping supply, prices will rise. Read our complete report on oil and find out what this situation spells for the future of the world's economy (Oil is one of the reports available at time of order—see page 22-23)

#2. "The approaching stock market crash will make 1987 look tame."

The stock market crash of 1987 took place during a bull market that resulted in a relatively quick turnaround for stocks. If the stock market were to crash during an ongoing secular bear market amid an ever weakening economic environment, the results

would be devastating for an extended period of time. Read the complete report “Economic Winter” and find why a crash at this time is likely (it’s a Bonus report noted on page 22-23).

#3. “Deflation could knock off up to 80% from present real estate values.”

If the economy were to enter into a deflationary spiral (a very high probability at this time) the value of most assets including stocks and real estate would be devastated. During the last deflationary period of the 1930s, real estate values fell to approximately 20 percent of previous values. A similar drop in values has occurred in Japan since 1989 when that economy entered a deflationary environment. Read the complete report “Deflation, The Unseen Peril” - what Alan Greenspan is not talking about! (another Bonus report noted on page 22-23).

#4. “Long-term interest rates should fall another 2 to 2 ½ percent.”

Present long-term interest rates that are now well under 5 percent will have to decline to around 3 to 3 ½ percent before a meaningful economic recovery can begin. Falling long-term interest rates will mean escalating prices for certain types of debt instruments that will increase in value as interest rates decline. These debt instruments have already appreciated nicely (see “Interest Rate” report available on page 22-23)

#5. “An economic collapse would see enormous gains in U.S. Treasuries.”

There are three main elements that will contribute to enormous gains that we expect will accrue to U.S. Treasuries in the near future. First, an economy that continues to weaken will force long-term interest rates lower. Second, a collapse of the stock market would see a flood of funds into Treasuries seeking a safe haven. Third, the Federal Reserve may be forced to buy long-term treasuries in order to force interest rates lower as they attempt to end an economic collapse.

Stu Harper, Publisher:

The Market level Today - Mania or Value?

Companies have been for sometime cutting jobs and slashing expenses any way they can to try to keep their valuations meaningful. However, they are not getting the sales that they anticipated and need to fulfill the equation of making their stock prices sound. They have run out of options! Soon it will be

obvious to more and more that the present prices are unsustainable based on lower sales being reported. This is simply because the consumer, who has been responsible for 70% of the economy more recently, is close to being tapped out due to the huge personal debt they’ve taken on. This figure is now at two trillion in consumer debt. It’s no wonder that Alan Greenspan recently talked about renegeing on the benefits (read pensions!) promised to baby boomers.

And the ‘Bubble Breaker’ is ...

Isn’t life grand! By now we are probably down to only the realists who are still reading. Most others who don’t want to face the truth, or are not students of world economic events, have discounted the above and quit reading. What they do not understand is that Jim Shepherd is a pragmatist. He makes money in ALL markets. In fact he made huge money in the bull market that ended in 2000. But, being a pragmatist he also knows that there are times to be in equities (most of the time!) and times to step aside into other asset classes.

Unfortunately for those who quit reading, this time the “sea change” is just a little slower in happening (due to tax incentives et al mentioned earlier). We said in 1999 that the sea change was coming ... we are now in it. It simply can’t go back to the way it was (on a steady upward move) without a “wash out” first.

What will the final catalyst be? ... with the debt that the USA has taken on to keep its economy pumped up, the items mentioned in the predictions above will play a part. However, it is more likely going to be a combination, but once it starts in earnest the item that won’t let us go back ... the final finishing blow, will be most likely dealt by the massive trillions the U.S. is offside in the derivatives market as it starts to unravel (the safety valve is so under-funded it would be eaten up in the first few minutes! ... see table on page 20. In that table, just look at the expansion every six months. This is the latest table available

WHAT READERS SAY

“I have been trading the markets successfully for 12 years on a daily basis. Your commentary is focused and accurate ... many people will not have the patience to trade the markets as you do, even after they are unsuccessful with alternate methods. So few people are successful long-term which is why I feel fortunate to have found you. Keep up the fantastic work”
Jeff Steinberg, Toronto, Ontario (Subscribed August, 2002, paid thru August 2005)

Click on this bar to order

at press time, February '05). Knowing when to reposition for this event will be all important to you to keep your portfolio and other assets safe ... or watch them be decimated. Our subscribers will be positioned in front of this coming event and will profit, just as they have every year of the last 23 years.

No Need To Panic

Yes, we are expecting this equity market to drop further, significantly further. As we write this, the DOW has been playing around with the 10,000 level for over a year now. Erosion continues in the underpinnings despite what you may read in the media.

The aftermath of the crash will not play out like that which followed 1987 for reasons discussed already and a few others that are too long to go into here.

No, you don't need to panic, but you do need to get tuned in so you are properly prepared. If you join us, this will ensure that you won't have to guess about the timing of the market. Don't anticipate, wait on Jim's direction.

Unfortunately most investors, even sophisticated investors, allow themselves to be mesmerized by an ambulating market, thinking, or more likely 'hoping' it will simply eventually begin moving back up since it had done so for the 18 years from 1982 to 2000. They take the status quo and expect it to continue into the future - "all is ok!". These are the people that go on emotion rather than logic and will be left in the dust. There simply won't be enough time to get positioned when the final event begins to play out unless you are informed and involved in the preparations. We began our steps in 1999, and there are more profitable ones to follow soon!

BACK TO JIM:

My Aim Restated

You must make and then guard your profits

It is the primary aim of this service, with the aid of my proprietary model, to remain vigilant and continue to provide the finest advance signal available to my clients for predicting major market directional changes. Will we get a signal in time before a major move, every time? My model has a 100% track record for predicting major market turns in real time over 23

years and in back testing over 100 years - it signaled the eventual move in advance, every time (and will do so every time, short of unpredictable disasters).

