

Tuesday, May 24, 2005

Madmoney: The Horror! The Horror!

Clicking around to kill the 5 minutes between the end of Law and Order and the beginning of Jon Stewart I happen upon Jim Cramer's "Madmoney" on CNBC. (My "CNBC Deathwatch", btw, is still in effect. It posits that in this secular bear market which started in 2000 and is closer to the beginning than to the end: the bottom is in when CNBC goes off the air).

Cramer is a raving loon, sort of a combination morning drive DJ and a religious evangelist he jumps and shouts and screams wildly bullish slogans at the camera. Like a washed out hag who overstays in the aftermath of a wild party, single handedly hooting and hollering, the name of the game is "keep the party going", long after the host has crashed, the guests have left and interest has dissipated. It would be bemusing to watch if it weren't pathetic and sad. Keep the party going, keep the party going, is the mantra of Wall St. Buy Buy Buy. (Ironically, insider sales have been somewhere around 30-to-1 since the bear market rally started in 2002.)

Jim likes Google. What passes for fundamental analysis is actually a cursory comparison of Google's share price growth vs. the P/E multiples of Coke and Pepsi, from which he derives a price target of \$450 for GOOG. That isn't sarcasm, that's really what he did, with a straight face.

The way to profit from Google, IMHO, is through AdSense, not buying the stock. Build yourself a portfolio of websites that get 10K pageviews a day and 1% clickthru on AdSense, and what you have my friend, is a nice income stream that few equity issues can match.

Posted by Mark Jeftovic in Venture Capital at 00:52

Saturday, May 21. 2005

Waitin' for the derivatives blowup

Contrary to some of the cranks and financial doomsayers I follow, I am not a permabear and I don't really want to see the markets meltdown and the economy hit a recession (or worse). But over the years I've acquired an appreciation for how little I know about economics. Along with it I wonder if even I, an economic simpleton, can perceive the fundamental disconnect between the financial fairy-tale promoted by the US politicians and their cheerleading squad, CNBC, why isn't this painfully obvious to anyone with a pulse?

Example: So far there has been a conspicuous absence of fallout from the downgrade of Ford and GM's debt to "junk status". In a piece of jawboning worthy of an Orwell Award, "the car industry doesn't matter" to the economy anymore. George Ure has pointed out that conventional Dow theory posits that the Dow Transports Index lead the wider markets (if the transports tank, the rest of the market will soon after); and that at some point, all of the car manufacturers have been removed from the index.

The underground contrarian channels are abuzz with the fear of an impending derivatives blow-up brought upon by the downgrade and there is talk that some hedge funds are dutifully unwinding positions in anticipation of a particularly heavy redemption season this summer. The phrase "remember LTCM" is being bandied about.

In contrast to this, the USD has hit a 2005 high and gold is below its 200 day moving average and gold stocks took a beating. All this despite some pretty dismal news coming out in April and the economic news in May, like the jobs numbers, look pretty unrealistically massaged (over 90% of the "new jobs" created were a statistical construct based on "historical norms").

Having said all that, my personal maxim (Mark's Law of The Expected Unexpected?) is that meltdowns, disasters, market crashes, terrorist events and asteroid hits cannot occur when anybody is expecting it. And "anybody" includes contrarians, cranks and conspiracy theorists.

Contrarians can only position themselves ahead of a perceived shift, but they can't time it. As Douglas Casey once quipped, "Just because something is inevitable, doesn't make it imminent".

Cranks are usually onside with the contrarians but tend to hold their positions longer than necessary out of ideological beliefs. This would include goldbugs who were converts at the top of the 1980 spike and have been holding (or averaging down) ever since. Don't get me wrong, cranks are intelligent and entertaining and have my respect. My personal definition of "crank" isn't as derogatory as some may think. Kinda like 'nerd' used to be. Nowadays it's practically 'hip' to be a nerd.

I include George Ure's in this category. He's a well read economist and I have a deep appreciation for his self-sufficiency, but I've watched him try and fail to not only "time the market" (which he often nails on an intra-day basis but not long term) but to "time the meltdown". According to Ure, we're in a window right now which could see anything from a derivatives based market meltdown to "the big one", a large quake hitting the West coast, which George has been bracing for/calling for/hoping for? for such a long time it seems almost morbid.

Conspiracy theorists are always and by definition wrong. Asteroid hits which won't happen and world leaders who are not members of an alien reptilian race. As per the old maxim: Never ascribe to conspiracy that which can be explained by stupidity. For this reason I am not entirely sure I buy into the manipulation of the price of gold theory which has been floating around for a few years. I guess long term I'm not too worried about it. If paper currencies actually do blow up, it won't matter. If they don't, the secular uptrend is undeniable.

