The Insider Trader

Issue 64 August 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)

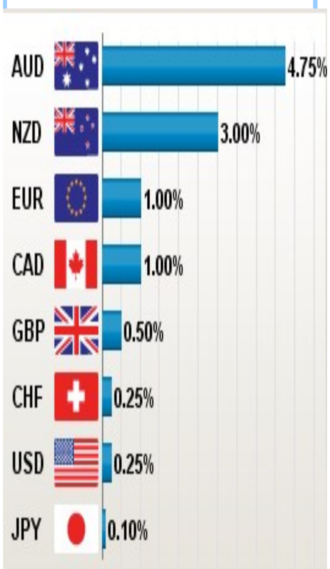
Orange Juice (OJ)

Sugar (SB)

Wheat

Cotton

Rough Rice




# Resisting Temptation – The power of doing nothing

Don't lose money. If you don't know the facts, don't play. "I just wait until there is money around the corner, and all I have to do is go over there and pick it up. I do nothing in the meantime."

Jim Rogers

Doing nothing is sometimes so hard. After the recent great gains from my shorts and put options I really want to do something but I just keep remember what JR said back in March 2010 when we were at the QEII seminar about packing up and going to the beach. I remember some years ago when I was much younger (and before internet on ships and the English newspapers were a week out of date on board) going through a bad trading patch, it would have been cheaper if I had gone on a world cruise for 90 days rather than give back about £100,000.


Even though I live 1 minute walk from the beach I hate it at this time of the year it's too busy and too hot – roll on September/October when the tourists have gone, I can walk my dog on the beach and that's how I feel about markets at present - I am just waiting for better seasonality and trends in financial markets.

The number 1 goal for a financial bookmaker or broker is get the client to trade and keep funding/adding money to the account, ever day bookmakers have goals/sales targets, they want YOU to trade as much as possible as that way they generate spread and of course the more you trade the more likely are that you will lose money, simple probabilities – the more miles you drive a year more likely you will have an accident, flat tyre, crack in the windscreen.

Whatever it takes to get the client to lose money – give them tools, software, free charts, chart recognition pattern software, Research, free gifts, free bonus credits, Iphone apps as long as you trade and keep funding – it's no different to Vegas just keep them in the casino.

The so called professional unit trusts, hedge funds and mutual funds are not much better – as you know over 90% of funds cannot beat a simple buy and hold strategy but the time you factor in costs, a low cost Exchange Traded Fund (ETF) does a better job.

Of course we can do better, with some simple timing techniques and trend trading we can increase our returns and in fact reduce our risks. Whilst the media like to talk about the few Super Hedge funds there are very few of them and you could write all their names on a post it note – whereas the losing, blown up and bad hedge funds would fill the yellow pages.

## Consumer Confidence Sentiment

I received this chart from Bloomberg which is the latest reading on consumer confidence. This is not great news, just when consumers were starting to get a bit more bullish the great US government screw it up and cause consumers to become terrified, reminds me of the line from the Godfather 3 "Just when I thought I was out…they pull me back in"