So, how far along are we in the 'sea change'? All I can say is that the culmination is not too far off according to the readings in my model. The advance 'timing' of the signal, that the model will generate, will be absolutely crucial to success in positioning for the impending down move should one wish to put on short positions.

Meanwhile, as we await the next move we are still presently well positioned in the correct asset class to continue growing our subscribers' portfolios safely.

How Far to Fall?

One can look at previous manias to get a feel for how far it may fall once it does turn. The recent Japanese market mania, ended in 1989 when the Nikkei went from the 39,000 level down to approximately 15,000, a drop of 60%. In 2003 it went below 8000 to a new low, a drop of almost 80%, then back up slightly. It moved back and forth several times sucking in more and more money each time, and then down again to the present 11,000 area. The world is replete with examples on how manias end. The 1929 market, once it cracked went down over 89%. The NASDAQ starting in 2000 went down over 80% before its recovery back to being down 60% (and similar to the Japanese market, is about to fall again soon).

One can also look at how manias have ended in other markets such as real estate and collectibles for examples on how they end and how far down they go (a market will normally drop at least 40% from its high initially). Another important point is that once a market moves below its "support level" the market almost always goes down below fair market value before again moving up. Using any of these comparisons it is reasonable to assume that this market, once it starts its move down from these levels, will most likely get close to the DOW 5000 level ... and could just as easily penetrate that, going down until it hits its next support level.

Where to From Here?

Wait for my model's signal.

As you can see from the list of signals on the inside front cover (both the "BUYs" [Up Arrow] and "SELLs"

Signals ...
"Neither your broker
nor advisor could
tell you about signals
like Jim's, not
the 'sells' anyway! ...
or head office
would fire them!"
Stu Harper, Publisher

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Some extracts from Interviews with Jim Shepherd



Jim Shepherd, RIA, CTA
America's #1 Independent
Consistent Wealth Builder
The Advisor's Advisor

As an independent advisor, and founder of The Shepherd Investment Strategist, a service of JASMTS Inc., Jim has made money for his subscribers in this service consistently every year of the past 23+ years. His subscribers lost no money in the 2000 Bear and were recently up over 70% since safely moving into another asset class. We soon expect to make an adjustment to how our funds are presently deployed, which we expect will bring another significant increase in value.

Jim Shepherd's Early Personal Story of frustration - necessary to bring his later huge success in the market follows.

"My early losses in the stock market were the key to my later success. Looking back, I feel extremely fortunate in having had a serious setback in my early investing life when I lost money in the stock market by following a few of the so called gurus of the time. This came after I had already made my first million dollars in real estate development. Although my losses were modest I vowed this would never happen to me again.

continued on page 12

The New York Sun

by **Dan Dorfman**,

December 10, 2004

While the investment community is predominantly bullish as it approaches 2005, not so Mr. Shepherd, who predicts a bloody year ahead. Mr. Shepherd points to striking similarities between now and October 1987, such as a ballooning trade deficit, very high levels of insider selling, rising interest rates, a weak dollar, heavy speculation, a great deal of optimism, investor complacency, and low volatility. ... "We've had a period of dramatically declining interest rates which propped up the economy and the stock market, but that good news is now behind us," he said.

For a follow up to the reference of Dan Dorfman to the crash that Jim's model predicted in 1987 see page 12 for an article from the **San Diego Daily Transcript** - by **Priscilla Lister**

Barron's - Market Watch by

Anita Peltonen, has quoted from a number of Jim's newsletters in 2004:

Sept. 15 - Many of our most prominent banks have engaged in risky leverage and lending practices that will undoubtedly lead to major problems, ... more and more incentive methods have been used to keep the money flowing... over-the-counter derivatives, mostly consisting of nonregulated interest-rate swaps and currency derivatives.

July 28 - The conditions for bond appreciation are in place: The economy is slowing and the energy shock is ensuring this progression; there has been massive short-selling by the speculative public in the Treasury market...

Money Talks radio -

Victor Adair Interview - Opening statement by Victor Adair of Money Talks radio show leading into an interview of Jim Shepherd of *The Shepherd Investment Strategist*.

Victor Adair: "For most of tonight's show we are going to be talking with market analyst and advisor Jim Shepherd. His market analysis is based upon a model that he developed about 25 years ago and which he has used for the substantial benefit of both himself and his clients. That is, he and his clients have made a lot of money buying and selling stocks and bonds at the right times since the very early 1980's. Now, Jim's model would get him and his clients in and out of the stock market every couple of years or so. Believe me, Jim is not a day trader. I think we could fairly characterize him as an investor. ... his most spectacular win was buying puts and lots of them, shortly ahead of the stock market crash in 1987. He and his clients made a lot of money on that trade. But I think, that particular trade aside, Jim and his clients have made most of their money over the past 20 odd years by owning stocks. I'm telling you that because Jim's got a very few in the stock market right now but that's not like his normal hat that he wears, OK... - he's not a perma-bear on the market."

Jim Shepherd: "That's usually the case. And I've always believed that the best way to profit in the investment markets is to be positioned in advance of major moves and make sure that you remain in those positions until the moves have run their full course, without taking inordinate risks. So that's the way that we've always approached it and that's what the model has allowed us to do." (The complete interview is available on our web site at www.jasmts.com) ■

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continued from page 11

I worked night and day and weekends in my time off for years while attempting to correlate various market data with the underlying economy. Through this research it quickly became clear to me that most of the suggested purchases by brokers were already old news to many and I had been suckered (yes, just like brokers in recent years, problems occurred then and brokers went to jail then also!).

