The Insider Trader

Issue 60 April 2011

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)]

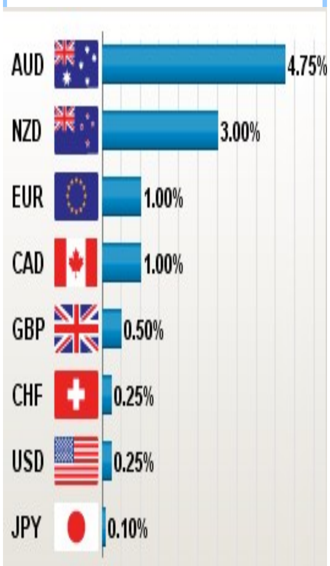
[Orange Juice (OJ)]

[Sugar (SB)]

[Wheat]

[Cotton]

[Rough Rice]

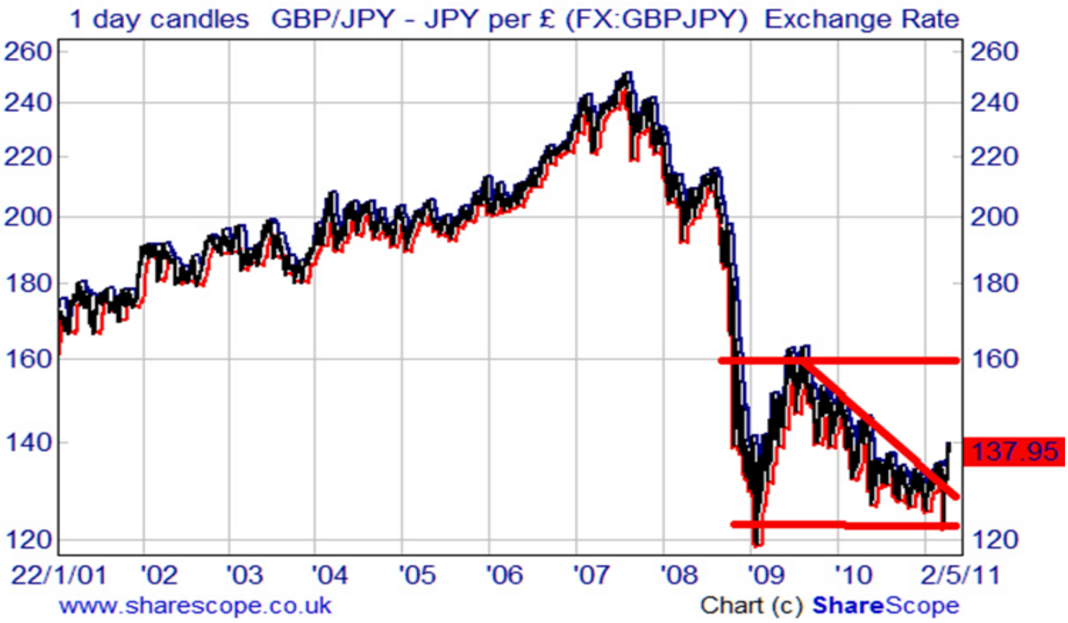


Time to go selectively Bullish on the Pound

Those that have followed my views over the last two years will know that I have not been a fan of the Great British Pound (GBP) especially under the last government policies, however, whilst the GBP is still in intensive care, I am starting to see some stability in the UK economy and in turn the value of the Pound. Whilst the GBP is far from having the status of the Swiss Franc or The Norwegian Krone, it's starting to hold up better against many currencies including the US$ and the Japanese Yen. Whilst Gold just recently hit a new high priced in US$ it has not hit a new high priced in GBP which means the pound is holding up better. Also, whilst the sun seems to be shinning in the Eurozone any setbacks will see some money flow back to the Pound.

As stated in previous updates - all paper (FAIT) currencies are ugly and history shows that governments around the world will always debase their currencies hence the appeal of hard assets such as Gold and Silver. What we could be seeing is that after the big selloffs seen in the Pound over the last few years some sort of value is emerging and it's a case of the Pound looking a bit less ugly against other pairs. With currency trading we are always buying one currency and selling another so I am "selectively" going bullish GBP against what looks like the

THE GBP has lost over 45% of its value against the Yen since 2007, that's a fairly horrific collapse and whilst I do not see any chance of a return to 2007 levels I do see a good bounce back to the 160 level which we were last at in August 2009.



most overvalued currencies.

