The Insider Trader

Issue 56

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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)]

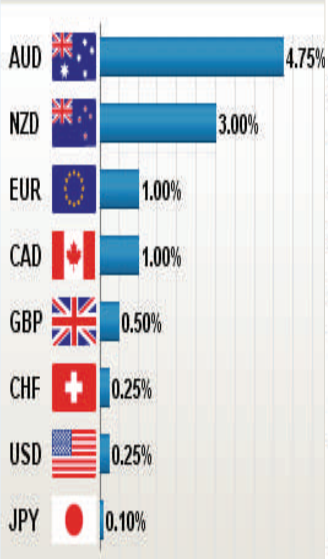
[Orange Juice (OJ)]

[Sugar (SB)]

[Wheat]

[Cotton]

[Rough Rice]



Still Betting on the Farm?

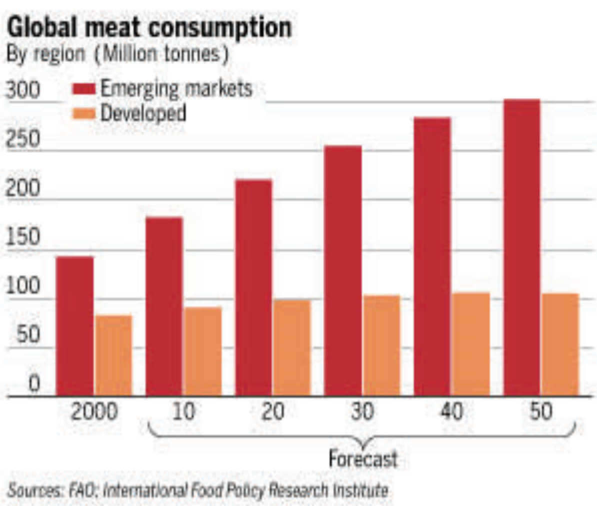
For as long as many of you have known me I have been bullish on commodities and agriculture, of course I am also happy to take the occasional short term contra view but overall the prices of commodities especially food related in my view still have a long way to go in the next decade. I first started becoming bullish just after the year 2000 as the DOT COM boom was coming to an end and I was looking for the next big thing.

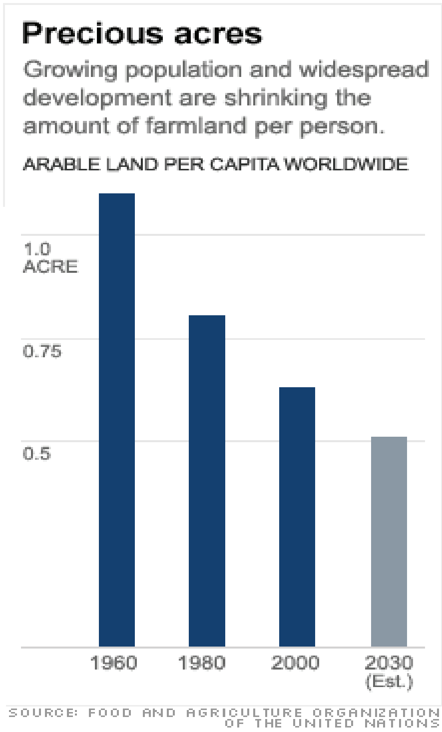
I then read the 2002 article by Jim Rogers "Breakfast for Champions" and the rest as they say is history. You can still read the [article here]

But whilst many have been focusing on investing in Exchange Traded Commodities my biggest profits have not come from the actual commodities such as Wheat, Cotton and Sugar but from companies which service that industry. As I explained in my March seminar you can make good money selling picks and shovels to the gold miners and you can make good money investing in companies that support the farming industry.

What's for sure is that farming is becoming more high tech and scientific. A growing population and widespread industrial development are shrinking the amount of farmland available per person, at the same time the emerging economies with new found wealth are consuming more calories. Land needs to be farmed far more efficiently and more investment will

Below projections for meat consumption , whilst the developed markets stays fairly constant the emerging market consumption is set to soar which means more strain on grains and water.





be needed.

As I have stated in many previous editions having exposure to Agriculture companies is a must and the easiest way is via a good ETF like the Van Eck Market Vectors Agribusiness (NYSE:MOO) which gives you a great spread of companies with a low management fee. Personally I have been investing in the **Claymore Global Agriculture ETF** (CA:COW) which is listed on the Toronto Stock Exchange in Canadian Dollars so I get exposure to the C$ and agriculture.