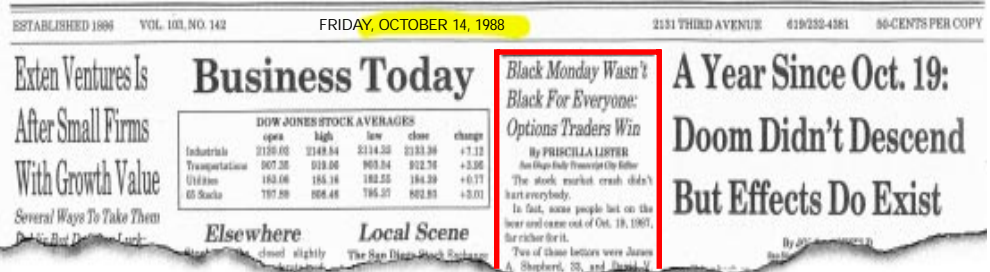
Being an inquisitive type, I found the work exhilarating. I became fascinated with the markets and soon thereafter left real estate development and went into the options and futures brokerage business. I continued working on my project for years until I started to see a pattern developing in some of the data. Eventually, after almost six years I had developed a model that had accurately predicted every major change in the U.S. markets going back over a 100-year period. The excitement was almost overwhelming.

I began using the model while advising my clients in 1986 after using it personally since 1980. In the summer of 1987 it began warning about approaching problems and I informed my clients. Some were skeptical, but many took my advice and followed my investment recommendations that made many of them millionaires on October 19th 1987. One client, who happens to be the owner of a hair salon in California made just over \$1 Million from a \$10,000 investment. Others made much more!

Not only did the model get my clients out of the market well in advance of the crash, but it positioned us to benefit from the collapse of stocks." ■

With another Crash coming, read about Jim Shepherd's Prediction of the '87 Crash

San Diego Daily Transcript



Black Monday Wasn't Black For Everyone: Options Traders Win

By PRISCILLA LISTER
San Diego Transcript City Editor

The stock market crash didn't hurt everybody.

In fact, some people bet on the bear and came out of Oct. 19, 1987, far richer for it.

Two of those bettors were James A. Shepherd, 33, and David V. Blanton, 39, who with some partners made a mint on that Black Monday. After the crash, Shepherd and Blanton formed J & D Commodities and have become commodities traders in La Jolla who buy options on futures contracts. Last year they had specifically traded on the S & P 500 Index.

Before Black Monday, Shepherd and Blanton had bought put options that expired the third week in December on the S & P 500 Index that gave them the right to sell those contracts at 270 points. Then the market collapsed Oct. 19 and the S & P 500 Index dropped to about 180 points. They sold their contracts when that index averaged 210 points. While they had bought their position at an average cost of about \$200, they said they

sold them off at about a \$30,000 net per position.

While they wouldn't say how many contracts they had, they did say they had anticipated a 50-to-1 return and got even better - some 70 times their original investment.

Such commodity trading, especially on the S & P 500 Index, is often called hedging, often used by institutional traders. Some blamed the crash on the computerized program trading that used hedging; it came under the scrutiny of the Brady Commission following the crash, but so far no regulatory changes have altered the rules.

Such trading is also acknowledged to be highly risky; many investors can lose entire stakes.

And while many program traders used computerized buying and selling of stock index futures to hedge against market losses, many still lost money during the Crash of '87. So commodity traders, like Shepherd and Blanton, will say it wasn't program trading that caused the crash.

"It's easy to make claims that the October situation was caused by computer program trading and portfolio insurance firms taking positions." Blanton said last January.

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continued from page 12

“But they didn’t cause the crash; they added to the speed but the fundamental problems of the economy (were greater causes).” And Shepherd added, “Had there not been portfolios to hedge, (October) could have been worse.” [This last sentence was a misquote in the article and should have read: “Had there not been a way to hedge portfolios, (October) could have been worse”.]

Shepherd has created a computer model that has tracked influences on the market since the late 1800s. “It has never failed to track the top or bottom of the market within a 4 percent accuracy.” he told the Transcript last January.

And just as that model is proprietary, so is his position in the market now.

“As far as the direction of the market, we don’t want to predict,” Shepherd said yesterday. “We don’t make predictions because we want to maintain our integrity with our clients so that we don’t give the information out freely anywhere.”

But he would say that he and Blanton have become licensed as pool operators and commodity trading advisors, and that their firm, J & D Commodities, is currently engaging in investing funds for both a “substantial pool and a large number of individual clients.” ■

A similar article appeared in January, 1988 in the San Diego Magazine.

WHAT READERS SAY

“... Being new to you and the market I did not know whom to believe. I wish I had listened better ... But thanks for your wise information.” Don S., Baton Rouge, LA (Subscribed November, 2000, paid thru Jan. 2007)

WHAT READERS SAY

“... since I have subscribed to your service I have never been more at ease in the market following your advice. I am continuing to make gains and no losses, what a wonderful feeling. ... We had a planner come out to set up to help us with investing and planning for the future. He wanted us to invest for long term by investing in growth funds etc. Because I was subscribing ... We put the money 3/4 bonds & 1/4 money market. He was mad at us because we didn’t listen to him because he told us he was the expert. That was last March. I do not have to say anymore. My wife would have lost several thousand \$, but instead is ahead several thousand. What piece of mind we have now. Its very sad to see so many people with there huge losses, & they still insist they’re in for long term. Long term to me is I’ll never live long enough to recover over the long term the losses I would have if it wasn’t for Mr. Shepherd. Thanks again. My wife & I are 62 & its all the more important that we invest properly.” K.S., Cambridge, WI (Subscribed January, 2000, paid thru February, 2005)

Subscriber information is limited to details authorized by each individual

WHAT READERS SAY

“... I admire your intelligence, honesty, and willingness to help others learn. I look forward to your updates and like very much how you explain and get right to the point.” Adrienne Klug, NJ (Subscribed April, 2001, paid thru April, 2005)

