

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 \(OJ\)](#)

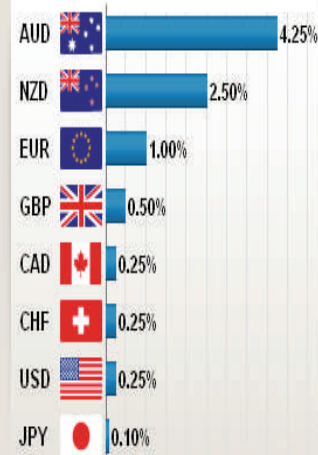
[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)

CENTRAL BANK RATES



The Insider Trader

Issue 42 April 2010

Keep buying the US Dollar it's the best of an ugly bunch

For many months I have been writing about why I have been buying the US Dollar whilst many market experts were telling everyone to sell the US\$.

So far I am very pleased with the returns made and whilst we may see a short pause in US\$ strength my view remains that the smart money will be made in buying US\$ for the rest of 2010. One of easiest ways you can back the US\$ is by buying the UUP ETF which is the Powershares DB US Dollar Index Bullish Fund.

Basically the ETF tracks the Dollar Index Future which is the US\$ against a basket of currencies. The basket is made up of Euro 57.6%, Japanese Yen 13.6% British Pound 11.9%, Canadian Dollar 9.1% Swedish Krona 4.2% and Swiss Franc 3.6%.

If you think the US\$ will strengthen then you buy UUP, if you think the US\$ will weaken against the basket then you buy the UDN which goes up as the basket strengthens against the US\$ Dollar both are listed on the NYSE and easy to buy and sell.

The US\$ Dollar still remains the world's reserve currency and whilst longer term all paper currencies are going to collapse (history proves that every paper currency has) as governments cannot resist the urge to print money and if you have a FAIT currency which is not backed by anything then it's not surprising paper money becomes worthless. **The main two currencies that I see as remaining overvalued against the US\$ are the Euro and the Japanese Yen.**

The recent problems with Greece have been whilst documented elsewhere and whilst a temporary solution may have been found the fundamental problems

Below UUP ETF Weekly chart with Trendspotter signal currently on a buy signal

UUP - DB US Dollar Index Bullish (AMEX) - Weekly Candlestick Chart



with the weaker Eurozone members continue. I expect to see more problems coming out of the Eurozone in the coming months together with slow growth whilst the US will deliver far better growth than most expect. A fair value for the Euro/\$ going into year end is \$1.25 and we could easily fall as low as \$1.10.

The Japanese Yen has somehow managed to build up a safe haven reputation however a closer look shows that Japan has its own serious problems and they would welcome a weaker Yen. Japan with its ageing population, 20 years of stagnation and increasing government spending and debt is hardly a picture of health for such a strong currency.

I am looking for the US\$/Yen to move back to 100 and then 105 before the year end. Whilst I am bearish on the Yen I do like the look of Japanese Stocks and a weaker currency will help the large exporting Japanese companies.

As for the GBP I continue to remain short this currency, however, we have already seen a large adjustment with the pound falling against all major currencies. Whilst I am still looking for a move to the \$/GBP of 1.40 before year end the pound is starting to look relatively cheap against the Euro and Yen so I would be cautious about opening new GBP trades at the current levels apart from against the US\$.

Right: GBP/USD Monthly chart. Currently in the \$1.70 to \$1.40 range. Looking for a push back to \$1.40 before year end. Regardless of which party wins the UK election the economic problems will persist for many years to come .

^USDJPY - U.S./Japanese Yen (FOREX) - Monthly Candlestick Chart



Above: Monthly chart of US/Yen starting see some buying return the US\$ below the Japan small cap ETF: SCJ listed in US\$ a weaker Yen will help this move higher.

SCJ - MSCI Japan Small Cap Index (AMEX) - Weekly Candlestick Chart



^GBPUSD - British/U.S. Dollar (FOREX) - Monthly Candlestick Chart



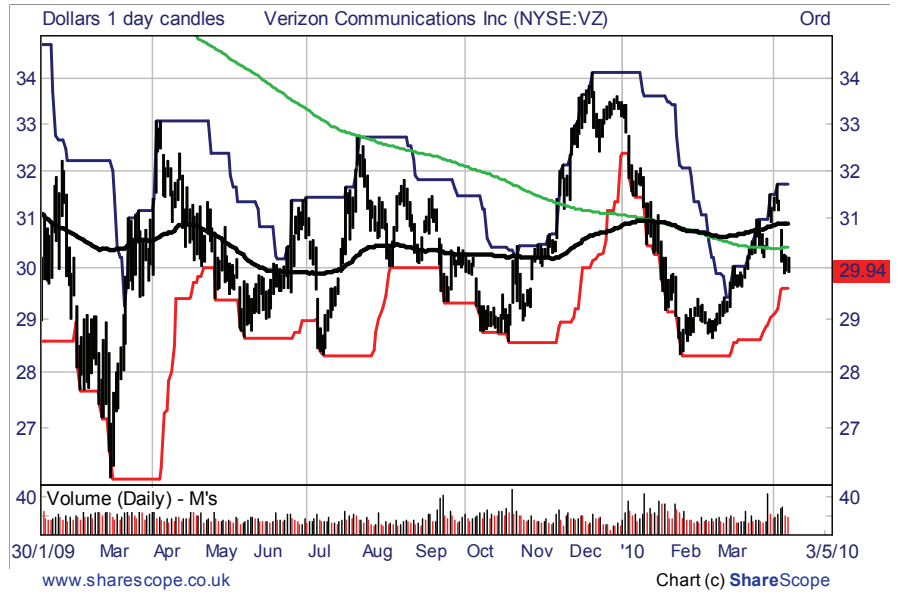
Unloved Telecom Shares

One of the worst performing sectors over the last 52 weeks has been the Telecom sector and two large Dow components and one FTSE100 stock stands out as good value. Whilst the hay days of telecom growth are over, these companies still throw off large amounts of cash and pay excellent dividends. Dow members **AT&T (T)** and **Verizon (VZ)** are both giving a yield of near 6%. In the UK **Vodafone (VOD)** is paying 5.2% on a P/E of under 9. Vodafone owns 45% of Verizon Wireless in the USA, 3.2% of China Mobile, 44% of SFR as well as operating the Vodafone brand around the world.