The GBP/JPY looks appealing to me and is one of my larger currency trades right now. Even before the recent Earthquake, Japan was suffering from an overvalued currency and we are now starting to finally see some weakness in the Yen. THE GBP has lost over 45% of its value against the Yen since 2007, that's a fairly horrific collapse and whilst I do not see any chance of a return to 2007 levels I do see a good bounce back to the 160 level which we were last at in August 2009.

Other pairs I like are AUD/JPY, CAD/JPY and EUR/JPY. Whilst the USD/JPY can also move up, I think you will do better in CAD/JPY which is also a good play on higher Oil prices. The Australian Dollar also has a positive carry interest of around 4% a year so you're being paid to hold this trade.

The best ways to back currencies are with a spread bet or via an FX broker. Whilst many see currency trading as a very short term business I can hold currency trades for months and years, I have had a South African Rand trade open for over 2 ½ years, a Swiss Franc, Norwegian Krone and Canadian Dollar trade open for over 4 years so it's not all about trading "pips". With an FX broker you can hold a trade for as long as you wish as it has no expiry date, as long as you have sufficient margin and you just pay the funding costs. IG Index has recently moved to this Daily Funded Bet model (DFBs) which does the same. In the case of my Yen trades I am looking to be short Yen at least until the end of 2011.

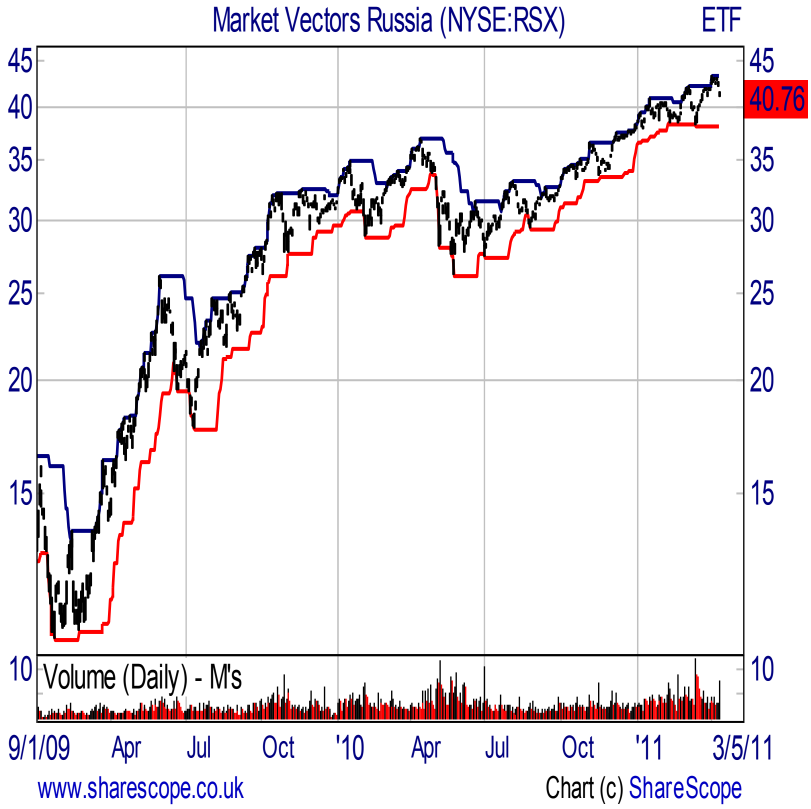
I am looking for the GBP/JPY to get back to the 160 level over the next 12 months. The CAD/JPY and AUD/JPY can get back to the 90 to 95 levels.

Staying with currencies the US Dollar Index (see chart below) looks like a disaster, the only bullish thing I can say on the US$ is that the chart looks so bad and sentiment is so negative that it may be a good contra indicator but my overall view is that the US Federal reserve has no interest in a stronger dollar and will just let its currency keep devaluing. The easy money policy, near zero interest rates and weaker dollar has a lot to do with higher commodities prices. Whilst the Dollar Index may get a short term bounce in the coming months the trading range continues.