WHAT READERS SAY

“... through treasury bonds... as recommended by your service. Had I stayed in stocks, I would be down 50%.” Hans Gethoffer (Subscribed April, 2000, paid thru May, 2007)

WHAT READERS SAY

“I want to thank you for the service you provide. You are obviously skilled in your understanding of the markets, economics and history. I am a physician and went into private practice after five years of residency training three years ago. At that time I was anxious to invest and participate in what appeared to be a booming stock market. I bought subscriptions in technology investing newsletters that guided me into stock after stock that lost me thousands of dollars. One day on a raging bull message board I saw a positive comment and link to your site. I checked it out but unfortunately thought your having a “model” was too good to be true. Finally I subscribed and that was the day I STOPPED losing money. I work hard every day and because of the stress of being a physician, even though I love what I do, I look forward to retirement. Losing hard earned capital was very painful. Your service has enabled me to have a clear understanding of the economic world and make investments... not speculate. Most importantly I want to thank you for sharing your knowledge unselfishly. You could keep your ideas and words to yourself, but you don’t. You seem most interested in justice and truth and sharing that with those that don’t have your knowledge.” Joseph P. Riley, D.O. (Subscribed December, 2001, paid thru January, 2005)

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WHAT READERS SAY

I am a recent subscriber and want to extend my thanks to you for being a voice of reason among all the talking heads. As the market advanced from the unfortunate and dramatic events of 9/11, your commentary and advice were sound and reliable. I am looking forward to our continued relationship. Scott Hall, MD (Subscribed November, 2001, paid thru February 2005)

WHAT READERS SAY

"I ... congratulate Mr. James A. Shepherd in predicting the market direction... it has saved me a lot of money. Thanks." Mr. Geert Debakker, Belgium, geert.debakker@skynet.be (Subscribed June, 2000, paid thru July, 2007)

WHAT READERS SAY

And this from the Raging Bull Message Board Jan 13, 2002 (as sent to us by a subscriber): "... sometimes in the short run you might question his wisdom ... as shown by his early ... Oct 1999 call ... patience pays off. ... I had just heard that a large institutional fund managing retirement accts for a large org. was looking for another manager or co. to turn its portfolio because of massive losses sustained last year. I immediately thought of Shepherd and how pleased they would have been to be in bonds all this time and safe from the carnage. Many talk the talk, Shepherd has walked the walk and has proven he gives sound advice... maybe disappointing some who wanted to play these dips... but he errs on the side of caution. Traders are not prohibited from making trades... I use his advice as a measure to protect the BULK of my assets... and that he certainly has!" By Duratek \$\$\$\$\$ in answer to "Guerra"

WHAT READERS SAY

"... how very pleased ... There's truly nothing else like it in the world!" A.N., North Carolina (subscribed April '98, paid thru Apr 2005)

WHAT READERS SAY

"...I resubscribe every year to keep in touch with your proven indicator signals." S. Schatz MA (Subscriber since October, 1998, paid thru October, 2005)

WHAT READERS SAY

"Over the past several years I have been bombarded with offers of investment newsletters and financial advice. The pattern is always the same ... However ... I stumbled across ... I was impressed by your philosophy of risk aversion ... getting back into the market only when the wind would be at your back. I was impressed by your ... call in ... '99 to safely get out of the market ... I just wish I had been a subscriber from the year before ... 2000. ... thank you for saving me from a certain financial disaster and allowing me to have a peaceful sleep during these very troubling times...". Greg Plow CA (Subscribed September, 2000, paid thru September, 2005)

WHAT READERS SAY

"...impressed with a number of your observations ... and of course the accuracy of the model. ... I want to commend you on your fine work." Ken Rich CA (Subscribed January, 1999, paid thru February, 2005)

WHAT READERS SAY

"I have been very satisfied with your updates and follow your indicators thoroughly - Thank you." Henri Debidour CA (Subscribed June, 1999, paid thru July, 2005)

WHAT READERS SAY

"I was a subscriber of your service at the base level in August of 2000, and a month later moved to the Mid level service. I only wish I had heard of you before. I would have saved a lot of money! What I like about Jim is that he does not feel compelled to give a lot of change-ups which normally end up losing one money. He is consistent. I have to say ... I am looking forward to signing up again next year and sending you (another) check for (several thousand dollars). One can't say that with too many things in life!" M.M., Kirkland, WA (Subscribed August, 2000, paid thru September, 2005)

WHAT READERS SAY

"Since subscribing... I've always looked forward to Jim's audio updates on the web, and receiving the monthly report ..." Vickie Slade, Christchurch, New Zealand (Subscribed July, 2001, paid thru July, 2005)

WHAT READERS SAY

"You folks are the best, keep up the good work. Thanks again." Tom Delaney (subscribed July, 1999, paid thru July, 2005)

WHAT READERS SAY

"... I appreciate all your work, your updates, the commitment to follow your plan and valiant efforts to keep us updated ... My ultimate goal is to one day "be" one of your managed accounts. ... Even more importantly, you have allowed me to sleep well ... knowing ... my retirement funds are now safe in cash or bonds. ... I am an engineer ... I have no idea how you can "quantify" when the tide of the mass hysteria will ultimately turn. But I am willing to leave that in the hands of a professional who has decades of experience in the market, and has done it before!" M Lloyd ID (Subscribed September, 1998, paid thru September, 2005)

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[Down Arrow]), my clients received notification of the market directional changes with good lead time. ... and should do so in the future with enough time and notification for a leveraged play, when the model so indicates.

