

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 \(OJ\)](#)

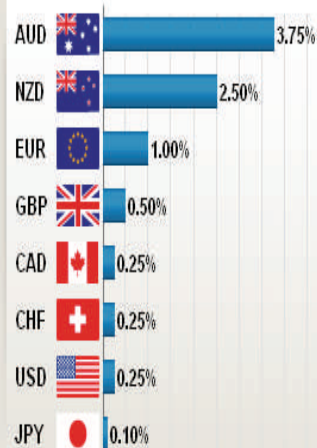
[Sugar \(SB\)](#)

[Wheat](#)

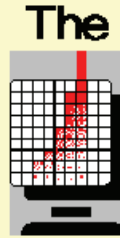
[Cotton](#)

[Rough Rice](#)

CENTRAL BANK RATES



The Insider Trader



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February 2010

Playing it Safe

"Bulls make money, bears make money and pigs get slaughtered"

2010 has started the year leaving many shaken and stirred, the optimistic start to the year has quickly faded and we have had a considerable global sell off in stocks and some massive moves in currencies and the year is only just getting started.

Just when everyone had decided that the US Dollar was toilet paper, we have seen a massive spike in the Dollar Index as investors return to the perceived safety of the US Dollar as cracks in the Euro zone appear. As stated in previous updates the US Dollar is not pretty but it's the best of an ugly bunch at present. Whilst some smaller currencies like the Norwegian Kroner are extremely strong they are not big enough to be considered against the US\$, Euro

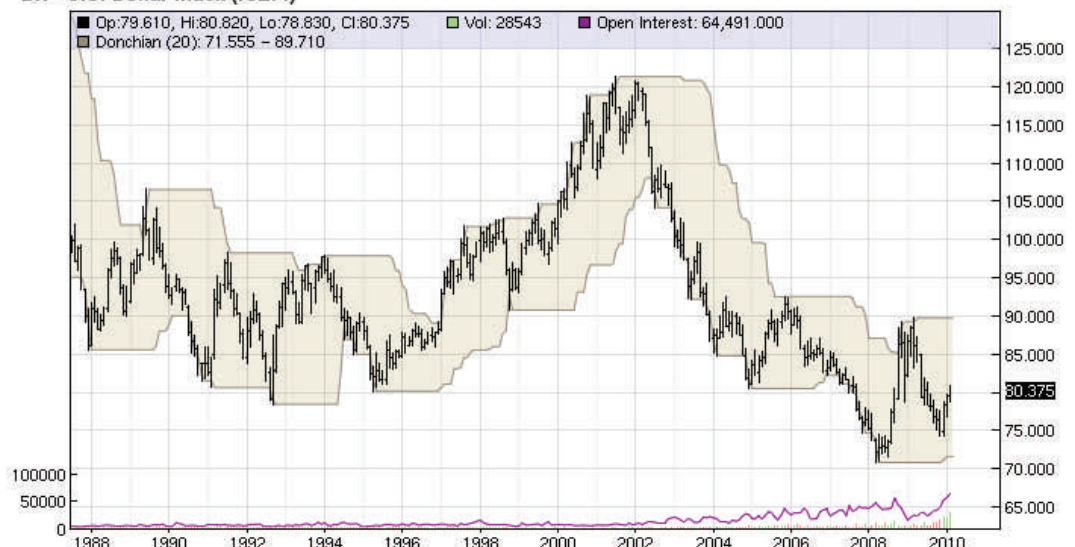
or Yen. Right now the world does not have a liquid alternative reserve currency.

After the massive turn around gains of 2009 this year could turn out to be an overall flat year, lots of 10% plus swings but by the end of the year indices broadly where they are now. As a trader that's fine but I think many investors will be disappointed with overall returns this year. Also last year saw big gains in emerging markets and we did very well in Brazil, however, it would be foolish to expect the same again in 2010, at best a 5% to 10% return.

Right now defensive stocks, such as consumer staples, healthcare and utilities seem the most appealing investments,

US Dollar Index Monthly chart. Early days but US Dollar is starting to stabilise. The 20 month price channel suggest a run up to 85 to 90 in the next 12 months

DX - U.S. Dollar Index (ICEFI)



investments, agreed it's hardly the most exciting of areas but this could be a case of winning by not taking massive risks.