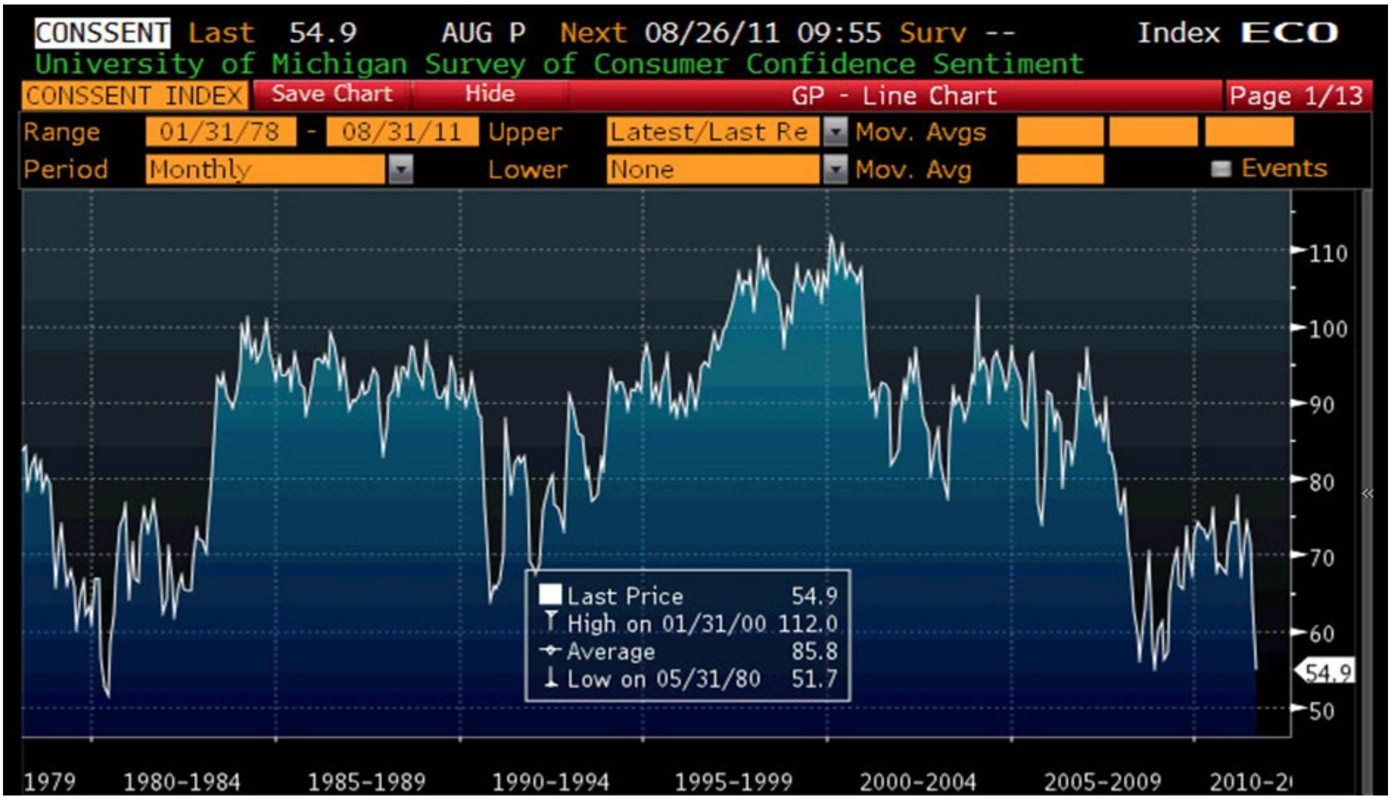
Remember that the whole economy and financial markets are based on confidence, people are less confident, they cut back on spending, sales go down, people get laid off, people get laid off they stop spending and paying taxes….. and so on.

The problem at the moment you have a US president that is a disaster, that promised lots of "change" and has done nothing, all he cares about now is getting re-elected which hopefully will not happen. I am not a fan of either party and I know the US president is just a puppet but that person can affect the consumer confidence index. Bill Clinton was no saint and really become president on luck more than skill, but he had a personality and way to make people feel good, Clinton would appear on TV markets would go up – regardless of what the reality was – Obama has just not done that. Is it a coincidence that confidence was growing during the Clinton years and deficit was going down?

This last episode and debt ceiling business should a have not been played out in public as it was – and its clearly affected sentiment.

### The good news

Consumers are so pessimistic that it could be seen as a contra indicator, we are not far off the 1980 lows. Sentiment is not a short term indicator I look at it as a 5 or 10 year view. The other good news is that corporate America (par the Banks which still have trouble) is in good shape. Big companies are reporting good earnings, have a lot of cash on their balance sheets and most have good exposure to developing markets. Overall stocks are not expensive and compared to holding cash at near 0 returns the dividend yields on many household names are generous—but we need some "feel good" as we enter the end the 4th Quarter.



## Vodafone Lower Risk Yield opportunity – 25%+ return over the next 3 years

The biggest question I get from clients is where can I get some yield without taking big risks? For the last few years tobacco has done well for us but maybe too well, as the price goes up the yield goes down so income is not as high as it was.

Here is an idea for sterling or US$ investors over the next 3 years and that's Vodafone Plc ordinary shares (LSE:VOD) or for those wanting income in US$ then buy the ADR (Nasdaq: VOD)

I have featured this stock before and whilst it's seen its best days of high growth it still has some respectable growth and an attractive dividend which I see being increased in the next few years.
Vodafone (VOD) is one of the world's leading mobile telecoms companies. It operates in Europe, the Middle East, Africa, Asia Pacific and the United States through subsidiary undertakings, joint ventures, associated undertakings and investments. The group provides a full range of wireless telecommunication services, including cellular, PCS, paging and data communications. The company's 44% stake in Verizon Wireless shows good asset growth as it continues to invest in the network for smart phones and in the distribution of iPhones.
Buying the shares at around £1.70 you're getting a 5.25% annual return in yield. For 2012 I am looking for this to increase to 6% and 2013 7% so that's the bulk of the return and certainly is better than UK/US$ saving rates.