Other Newsletters

The model kept my clients fully invested through the final stages of the bull market to late 1999 and then put my subscribers into Bonds, which were already up 10% when the equity market began selling off in early 2000. Some relatively famous newsletter writers either got their subscribers out in 1997 and missed the final up-leg of the greatest bull market in recent history or missed exiting prior to the 2000 debacle costing their subscribers huge losses to core capital. Some of these competitors charge less, but many charge much more - \$650 per year, \$995 per year (and in a few cases \$10,000 and more) for everything from a few pages to small books of information to be sent to them every three or four weeks. Some of these newsletters, it is purported, have up to a million subscribers. Staffs of up to 50 persons are necessary to do this kind of work. This is a lot of money they have coming in every year. AND they have a HUGE vested interest in keeping their clients. To do that they have to watch very closely what they say in those newsletters. They cannot be bold in their predictions because if they are wrong, they lose their clients and thus their incomes. I make most of my money from the markets - not selling newsletters. I am not bound by the economic restraints they feel.

Most services use allocation percentages ALL the time to (in their words) ensure there is safety with diversification. Although at times this is a prudent strategy, those times are less frequent than most would have you believe. The amount of time that most other services rely on diversification is far too high. We have a different view on this. We believe they do this more due to their lack of understanding of the markets. They are hiding behind "playing it safe". There are times, every few years when we KNOW from the model that a certain event is about to occur - diversification at times like that is not prudent and we will take a 100% position. (just as we did in US T Bonds on our sell out of equities in October 1999). However, I hasten to add, never more than 5% and normally only 3% in leveraged positions.

Some, based on just the difference noted in the above paragraph, would call me a contrarian. I don't mind that label! That would be true, because I know

that most investors are ALWAYS wrong at major turning points ... and that's when I want my subscribers positioned in contrarian positions to take advantage of the profits I know will follow (as noted on the inside cover).

What I will NOT be sending You!

You will NOT get a small book or ream of pages every few weeks to go through, which in the case of most of these newsletters are "attempts" at forecasting the market and justifying the charges their subscribers pay.

What You Will Receive

You will receive a Communiqué each month of a few pages, plus of course, when signaled by my model, a timely notice of a market "sea change" that will get you and your core holdings out of harms way and allow you to position yourself, should you so desire, to profit very nicely from a move either up or down. You will also receive at that time advice on what asset classes you should move into.

We position for profit. To do so means we don't jump in and out of the market. I learned a long time ago that moving in/out of the market too often leads to the poor-house, not just from the commission costs, but from the missed opportunities soon to be presented and resulting profits that you want to be positioned in front of.



In the case of a move back into equities, I will advise on sectors to consider. We will use instruments such as SPDRs and other such ETFs, which spread the risk, thus sidestepping any chance of an individual stock's internal and often hidden problems negatively impacting your core capital. Only occasionally might I recommend individual stocks, but that would typically be only in a Bull market.

Using my signal will ensure losses like 2000 are in the past and go a long way to help regain what you may have lost in this Bear Market.

Spreading risk through the use of ETFs, etc. will ensure you don't lose like many did in some of the deplorable stories surrounding a number of the individual stocks, starting with the 2000 stock market debacle. Although everybody remembers Enron,

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there are many similar stories of unethical commissions and kickbacks, and other shenanigans that continue to this day! A recent example in the insurance industry is Marsh & McLennan, which as this goes to press here in early 2005, just settled their suit at \$850 million. Believe me, there will be other 'darling' stocks that will be hit with similar transgressions before this era of rampant disregard for the public is wrung out of the markets - and unfortunately, many unsuspecting folks getting ready for retirement will lose again.

Other Markets. Although my main focus is the US stock market, commentary will also cover other asset classes at important times, such as bonds, inflation hedges (gold, silver, real estate) and other commodities, which may be about to present special opportunities. In fact it was the use of the US Govt. T Bonds in the past several years that gave us our 70%+ increase. ***A new sub asset class has been researched and chosen to take advantage of the next move we see coming.*** I remind you that getting in front of moves that we know are about to occur is the safest and best way of increasing profits fabulously. Within a few months we'll look back on this time as perhaps being one of our most profitable periods to date.

We provide a telephone update every Friday, just after 6 PM EST. ALSO whenever the DOW closes more than 3% from the opening, a special update will be provided. Under special circumstances, we may feel it necessary, on announcement, to update more often for awhile. In fact, this is what we are doing at present with an extra telephone update each Wednesday until what we see as a culmination to this dichotomy in the market.

With the market at its present elevated level, knowing when to buy back into the market after a fall, gets little or no 'press'. However, after the market has fallen somewhat, it will be equally confusing to know when the bottom is in place, just as it was for most to have known when the top was in place. While most will be trying to figure out where to safely re-enter, the model will generate the "BUY" - in enough time to catch the real move up that will follow, and not a fake rally.

Are You Getting Your Money's Worth? So if you feel that you are NOT getting your money's worth

with weekly telephone updates (also available via internet at our website) but only a few pages of written update each month that delves into "behind the scene" issues and numbers most other advisors do not understand but that tell the *REAL* story, AND, with a 'Real' and timely signal that is aimed at keeping your core capital safe, a signal that really means something, then you should subscribe to one of those other bulky newsletters. Or if you are one who likes the excitement of receiving daily or even weekly 'hot' stock tips that in most cases, in fact 99% of cases, are simply pump and dump promotions that end up losing money, then that's another reason to go to one of those other newsletters too [we tell our subscribers if they get the urge for some excitement, they should take a few hundred dollars down to the local casino where they will generally have more luck]. In both cases above, you don't have to look far for another newsletter - open any financial newspaper, magazine, or go on the Internet - there are 100's to choose from. And most of them are cheaper than my signal too! But for many of them, just think how much it has cost their subscribers in loss of core capital plus lost opportunity.

