

## Markets at a glance

### Trendspotter

**Signals** (click on links to obtain up to-date signal )

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)


[Cotton](#)

[Rough Rice](#)

### CENTRAL BANK RATES

 NZD	3.00%	 AUD	3.25%
 GBP	0.50%	 USD	0.25%
 CAD	0.50%	 EUR	1.25%
 CHF	0.25%	 JPY	0.10%

# The Insider Trader

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## Betting Big On Brazil



While China and India get the bulk of attention as B.R.I.C. (Brazil, Russia, India, China) nations, it's Brazil that from my research is showing the most promise and there is much more to Brazil than carnivals, football and sunny beaches.

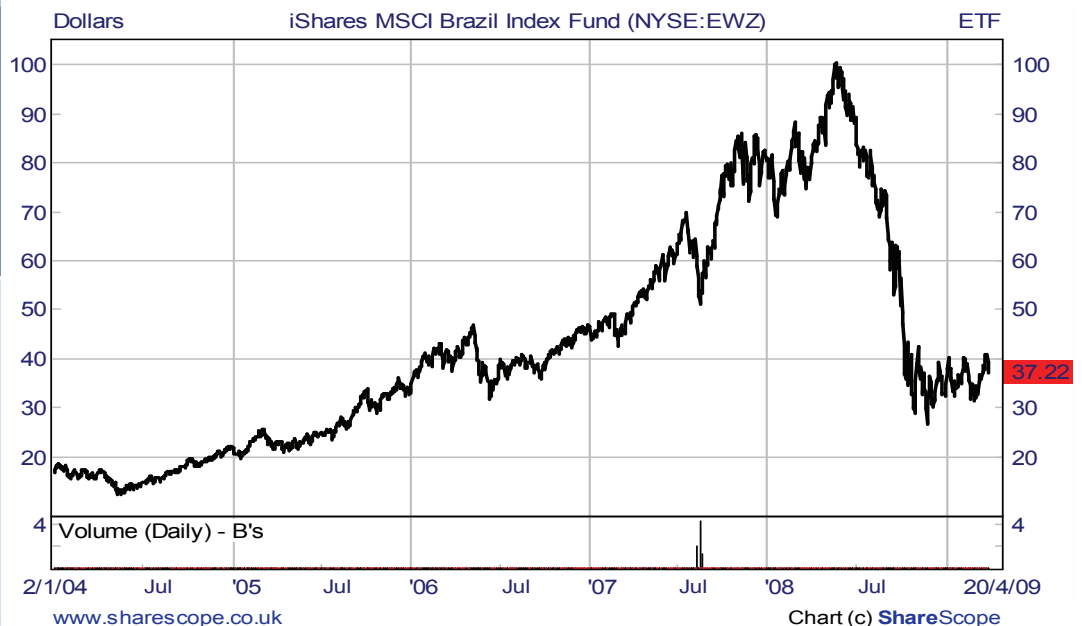
The first thing to state is that Brazil has a stable government; President Lula da Silva has an 80% approval rating, a level that other world leaders could not dream of. He has been a major force at pulling many out of poverty and building up a Brazilian middle class which is good for the economy. The business environment is friendly to foreign investors and the President has built up good relationships with nations that matter, such as China and the US.

Brazil is rich in Oil and the state still

owns the majority of **Petrobras** (NYSE: PBR) which owns the Tupi oilfield, one of the largest new discoveries in recent years. Whilst oil has come down in recent months it's just a matter of time before prices start moving again and this will bring in billions of dollars to Brazil. The President has also stated he is not interested in exporting oil but would rather export higher margin oil derivatives such as diesel, gasoline (petrol) and petrochemicals.

Other Brazilian resource companies include mining giant **Companhia Vale Rio Doce (RIO)** which is a leader in Copper, Steel, Coal, Potassium and Nickel. Steel producer Gerdau (GGB) and sugar/ethanol producer Cosan (CZZ) should all benefit from the rise in commodity prices in the coming years.