I don't expect any of these stocks to soar but with well covered dividends and the potential to play a bit of catch up, you could see 10%+ return on all three by the end of the year with a relatively low volatility.

FTSE100 High Yielding Stocks

Below are the top 15 stocks in the FTSE100 ranked by Projected Dividend Yield. **Man Group** is currently paying a massive 11% however that could be cut in the future but so far they have held it and with 1.5 billion in cash the dividend is well covered. Further down the list we see the usual utility stocks giving good solid yields.



Above Dow member VZ and below Dow Member AT&T both are classed as Dogs of the Dow www.dogsofthedow.com currently paying 6.3% yield in US\$



No.	Name	Price %	Price high	Price low	Capital (£m)	NMS (£)	EPS	Divi	P/E	Projected Yield
1	Man Group PLC	▲ 0.34	£2.67½	£2.37¼	4,539.4	53m	36.2	27.4	7.3	11.03
2	RSA Insurance Group PLC		£1.29	£1.25½	4,443.8	52m	16.5	8.3	7.8	6.77
3	Aviva PLC	▲ 0.31	£4.01½	£3.79¼	10,768.5	49m	55.2	24.0	7.1	6.47
4	Scottish & Southern Energy PLC		£11.26	£10.87	10,329.7	45m	0.9	66.0	500.0	6.28
5	Standard Life PLC	▼ -0.05	£2.16¼	£2.00¼	4,582.6	51m	12.5	12.2	16.4	6.16
6	United Utilities Group PLC	▼ -0.09	£5.71	£5.42	3,888.2	51m	57.9	32.7	9.9	6.01
7	National Grid PLC	▼ -0.08	£6.57	£6.31½	16,252.3	49m	48.1	35.6	13.6	5.86
8	BP PLC		£6.46¼	£6.19¼	120,384.7	51m	58.1	35.3	11.0	5.80
9	Royal Dutch Shell PLC	▲ 0.58	£18.98	£18.15½	51,166.4	47m	151.4	105.9	12.5	5.78
10	Severn Trent PLC	▲ 0.57	£12.33	£11.70	2,917.1	49m	60.8	67.3	20.3	5.75
11	BT Group PLC	▼ -0.16	£1.26½	£1.22¼	9,545.0	49m	6.2	6.5	20.0	5.61
12	British Land Co PLC	▼ -0.82	£4.90½	£4.60½	4,175.9	48m	-61.9	29.9		5.41
13	Vodafone Group PLC	▼ -0.07	£1.52¼	£1.46¼	78,433.0	52m	17.0	7.8	8.8	5.40
14	AstraZeneca PLC	▲ 0.34	£30.11	£28.95½	42,509.0	51m	381.5	141.4	7.7	5.22
15	GlaxoSmithKline PLC	▲ 0.04	£12.95	£12.24½	65,915.6	51m	107.1	61.0	11.9	5.12

Fast Food for the World

Whilst some may not be that keen on the idea of the West exporting its fast food culture to the emerging markets its certainly a trend that is not about to reverse. On my first trip to China a few years ago the two brands that stood out the most were Pepsi and KFC. As soon as I got back I started buying **Yum Brands (NYSE:YUM)** and have been a holder ever since. YUM Brands, Inc. is a quick service restaurant (QSR) with over approximately 37,000 units in more than 110 countries and territories. Its main brands are KFC, Pizza Hut and Taco Bell. The company operates its own stores as well as franchising around the world. The big focus is on China and now India with the first Taco Bell being opened in Bangalore a few weeks ago. (photo)



YUM - Yum Brands Inc (NYSE) - Monthly Candlestick Chart



Whilst the branding remains the same around the world the menus are changed to suit the local market for example no beef products in India and a more spiced menu. In China the KFC menu has more Chinese spiced flavours. The combination between these local menu tweaks together with the experience in running mass market restaurants gained from the west puts Yum in a market leading

position. The company also was very quick to break into China and beating McDonalds to many prime locations, KFC has over 200 restaurants in Shanghai alone. Whilst the West sees Pizza Hut and KFC as an everyday event in China it's still classed as a special occasion to go to one of these restaurants. Pizza Take-away/delivery is still a very new concept. With the growing middle class both in India and China this fits in well with Yums expansion plans.

In the more established markets most restaurants are franchised, in the UK KFC and Pizza Hut remain strong however in Spain 99 franchised units of Pizza Hut where closed. France and Russia are seeing growth. I don't think there is too much to worry about, if the established markets can remain steady with an overall 1 to 2% a year growth and then the emerging markets can make up the big growth numbers. In the last 8 years YUM has seen EPS (earnings per share) growth of over 13% a year.

Yum are up over 120% since 2004 so the share price is already factoring in some of the potential growth but on a P/E of 17 against McDonalds at 16 I don't think it's excessive and it also yields just over 2%. It's certainly a stock that I will be

holding in the years to come and the long term up trend will continue.

Risk Warning

All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.