Below: US Dollar Index due a bounce but overall does not look that bullish. Look for the 80 level to be tested over next few months which will also coincide with a short sharp sell off in commodities.

The GBP/USD is also looking better and we could see this push back up to $1.70 in the next 12 months, however, I think the GBP/JPY will be more profitable.

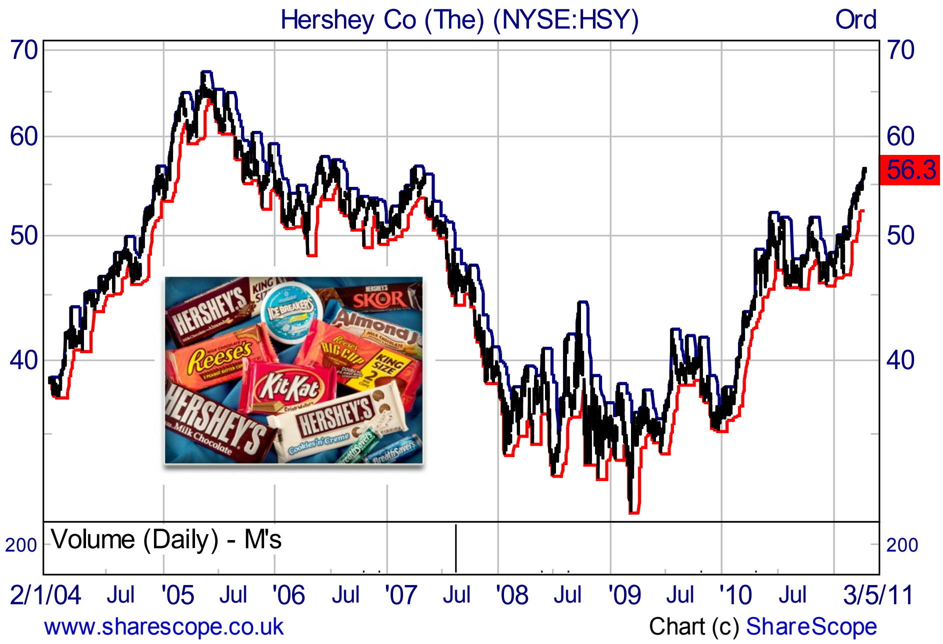
A not so well followed currency is the Russian Ruble which has been very strong the last few months thanks to strong oil prices and a fairly good Russian economy. Currencyshares offer an ETF which allows you to go long Ruble/ US$ (NYSE:XRU). On the subject of Russia I still see Russian stocks offering good value and in my view it is the best of the BRICs (Brazil,Russia,India,China) for the rest of 2011. So far Russia is up around 14% for the year, you can look at SPDR S&P Russia (NYSE:RBL) or Market Vectors Russia (NYSE:RSX)