This ETF aims to trade the MFC Global Agriculture Index which invests in companies that have exposure to the following:

- Fertilizers & Agricultural Chemicals
- Construction, Farm Machinery and heavy trucks
- Packaged Foods & Meats (only those that are inte rgrated producers of food)
- Crop Production
- Raising of livestock
- Fish farming
- Manufacturer of seed
- Manufacturer of planting, harvesting, crop protection, and irrigation systems
- Manufacturer of market raw or unfinished agriculture and food products

As you can see from the chart, $10,000 invested in this index in 1995 is now worth £ $185,973.04 where as $10,000 in the MSCI Word Index has returned $27,753.63. What you will also notice is that the gains really started to pick up in 2002 before peaking in 2007 and then selling off with the rest of the global equity markets before recovering.

The top 10 stocks in the MFC Index are shown in the table and are familiar names. A few of the stocks have had a big run up in price, for example machine maker **CNH Global NV** (NYSE:CNH) is up around 80% so far this year. CNH is better known for the New Holland range of machinery in agriculture and CASE brand for construction. Another company in the same sector is **Agco** (NYSE:AGCO) better known as the makers of the Massey Ferguson Tractor. Japanese tractor maker **Kubota corp** which also has an US ADR listing (NYSE:KUB) is also featured heavily in the ETF. In 2011 we could see some consolidation with some of the smaller companies merging or being taken over.

TOP 10 FUND HOLDINGS

CNH Global N.V.	8.50 %
Kubota Corp-Spons ADR	8.00 %
Deere & Co	7.63 %
Syngenta AG-ADR	7.38 %
Quimica Y Minera Chil-Sp ADR	7.26 %
Potash Corp of Saskatchewan	6.89 %
Brf - Brasil Foods Sa-Adr	6.72 %
Du Pont (E.I.) De Nemours	6.61 %
Mosaic Co	6.55 %
Archer-Daniels-Midland Co	5.56 %

FUND SECTOR WEIGHTINGS

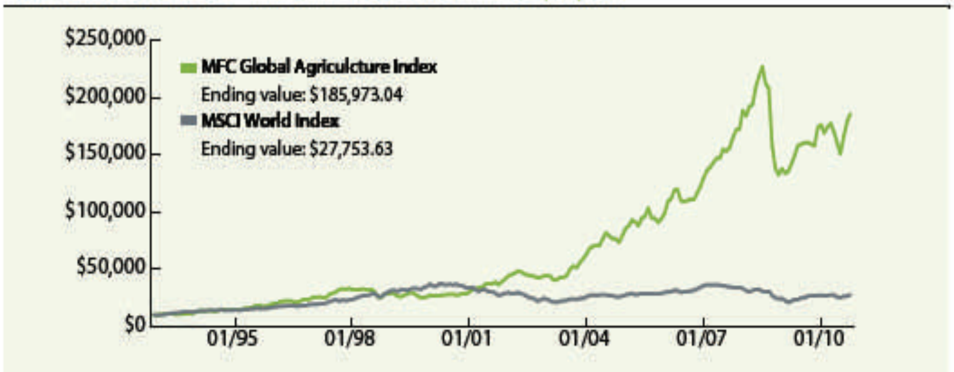
Materials	47.85 %
Consumer Staples	26.69 %
Industrials	24.79 %
Consumer Discretionary	0.67 %

FUND COUNTRY BREAKDOWN

US	43.68 %
Emerging Markets	23.15 %
Europe	15.87 %
Canada	9.29 %
Asia Developed	8.01 %

All portfolio composition and rating information is subject to change daily.