**Below: iShares Brazil (NYSE:EWZ) starting to stabilise after last years sell off**



Although world food prices are off their highs, they remain nearly 30%-50% above their decade averages. Agriculture comprises approximately 8% of the nation's GDP and employs nearly one-fifth of the nation's workforce. Brazil is not just growing food but also processing it, they are the second-leading supplier of poultry in the world, accounting for 38 percent of the market just behind the USA and I expect them to be number one within a few years.

Brazilian banks are generally intact as their balance sheets are free of toxic assets. Banking shares have been sold off but the fundamentals remain unimpaired. Brazil has had plenty of their own banking problems in the past but now they have some of the best capitalized banks in the world.

**Banco Itaú** (NYSE:ITU) is currently merging with Unibanco of Brazil to form Itaú Unibanco Holding which will be the largest bank in Brazil and in fact one of the top 20 worldwide. Other leading banks include Banco Bradesco (BBD) and Banco Do Brasil.

### So how we can profit from Brazil

One of the easiest ways is buying or spread betting the iShares Brazil Exchange Traded Fund (IBZL) in London or (EWZ) in the US which mirrors the movements of the main Bovespa Index and has 72 Brazilian companies within it. It is heavily weighted to Materials and Energy with Petrobras making up 20% of the Index.

Other ways to trade include covered warrants offered by RBS Markets and Lyxor offers an Exchange Traded fund listed in the UK (LBRZ).

You can also spread bet many of the individual shares mentioned in this article as they are listed in the US and you will find charts and prices on most major financial sites.

Petrobras	(Oil & Gas)	18.98%
Cia Vale Do Rio Doce Pref A	(Bas Res)	12.93%
Bm&F Bovespa Sa	(Fin Services)	4.29%
Cia Siderurgica Nacional	(Bas Res)	3.77%
Petrobras - Petroleo Bras	(Oil & Gas)	3.55%
Cia Vale Do Rio Doce	(Bas Res)	3.52%
Banco Bradesco	(Banks)	3.45%
Banco Itaú Holding Fin	(Banks)	2.98%
Usiminas	(Bas Res)	2.95%
Gerdau	(Bas Res)	2.56%
Banco Do Brasil	(Banks)	2.31%
Unibanco-Units	(Banks)	2.09%
Itausa-Investimentos	(Fin Services)	1.97%
Cia Energetica Minas	(Utilities)	1.86%
Bradespar	(Fin Services)	1.34%
America Latina Logistica	(Ind Goods)	1.13%
Tele Norte Leste Part	(Telecom)	1.09%
Cia Energetica De SP	(Utilities)	1.08%
Cia De Bebidas Das Ame	(Food Bev)	1.08%

### Final Thoughts

Brazil is not immune to the global crisis and growth has slowed in 2009, yet it is likely to pull out of a slowdown quicker and more robustly than most other nations. As you can see from the chart one page 1 the Bovespa has held up far better than the UK FTSE100 or US S&P500 and that divergence leads me to believe that Brazil is in a far better shape than most realize.

2010 is election year in Brazil and President Lula cannot stand again as he has been in power for two terms already, however, I don't see the next president rocking the boat and undoing the good work.

Yearly Performances	
YTD	1.89%
2008	-41.22%
2007	43.85%
2006	32.93%
2005	27.71%

Rolling Performances	
1 year	-39.88%
3 years	-1.11%
5 years	75.51%

### Canada

I have not covered Canada that much in previous editions but it's a market I have followed for some years as I have invested in various Canadian mining stocks. Much of what I said about Brazil also goes for Canada. Of course, Canada is far more of an established market than Brazil, however, like Brazil it has a strong base of natural resources and farming. Some of you may have read that Jim Rogers is involved in buying agricultural land to farm and they chose Canada and Brazil as the areas to invest in. Many have been buying in to the Ukraine which granted has some excellent farmland, however, the stability is still questionable.

Like Brazil the Canadian banks are in excellent shape. A recent list of the world's safest banks had a number of Canadian banks listed in the top 50 unlike its neighbour. **Royal Bank of Canada, CIBC, Bank of Montreal and Toronto Dominion** are all in good shape. The Canadian Banks never seem to get the same respect as US banks, however, I see that now changing.