My Market Timing Service will only take a few minutes of your time each month, rather than reading through 4 to 12 pages every few weeks - from which you will then have to try and decide what you should do next. With my

model you can sleep soundly and know that you will be in the correct asset class to best benefit from the next major move (and your core capital will be safe!). And when it is time for a change you will get sufficient notice to make the change (barring any unforeseen outside or unpredictable event).

So ... I invite you to join my service and save that time you would use reading one of the other long newsletters, learning a new software program or trying to train yourself in some system, and then spending an hour each day to use the system! Why

WHAT READERS SAY

"I have been in the market since 1958, and was a broker from '67-'01... I have utilized many ... services in my 34 years, but I rate Shepherd #1. If more brokers knew... their customers might have some money left. You are the best in the business!" Mike Z. Brenan, FL (Subscriber since December, 2000, paid thru March, 2005)

"Most advisors who send out solicitations don't have more than a few years experience in the investment business ... let alone Jim's twenty three consecutive years of positive growth!"

Stu Harper, Publisher

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not spend that time saved with your family, your hobby, playing golf ...or whatever your heart desires, knowing your core assets are best placed for safety and growth.

After all, if I don't help increase your wealth, you won't resubscribe and I won't get paid.

And ... you have my personal ZERO RISK offer, of a 90 day, full money back guarantee ... and you keep any reports received to that date.

Stu Harper, Publisher:

Can such a Signal Benefit Your IRA, 401K or Mutual Fund?

It certainly can! If your family of funds allows it, you can transfer from one asset class to another based on recommendations from our service. In other words you can be in whatever asset is warranted, based on our recommendation at the time, be it bonds, cash or the stock market. And no commissions to pay either.

Too Good to Be True!?



If you expect frequent recommendations on specific individual stocks ...then it is. That would be spreading ourselves far to thin and it would not take advantage of our forté. Having said that, Jim will write/talk about recommendations in sectors and ETFs, including SPDRs at the appropriate time. While in a Bull market, individual stocks may occasionally be recommended within preferred sectors.

Although we have caught moves of 10% and some smaller, some of these smaller ones we may miss since they can come from outside influences such as when 9/11 occurred (we were already out of stocks at that time). We specialize, with the use of Jim's model in knowing where the economy is, where the US equity market is (our preferred area of investment) and where they are going. We also know what asset classes to be in when equities are deemed to be unsafe - we suggest how to allocate your assets for best return.

We also specialize in identifying in advance major moves in the US indexes that may be played with leverage. Such plays must meet stringent criteria. The criteria are so specific that on average we have a play

that meets those criteria only every four to five years. But these result in making several times ones money. The last such occurrence was in 1998 where those who took part made five times their money.

Finally, a little about our subscribers. Most are either professional working people with high six figure incomes or sophisticated retired investors. Of these, a significant percentage are financial advisors, and most have been with us for years.

Other Service Levels

As stated earlier, Jim makes most of his money in the market. He also runs a fairly sizable advisory business that he started back in the mid 1980s. The total amount under advisement is in the billions. These clients, a few of which are institutions, pay for advice at a level in line with their needs.

In 1998, our highest level of services became full. Since then the remaining higher service levels have also met capacity. New entrants are accepted from subscribers to this newsletter via written application, assuming there is a vacancy. Vacancies normally only come open upon the passing of a member.

In addition to enjoying helping the individual small investor, it is time constraints which finally had Jim open this newsletter. It doesn't take a lot of his time as his staff looks after the dissemination of briefs and direction, and much of that is automated. This leaves him more time for research. It allows him to give you timely and actionable commentary. By and large this is the same commentary in more general terms, that his higher level clients receive, who pay him in some cases six figures each year to manage their money.

You can see by the above that this Newsletter level allows him to leverage his time significantly. Having said that, we have a ceiling on this subscriber base also, that once reached, we will not go above for a number of reasons, which are addressed later.

BACK TO JIM SHEPHERD:

Jim Shepherd's Risk Free GUARANTEE

The best part about this is that I am offering this service risk free. Let me explain. In my management business, I never charge a fee unless, and only if, my client makes a profit. In my portfolio advisory business, where clients pay me a minimum of \$20,000 per year to advise them on their overall portfolios, I agree in writing to refund all fees if the advice is not profitable (I don't know of any other advisor who offers

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that). That is one of the advantages of having made a great deal of money in the markets: I don't have the same financial pressures that many advisors and stock brokers do. I can afford to do things the way they should be done. To me, that means that unless my clients make money I shouldn't either.

The offering of this Signal is a little different. Unlike my managed accounts where I offer a money back guarantee (because I am in direct control) I have no control over how you take action on my signals. In having no real control (because not just minutes but seconds can make a big difference), I cannot take responsibility for your profits or losses.



You receive a guarantee that is on average 3 times the length of most newsletter services (normally 30 days). For first-time subscribers, I offer a 90 day FULL money back GUARANTEE, No questions asked.

So, you have it that I will work diligently to ensure all my clients and subscribers are given the best advice possible. At this level you benefit in that you receive the same advice in more general terms at a fraction of the price that my highest level clients pay.

And if for any reason you decide to cancel in that first 90 days, in addition to receiving 100% of your fees back, you will keep all reports sent to you to that date with my compliments.

Stu Harper, Publisher:

Subscription Fee

The annual fee is \$495.00 per year.

At this time we are offering TWO attractive and easy to join packages. One offers \$300 OFF a two year package. Go to pages 22-23 to see the details: excellent offers – offered only recently!

Interested? ... Why You need to Act Today

In 1998 we reached a predetermined level where we had to cut off all further managed level enroll-

ments. As mentioned above, we have a ceiling that we have promised to not go above in this service level also. The prime reason we will not go above that level (the cap was chosen some time ago) is that we feel it is the highest number of subscribers who could receive and act on Jim's signal without causing the whole market to move. We absolutely will not put ourselves, nor our clients in that precarious position.