INDEX PERFORMANCE - HYPOTHETICAL GROWTH OF $10,000

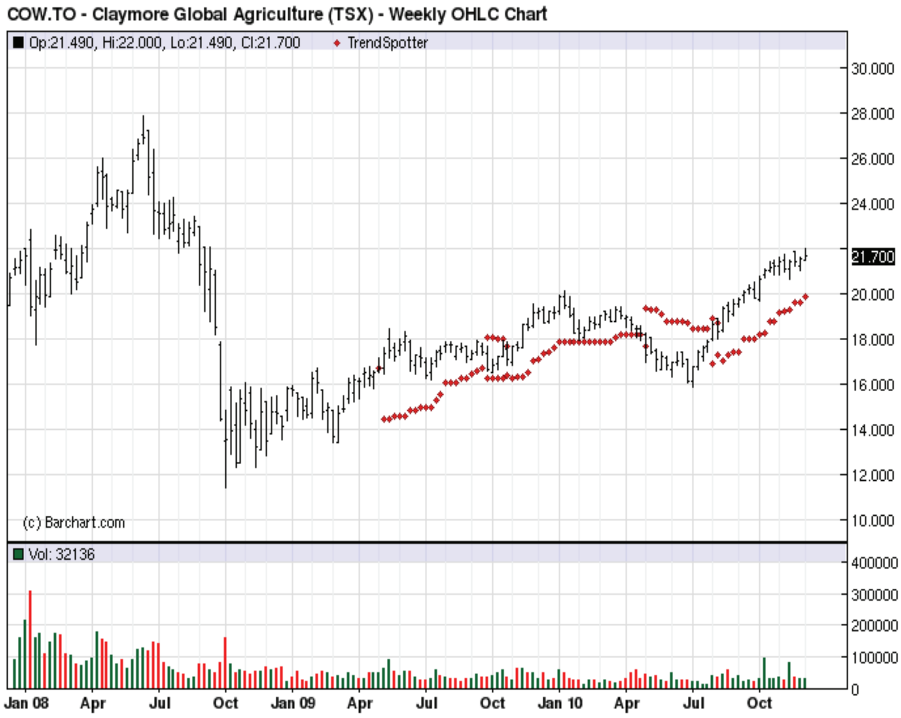


Source: Bloomberg/FTSE; 11/30/1992 – 9/30/2010.

Past performance does not guarantee future results. The historical performance of the index is shown for illustrative purposes only. It is not meant fo forecast, imply or guarantee the future performance of any particular investment or the Fund, which will vary.

The MFC Global Agriculcture Index performance results prior to 11/30/2007 are hypothetical. All performance data for all indices assumes the reinvestment of all distributions.

Whilst short term this sector has had a good run I still like both the MOO and the COW and is not a bad place to add funds on any market weakness.



Nokia (NYSE:NOK) $9.80 – Down but not out.. my turn around share for 2011

So here is a share that is hated by most but to me screams value with limited risk and that is Finnish mobile phone make Nokia. The chart says it all, since 2007 the share price is down 75% whilst Apple is up over 268% but it would be premature to write Nokias obituary yet.

So what went wrong?

Well one word - operating system. Whilst Nokia carried on with the Symbian system it let Apple come in and take its advantage away with an easier operating system and way to download and purchase apps. The other mistake with Nokia has been too many phone models, it needs to slim down its offering and concentrate on a few core handsets.

Now the good news.

Firstly Nokia is still a world class company and they still have 30% of the mobile phone market. It has ZERO debt and cash and near cash securities on the balance sheet of 13.5 Billion $ that means that at the recent $10 a share price around $3.70 is backed by the cash pile and Nokia pays a not too shabby 4.5% a year dividend which is well backed by cash.

Maemo to the rescue

Maemo is the new linux based open source operating system which can be found on the Nokia N900 and finally gives the Iphone a run for its money. You can see more at:

http://maemo.nokia.com/videos/introducing-maemo-5/

Summary

Nokia on a forward P/E of 7 is pricing in very little good news. I know Apple is flavour of the month but Nokia on this rating with the cash pile is a story too hard to miss. Whilst Apple will need to do everything perfectly in 2011 for its share price to move ahead or even stay the same, Nokia need only show a little bit better results than 2010 for the price to rocket.

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.

A fair price for Nokia is $17 to $20 giving you a possible 100% upside. For those wanting to juice the returns even more - a long term option (LEAP) is a possible, you can currently buy a Jan 2012 $12.50 call for around 0.60 cents. You can buy Nokia via the US listed ADR or spread bet, if you are spread Betting go with the furthest out contract (September 2011) and if you need a stop put in $3.00 but personally I would not have one.

On the downside risk, 2011 turns out to be another non event year for Nokia and the share price ends up around where it is today, at least if you buy shares you would still get the dividend.

Looking forward to 2011

As we come to a close of another year which I am pleased to say has been a very successful one I am busy working on new opportunities for the coming year. As stated in my November update I see M&A (mergers and acquisitions) a bright spot and place we can profit from. Smaller companies also offer good opportunities and don't necessarily move with the overall stock indices.

On the downside I see a very cloudy picture with the Euro currency and for growth in China to stall in 2011. The Euro still remains overvalued against the US$ by around 20% and whilst there is nothing to say that a currency cannot remain overvalued I continue to see risks in the Euro which will see money flow back into the US$ and Swiss Franc. Whilst the currency worries me I do see some value in European stocks, I also see some interesting opportunities in Scandinavian equities.

As fair as China goes and in turn industrial commodities I see risks of being exposed to China in 2011 as the growth that many have become accustomed too may be put on hold and slowed down as inflation, especially in food is running at unacceptable levels.

We will look at ways to profit from these moves early in the New Year but for now *may I wish you a Fantastic Christmas and health, happiness and prosperity in the coming New Year.*