So here is my call for the rest of 2009 – The Canadian TSX will outperform the S&P500, so it will either go up more than the S&P500 or fall less.

IG Index offers a spread bet on the Canada 60 which the S&P Canada 60. The Index is 29% Financials, 28% Energy and 18% materials. As well

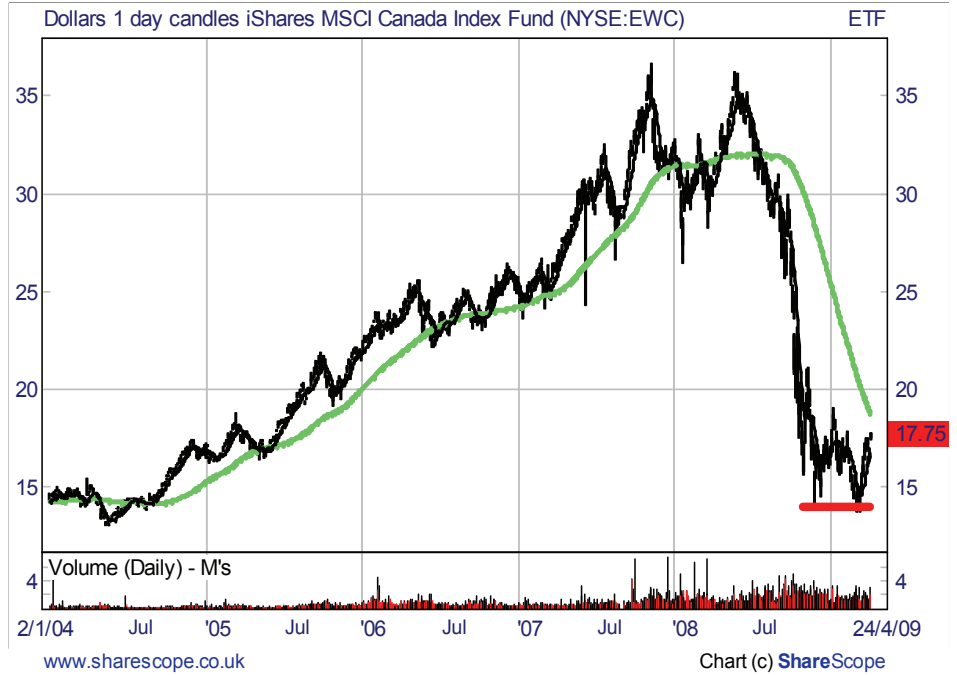


as the banks previously mentioned we have Barrack Gold, Goldcorp, Potash and RIM. For a full list see: <http://mx.ishares.com/pdf/XIU.pdf>

### GM Leaving the Dow but who is joining?

General Motors will have to leave the Dow Jones Index, I am surprised it's still in, so who replaces it? The names being thrown up are Google and Apple, I would offer another name and that is Amazon.com a true survivor of the Dot com boom. Amazon is a serious global player selling a lot more than books, and CEO Jeff Bezos is much unrated. Amazon is going from strength to strength.

Another possible name is Monsanto. I hope that Google does not join, whilst Google may be a good service it is past its prime and is finding it hard to turn ideas into cash.



### Copper and China

If you were China and holding billions of dollars which you know are being devalued what would you do? Spend them of course, and spend them on things you know you will need in the coming years. I would start buying natural resource companies, Fertilizer, Oil, companies related to Power and Water processing, Agriculture and Food processing, telecommunications and Pharmaceuticals. China has the cash, share prices are depressed and it's a buyers market in most industries. The days of these crazy private equity firms has gone but now state controlled funds such as China and Singapore can buy up stakes with little competition.



ETFS Copper (LSE:COPA) a good way to get exposure without worrying about spikes and short term moves. The Copper chart looks very similar to oil. The 16 dma is just crossing over the 150 which is bullish. Its still early days and too soon to call an uptrend in Copper but the fact that it has stopped falling is a positive sign.