When this newsletter level is fully subscribed, just as with the closing of the higher levels earlier, we will no longer accept new subscriptions except to fill in for attrition. Although we are not yet at the cap, and if what you have read here sounds like it would be helpful to your portfolio, I would hope you join us before this level is also full.

10 Important Reasons to Subscribe *that will benefit you and your portfolio* **AND** One Incredible Guarantee

1. A Timely Stock Market Signal to allow you to step aside before any MAJOR move down.

2. A Timely Stock Market Signal that will tell you when to buy back into the market at the appropriate time ensuring you don't buy into a false bottom.

3. Portfolio Protection – think of it almost as insurance. Short of an extraordinary catastrophic event, this service should allow you to sidestep any major down move. You'll then receive notification as to when the move is over so you can get in front of the next up-move also. That protection would have been invaluable to those who stayed in during the 2000 Bear debacle (as enticed by Wall Street brokers and the financial media that make their livelihood in this manner). Some of

those portfolio losses were significant, totalling 60% - 80% in some cases.

4. Telephone update every Friday after the market closes. Additionally, at times like this, while the market is especially vulnerable, there is an extra update on Wednesday. In addition a special update is provided on any day the DOW closes with a difference of 3%.

“Hesitating? ... I urge you to revisit the graph on page 2 and relive the first few months of 2000. Far too many investors recall that sick feeling in the pit of their stomach as the NASDAQ went into freefall devastating retirement and college funds.”

Jim Shepherd

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5. **Newsletter.** A written update once per month to cover the more difficult to understand internal workings of the market.

6. **Asset Class Direction.** The aim of this service is to ensure the growth of your portfolio through ALL market conditions. During certain markets this predicated the purchase of assets outside the equity market.

7. **Other Investment Vehicles** may be utilized on occasion. This is normally most appropriate following right after a signal. Signals carry a weighting, and when a strong signal is received it may be deemed that leveraged instruments will be used – and at times like this, should you wish to utilize options, it may offer the greatest return on your investment that you may ever experience.

8. **Independent Advice.** In an era of mistrust, Jim Shepherd and this service are not involved with any other outside company in any manner or form. Thus the advice is for your benefit only. The only way we get paid is if you are happy at the end of the year... and renew. No commissions. No chance for churning.

9. **You should sleep better.** With 23 years of consistent growth behind the service you should have comfort in knowing that you are in the hands of a real professional. You will always know the REAL condition of the economy and market. This is not to say there won't be times when we may appear to be offside while the markets catch up to the real underpinnings of the economy. Times like this are essential to position in front of a move. And think about this: Jim has a standing offer with his higher level clients and institutions (minimum \$20,000 per year) that if they do not make money in that year he refunds their money.

(I do not know of any other advisor who is that confident in their system that they are prepared to do that. Isn't that the kind of advice you want on your side?. Stu Harper, Publisher)

10. **Saves Time - NO software to learn, NO course to take,** easy to use, and only a few minutes per week.

11. **Guarantee.** A RISK FREE full, no questions asked 90 Day unconditional Money Back Guarantee for first-time subscribers!

So ... if your portfolio is worth say \$500,000 dollars (and for many of you, it will most likely be more) then an investment of only \$495 per year as sort of an insurance plan is less than 1/10th of 1 percent ... some may spend that on brokerage fees for one trade! When looked at that way, this is the most inexpensive 'trade' (really an investment) you'll probably ever make! This is especially true when you

take into account the losses that will be sustained if you were to be caught in another move down like 2000.

Quick Subscription Bonus!

... to qualify for the Bonus you need to order within 10 days of receiving this offer. See page 22-23 (inside back cover to proceed).

And if you take the Best discount available, it is only \$28.75 per month! That's less than a dollar a day to help ensure you never get caught like 1987 or 2000 or something similar again.

Anything Not Answered?

If you have further questions about these offers you may call us at (800) 368-7292. Please note that staff answering are not trained in the market thus your questions must be kept to the pertinent information herein.

We do hope you will join us for the consistent profits we can offer in helping you prepare for a financially secure future for you and your family.



Jim Shepherd, President

Final Notes from Stu Harper, Publisher:

Point #1 Short of an unpredictable event, never get caught in a down draft market again. Jim's track record shows 23 years of accurate signals catching every safe major move in real time. Think: what could be the cost to your portfolio of **not** knowing? ... based upon Jim's model's present reading it now appears that it will be significantly more than the fallout in 2000 in the next move. Why not join us and get market predictability on your side?

Point #2 With Jim's model being as close to critical mass as it was prior to 1987, this offers potential for HUGE profits. So if you want to know what's really going on now - and don't want to risk missing being included in possibly one of the biggest profit potentials in decades, you should order today. Order within 10 days of receiving this and get the Bonus Reports noted on page 23.

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Some Excerpts from Archived Newsletters

From the December 12th 2004 Newsletter

An Alarming Risk:

With the violent moves we have seen in a number of markets lately, it would not surprise me at all to see some firestorm emerge from a bad derivative trade. Take, for example, the data from the table below of Over-The-Counter (OTC) Derivatives (not regulated by an exchange or any regulatory agency in the traditional sense). As you can see, the notional value of total OTC derivatives as of June totaled a staggering 220 Trillion U.S. dollars! The Foreign Exchange area (which is ripe for a dramatic turnaround) has combined exposure of nearly 27 Trillion U.S. dollars of notional value. If any dislocation should occur, this kind of leverage would send markets tumbling and could very likely cripple some of the largest financial entities in the world. Many of the top banks worldwide have massive risk in their derivatives portfolios, as they have looked to replace income lost by the diminished trading

activity of their brokerage units.