Most of the consumer staple stocks pay a decent dividend (compared to cash) and have good multinational earnings. **I like companies that are throwing off large amounts of free cash flow and that have fairly secure earnings in the west but also have exposure to emerging markets.**

Companies such as **McDonalds (MCD)** which went sideways last year remains a great bet and I look for the share price to reach record highs of \$70+ before the year is out.

McDonalds at \$63 are paying a 3.4% yield and on a P/E 15, it's not bad value.

Another company which has been in the headlines recently is **Kraft Foods (KFT)** which all going well will close the takeover of Cadbury in the coming months. Kraft has done a great deal here and I don't think they have over-paid, Cadbury is an iconic brand with 40% of its earnings coming from emerging markets and will fit in well with Kraft which is now the world's 2nd largest food company. Kraft owns the number 1 product in 80% of the areas it operates.

At the current price of \$28 the share gives a yield of 4% and with the cost savings that will arise from the Cadbury takeover and the ongoing restructuring Kraft could surprise many on the upside this year.

Other big free cash flow generators are Tobacco companies; **Philip Morris International (PM)** has no US exposure and has access to growing markets including a joint venture with China National Tobacco to sell Marlboro in China. Philip Morris also has massive market share in high smoking countries including Russia, Turkey, Ukraine and Indonesia. At \$46 this gives you a 5%

MCD - McDonalds Cp (NYSE)



Above: McDonalds Monthly chart—Continued strong growth in emerging markets and maintaining market share in more mature markets. Below: Kraft Foods spun off from Philip Morris in 2004 and has been in a sideways range, the Cadbury takeover could give Kraft a re rating and the \$33 + price is on the horizon.

KFT - Kraft Foods Inc (NYSE)



yield and a P/E of 15 which may seem a bit higher than other tobacco shares but you have to remember you have a lot more growth potential here. **Altria (MO)** the USA focused tobacco is still a steady business at \$20 its on a P/E of 11 and a **whopping 7% yield which is fairly safe.**

In the UK **United Utilities (LSE:UU)** should continue to offer a safe place to be in the coming months. At £5.20 with a yield of 6% and a P/E of 9 this multi utility company has sound earnings and a safe dividend.

Sugar is Still a Sweet Trade

The last few weeks has seen a sell-off in Sugar prices but after a 110% move in the ETFS Sugar (LSE:SUGA) it's expected that we would have a pull back, but the uptrend is still firmly in place. The strong dollar does act as a drag on all commodities as it makes them more expensive for foreign buyers but over all we have strong demand in global sugar prices with supply lagging.

I do see supply arriving but this could be some months off. You cannot just plant a sugar crop and harvest it overnight. So what we could have here is a massive spike up in the coming months and then a sell off as the supply/demand becomes more balanced. For now I stay with long trades via the Exchange Traded Fund and will use this sell off to buy more.

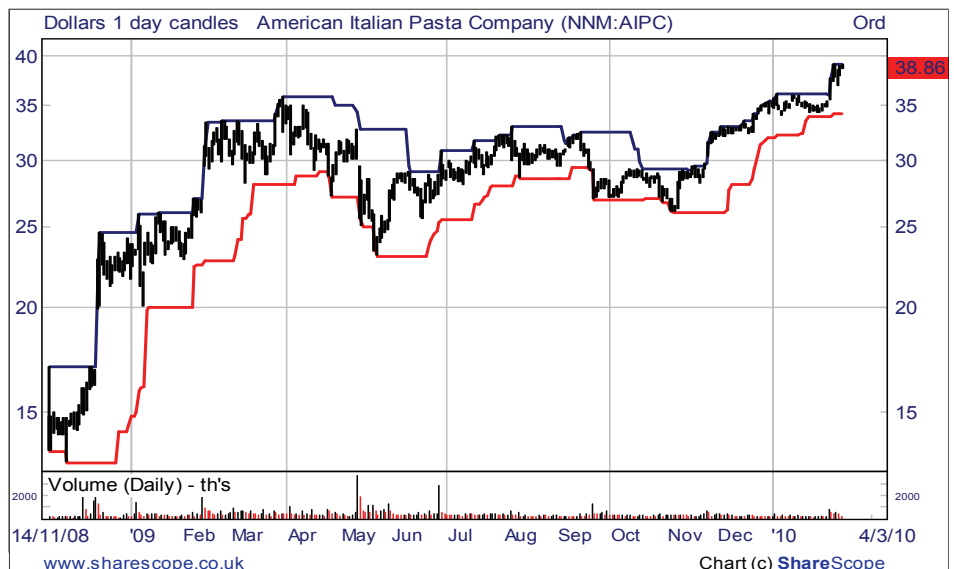
American Italian Pasta Company (Nasdaq AIPC)