So will the markets meltdown this week? The contrarian/crank/conspiracy contra-indicator says no. I think over the medium term gold will head on to new highs and given the fact that Japan and China have all but ceased purchasing new US debt paper, the USD will sink, and once the French vote "oui" to the EU the Euro will surge, and when Iran starts selling in Euros next year World War III will start in earnest....(ah, off into conspiracy land again....sorry)

Posted by Mark Jeftovic in Venture Capital at 18:17

Thursday, May 19, 2005

Canadian Anti-Spam Task Force report

Yesterday Industry Canada's Anti-Spam Task Force delivered its report. Included therein was a group of industry best practices assembled by the Working Group on Network Technology sub-group which I was privileged to take part in. This analysis is posted on CircleID while Michael Giest, who was on the Task Force and chaired the Legal Issues Working Group, discusses next steps at his webpage. In a nutshell, the ISP Best Practices are as follows:

1. All Canadian registrants and hosts of domain names should publish Sender Policy Framework (SPF) information in their respective domain name server zone files as soon as possible. [Follow this link if you are interested in implementing SPF on your domains at easyDNS]
2. ISPs and other network operators should limit, by default, the use of port 25 by end-users. If necessary, the ability to send or receive mail over port 25 should be restricted to hosts on the provider's network. Use of port 25 by end-users should be permitted on an as-needed basis, or as set out in the provider's end-user agreement / terms of service.
3. ISPs and other network operators should block email file attachments with specific extensions known to carry infections, or should filter email file attachments based on content properties.
4. ISPs and other network operators should actively monitor the volume of inbound and outbound email traffic to determine unusual network activity and the source of such activity, and should respond appropriately.
5. ISPs and other network operators should establish and consistently maintain effective and timely processes to allow compromised network elements to be managed and eliminated as sources of spam.
6. ISPs and other network operators should establish appropriate intercompany processes for reacting to other network operators' incident reports.
7. ISPs, other network operators and enterprise email providers should communicate their security policies and procedures to their subscribers.
8. ISPs and other network operators should implement email validation on all their Simple Mail Transfer Protocol (SMTP) servers (inbound, outbound and relay).
9. Non-delivery notices (NDNs) should only be sent for legitimate emails.
10. ISPs and other network operators should ensure that all domain names, Domain Name System (DNS) records and applicable Internet protocol (IP) address registration records (e.g. WHOIS, Shared WHOIS Project [SWIP] or referral WHOIS [RWHOIS]) are responsibly maintained with correct, complete and current information. This information should include points of contact for roles responsible for resolving abuse issues including, but not limited to, postal address, phone number and email address.
11. ISPs and other network operators should ensure that all their publicly routable and Internet-visible IP addresses have appropriate and up-to-date forward and reverse DNS records and WHOIS and SWIP entries. All local area network (LAN) operators should be compliant with Request for Comments (RFCs) 1918 "Address Allocation for Private Internets." In particular, LANs should not use IP space globally registered to someone else, or IP space not registered to anyone, as private IP space.
12. ISPs and other network operators should prohibit the sending of email that contains deceptive or forged headers. Header-tracing information should be correct and compliant with relevant RFCs, including RFC 822 and RFC 2822, and reference domains and IP addresses should have up-to-date, accurate registration information.

I'll follow up in a later post on my personal thoughts on these recommendations but I will mention here that I'm very happy to see #9. The amount of backscatter clogging up the net from broken spam and virus blockers is just compounding the problem and helping absolutely nobody.

Posted by easyDNS: Domain Industry Watch in via easyDNS blog at 17:53

SEO RIP

The Preparing for the Death of the Link Based Algorithm on Threadwatch.org discusses a Death to Link Based Algorithms posting which prompted me to forward the links and my own observations to "SEOSteve".

SEOSteve's name has been changed to protect the paranoid: which is Steve himself. He's an SEO professional and a good friend of mine, lives down in the US. Big city. Great guy and a personal friend as long as we agree never to discuss politics.

SEOSteve is embarking on a very committed, in depth project which involves SE rankings. When he describes it to me I tell him he is f***ing crazy. Some times it's hard to get a word in edge-wise when I talk to him so it was hard to articulate why. So I finally managed to accompany the above links I forwarded him with the following thoughts: Steve:

This thread talks about sustainable business models for SEO's and it hits what I've been trying to articulate for awhile: if your business model is held up by getting #1 thru 5 top organic search engine listings on some key terms, then your business model is flawed.

This is why I think you're nuts doing ...[SEO Steve's proprietary idea and tactics deleted for the benefit of the paranoid]. Because even if you're successful in attaining your goals you are still at the mercy of the next algorithm change or the next radical shift in the SE wars (i.e. somebody storms out of a garage and knocks Google off the top and uses

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completely different heuristics).

In any case, you're going out and doing a lot of work and not accomplishing much other than still being at somebody else's mercy, which kinda runs contrary to what people like you are all about. That's not why you build businesses. It seems to me you could channel the same effort into building something that users would gravitate to which would cultivate linkpop and rep on its own inertia. The SE's will help speed the momentum as the process feeds back on itself, and it will not cripple you if they make a change.

Caveat: it may take longer.

Benefit: it'll last longer.

-mark

Posted by Mark Jeftovic in Tech Wreck 2.0 at 11:38