All in all, the financial world looks more dangerous to me now than ever. We are literally standing at the edge of a precipice and any small gust of wind will blow us over the threshold. Do not think that just because the financial media is optimistic that things are fine. They are not! Remember what I said: the mainstream financial media has very clear ulterior motives. I do not. While company directors and officers appear daily on the various financial programs to promote the strength of their company, the same group is selling shares in their own companies at a rate of nearly 70 to 1 compared to insider buying. While brokerage firms are urging you to get back into stocks, they are busily arranging massive amounts of IPO's to sell you stock at the peak while pocketing lucrative fees from the companies and commissions from you. Do you expect any of them to tell you when things are about to collapse? Well the answer to that should be obvious; all you have to do is ask if they were there to protect you in late 1999, or October 1987, etc.

TABLE 19
AMOUNTS OUTSTANDING OF OVER-THE-COUNTER (OTC) DERIVATIVES
BY RISK CATEGORY AND INSTRUMENT
(In billions of US dollars)

Risk Category/Instrument	Notional amounts					Gross market values				
	2002 June	2002 December	2003 June	2003 December	2004 June	2002 June	2002 December	2003 June	2003 December	2004 June
TOTAL CONTRACTS	127,509	141,665	169,658	197,167	220,058	4,450	6,360	7,896	6,987	6,395
Foreign exchange contracts	18,068	18,448	22,071	24,475	26,997	1,052	881	996	1,301	867
Outright forwards and forex swaps	10,426	10,719	12,332	12,387	13,926	615	468	476	607	308
Currency swaps	4,215	4,503	5,159	6,371	7,033	340	337	419	557	442
Options	3,427	3,226	4,580	5,717	6,038	97	76	101	136	116
Interest rate contracts	89,955	101,658	121,799	141,991	164,626	2,467	4,266	5,459	4,328	3,951
Forward rate agreements	9,146	8,792	10,271	10,769	13,144	19	22	20	19	29
Interest rate swaps	68,234	79,120	94,583	111,209	127,570	2,213	3,864	5,004	3,918	3,562
Options	12,575	13,746	16,946	20,012	23,912	235	381	434	391	360

Source: Bank for International Settlements (BIS)

From the September 10th 2004 Newsletter

In the late 1990's, there arose the notion that a new class of society had emerged. This 'new class' (although not really new in economic history) believed that all they had

to do was make regular contributions into stock funds and they would all be millionaires by retirement age. Forget about everything else, they were told; investing in the stock market was the road to riches. Yet, we

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all know what happened when the market peaked in early 2000 (shortly after the sell signal in the model); stocks, especially those more speculative issues in the NASDAQ, collapsed and are still at fractions of their previous values. You would think, based on losses by many investors of 60%, 70%, even 90% of their capital, that they would have learned their lesson. Yet, it is apparent that this is not currently the case.

To make matters worse, many of those that embraced the above strategy decided they should speed up the process of wealth-building by using borrowed money to invest in stocks. 'Lukily' for these risk-takers, they

generally had plenty of available cash right under their roofs. So began an unprecedented binge of mortgage refinancing that freed up cash to invest and spend. Ironically, the very reason that interest rate declines occurred, thereby facilitating repeated refinancing, was why this strategy was doomed to failure: falling interest rates were a sign of economic weakness that was of course being signaled by declining stock prices. { I should remind you that I have no problem using leverage when appropriate and have been long the stock market much more often than out of it or short—it is just that these things must all be done at the proper time }

... And from some 'older' key signals and advisements

Official Buy Signal

September 25, 1998 - issued at the depths of the lows caused by Asian and Russian debt defaults when many other advisors were telling their subscribers to go short (we sold most stocks July 10, 1998).

Readings Are Clear - BUY!

As of late yesterday, we have received an official, model-generated buy signal. This means that powerful underlying forces are at work to move the market sharply higher over the next few months. Of course, this does not mean that we may not have any more negative days. We may indeed, but the main trend now should be sharply higher. Historically, whenever we have received a buy or sell signal in the model, the maximum counter-trend move has been 5%. So this, I believe, would be our maximum risk. In all likelihood though, except for some very short-term turbulence that I will discuss in more detail later in the update, we should be on the road to a surprisingly powerful rally. It is entirely likely, and no doubt shocking to most analysts and investors right now, that we could move to beyond the old highs made in July. I realize that this view may be uncomfortable for you but I must report what I see.

Official Sell Signal

From the October 29th 1999 Newsletter

As you know, I reported that the model has issued a sell signal effective October 25, 1999. We immediately disseminated that information to you and advised that you exit all stock related positions and take positions in bonds, moderate short positions, and very limited protective leveraged positions.

And as for those of you who have only the goal of getting out of the market in advance of a market decline, then our strategy of shifting into long-term U.S. bonds has already proven to be profitable. Furthermore, as the stock market really starts to melt down, bonds will do even better as interest rates collapse. And above all, they are extremely safe.

So, no matter how things currently feel, remember that none of this comes as a surprise to me. In fact, the usual lag time from when we get a signal to when the market actually reacts is on average 3 to 5 weeks. So I did not expect an immediate reaction. However, with the nature of this current market, we have to be much more careful of that possibility. ■

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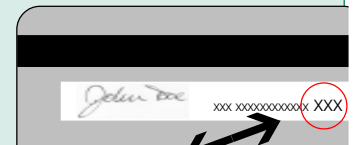
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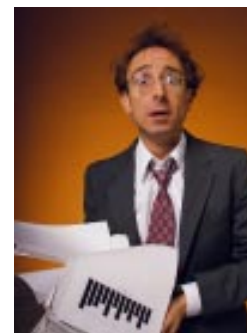
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