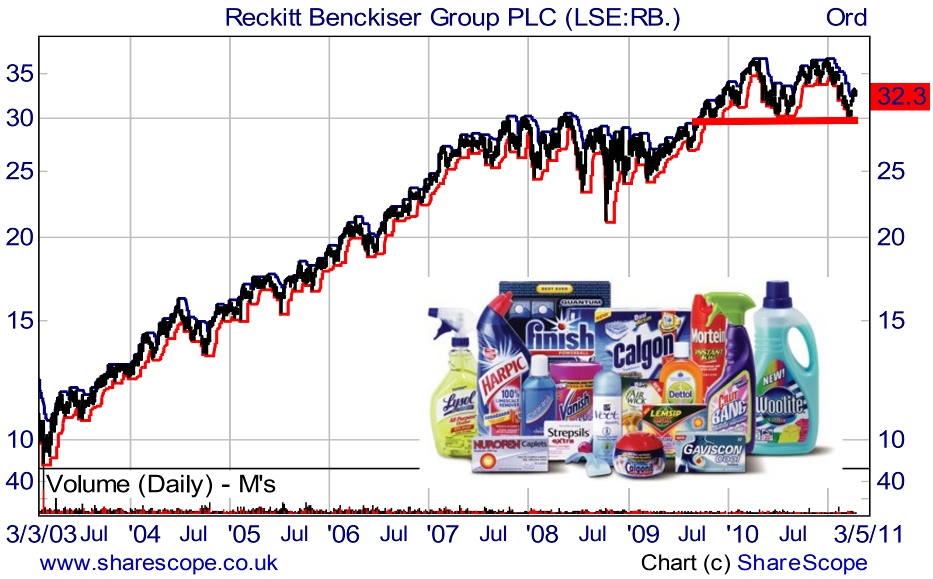
Below Silver: The chart below is from 1971 to a few days ago. I first started buying Silver and most other commodities in 2002 and then in 2003 some of you may recall I held my first seminar with Jim Rogers in London as the Iraq war was starting and we had protests right outside of the building. In January 2011 I cashed out my Silver ZKB ETFs at $30 which looked like a good move for a few weeks but since then we are up another $10 however I take the view that this market is highly unstable and a correction back to $25 is very likely this year which will leave a lot of the late comers badly burnt. Right now I am not long or short Silver, I have some coins which are hedged off via the SSIL. On Gold I sold at $1410 and we are currently at $1450 so that's not really done much. I am still a big fan of Gold and Silver as I stated on the first page all FAIT money is being debased so having metals is a must its just the last few months have become overheated.

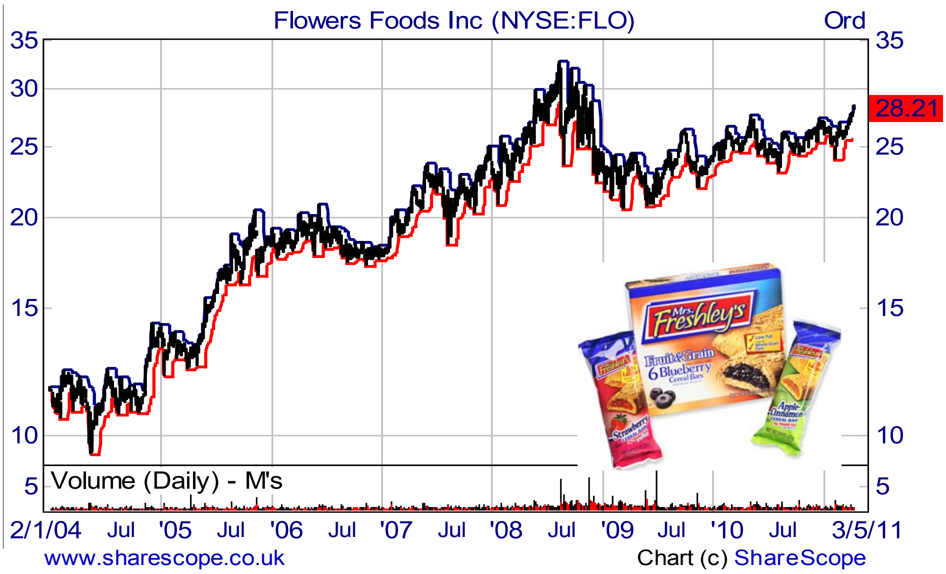
Sectors for the next 6 months

As stated in last months issue I favour defensive sectors over the next few months and would reduce exposure to Technology, Metals, Materials and Energy. The 3 areas I favour are Consumer Staples which includes food, tobacco and beverage stocks, Healthcare where I featured in depth last month and has been doing well and Utilities stocks which have strong dividends. Whilst the 3 stocks shown are not going set the world alight they are good steady players and will hold up far better than the hot money areas should we get a summer sell off. All 3 are paying dividends, **Flowers Foods (NYSE:FLO)** has just taken over Tasty Baking (TSTY) and is building up a strong business in baked convenience products such as snack cakes and bars. Shares could easily move back to the $34 level over the next 12 months and worth holding.



Confectionary giant Hershey at a 52 week high recently announced price increases . Below Reckitt Benckiser offering a good dividend and defensive.





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.