This is a smaller company but some spread betting companies will make a price. As the name suggests it's a dry Pasta manufacturer with 10 of its own brands sold in shops and supermarkets through the USA as well as manufacturing home brand pasta for a number of large supermarkets.

AIPC also supply wholesale pasta to schools and workplace cafeterias. Pasta remains a cheap food and as consumers continue to look to save money it's a defensive business. Home brands are also capturing market share from the more expensive premium brands.

Recent results showed continued growth and higher margins. The main cost in pasta is Durum Wheat and prices have been falling over the last 12 months. At \$38 the share has had a great run and not far off a 52 week high, the market cap is \$800 million making

SB - Sugar #11 (ICEUS)



this a small cap stock and on a P/E of less than 10 it still has a lot of potential.

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

Global Financial Trading Day Friday 19th March 2010

This will be your only chance to see me live for at least the next 2 to 3 years. Jim Rogers has also made it clear that he is cutting down on all live appearances and this will be his last in the UK.

For full details of this unique one day event please go to www.traders2010.com if you have any questions email me at vince@trades2010.com

Look forward to seeing you and bringing you right up to date. Based on previous events attendees you will get your money back with weeks if not days of attending

Some of the points I will be covering:

- Why the bookmakers banned me from trading the most profitable companies in 2009 and how I got round it. I will show you the exact trades I made many moving up over 300% + in just a few months and how and where I placed my trades.
- How I trade Platinum, Gold and Silver with just pennies and made over 1000% return in 2009 without worrying about stops or margins.
- Why 99% of those trading FX are being taken to the slaughterhouse. I will show the exact currencies I am trading and where to trade them - even if you're on a small account. You can do this with £200 - As an ex FX Dealer I can tell you what really goes on in the currency market and the only FX Company you should deal with.
- The number one trading vehicle I use and why fund managers, bookmakers, brokers hate it and wish it would disappear (it's not going to!)
- How to put together your own multi strategy Hedge Fund with as little as £1000 (\$1600) and beat 95% of all market professionals. This system has made money every year since 1996 beating the S&P500 and with less volatility, it's even beat Warren Buffett. This will take you no more than 10 minutes a week to follow.
- How I am cashing in for the boom in iphone and android applications with a small company you have never heard of. I will show you what they do and how to invest in them before they hit the limelight - I expect to make 500%+ return on this investment.
- I will recap my 1 minute trading rule and show you how it's working and what markets are giving buy and sell signals live on the day.
- My number one property investment that has great growth potential especially if the economy gets worse.
- Why I am not investing directly in China but gaining the benefits using a legal loop hole with less risk and more
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- Why I am not investing directly in China but gaining the benefits using a legal loop hole with less risk and more profit. I will show you one agriculture company which is up over 400% in just 7 months.
- Why expensive trading software, advanced trading platforms and real-time data have a negative effect on your returns and using the common technical indicators are a waste of time.
- Risk/reward strategies which really work. I will show you how by doing less you make more money.
- Psychological aspects of trading - "taming the demons of your mind"! After training 1000's of traders at all levels I will show the psychological mistakes that all losing traders make and how to avoid them.
- How to decide how much to place on a trade and how varying your trade size reduces your risk and increases overall profitability.
- What my 5 year study into investors and financial spread betting revealed and how you can profit and learn from my best students.
- The 10 secrets financial bookmakers don't want you to know.
- Why keeping all your wealth in £, Euros or \$ is a disaster in the next decade and which currencies you should be holding.
- Which are the safest banks and brokers to deal with (many of the well known names are not on this list - No UK banks or US banks are in the top 10)
- **The next areas that are going to boom that no one is talking about.** If you have followed my success you will know how good I am at spotting trends and the next big thing. **In 2009 clients made fortunes following me in Brazil, South Africa and Canada. I will update you where I am investing now.**
- www.traders2010.com