At the same time I also see the share price appreciating maybe 3 or 4% a year and at worse staying the same. You also have a bonus of a possible special dividend as some extra cash is paid back to shareholders from the Verizon Comms stake, or some extra shares so that's like a free option I am not factoring that in.
Above you can see the last figures and Europe is slow, but steady and emerging markets are strong, look at the size of the Indian business. I also like the growth coming out of Vodacom which is the African business.

| | Europe | Africa, Middle East and Asia Pacific ('AMAP') |
|---|---|---|
| | Our mobile subsidiaries and joint venture in Europe operate under the brand name 'Vodafone' and our major fixed line businesses operate as 'Vodafone' or in the case of Italy as 'TeleTu' or in Spain as 'Tele2'. | Our subsidiaries and joint ventures in AMAP operate under the 'Vodafone' brand, or in the case of Vodacom and its mobile subsidiaries, as 'Vodacom' and 'Gateway' brands. In India we operate as 'Vodafone Essar'. Our associate in Kenya operates as 'Safaricom'. |
| Revenue(1) | 2.5% decrease £32.0bn (2010: £32.8bn) | 20.0% growth £13.3bn (2010: £11.1bn) |
| Adjusted operating profit(1) | 9.8% decrease £5.7bn (2010: £6.4bn) | 55.5% growth £1.3bn (2010: £0.8bn) |
| Capital expenditure(1) | stable £3.7bn (2010: £3.7bn) | 6.2% growth £2.2bn (2010: £2.1bn) |
| Operating free cash flow(1) | 9.2% decrease £7.5bn (2010: £8.2bn) | 53.7% growth £2.4bn (2010: £1.6bn) |

Mobile customers by market(2)

| Europe | Millions |
|---|---|
| Germany | 36.7 |
| Italy | 23.4 |
| UK | 19.1 |
| Spain | 17.3 |
| Turkey | 16.8 |
| Romania | 9.2 |
| Portugal | 6.1 |
| Netherlands | 5.0 |
| Greece | 3.9 |
| Czech Republic | 3.2 |
| Hungary | 2.7 |
| Ireland | 2.2 |
| Albania | 1.6 |
| Malta | 0.2 |
| **Total** | **147.4** |

| AMAP | Millions |
|---|---|
| India | 134.6 |
| Vodacom | 43.5 |
| Egypt | 31.8 |
| Australia | 3.6 |
| Ghana | 3.0 |
| New Zealand | 2.5 |
| Qatar | 0.8 |
| Fiji | 0.3 |
| **Total** | **220.1** |
| **Vodacom consists of:** | |
| South Africa | 26.5 |
| Tanzania | 8.9 |
| Democratic Republic of Congo | 4.2 |
| Mozambique | 3.1 |
| Lesotho | 0.8 |

In addition to the above, our associate Safaricom had 6.9 million mobile customers based on our percentage ownership.

Notes:
(1) The sum of these amounts do not equal Group totals due to Non-Controlled Interests and Common Functions and intercompany eliminations.
(2) Controlled and jointly controlled businesses. Excludes 3.4 million customers representing the Group's share of customers in our Polish joint venture Polkomtel which is in our Non-Controlled Interests and Common Functions segment.

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My rough share price projections are:

**end of 2011 £1.77 –**

**2012 1.81 –**

**2013 1.90**

Whilst not risk free Vodafone is a solid FTSE100 stock, it's on a P/E of 8 and the company churns plenty of cash so I don't see the dividend being cut and as already stated I see it being raised. It has a utility like dividend with some growth and I don't forecast any terrible regulatory issues/litigation on the next 3 years. Yes voice roaming charges are being cut in the EU but they will still make money and the higher margin data products are strong.

The shares can be bought via an ISA or placed in a SIPP which would reduce tax liabilities. Just use a cheap discount broker, also if you do not need the dividend income you can ask for a reinvestment plan so take your dividend as shares rather than cash giving you a compounding effect.

This is not a short term investment and is not aimed at the high risk/high reward seekers it's for those that have cash earning 1 or 2% that want a higher return but without taking a big risk.