

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 \(SB\)](#)

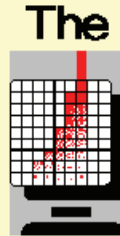
[Wheat](#)

[Cotton](#)

[Rough Rice](#)

The Insider Trader

Issue 58



February 2011

Bullish on Norway

Norway is small country with a population of about 4.8 million bordered by Sweden, Finland and Russia. You don't hear much about this country apart from maybe the Eurovision song contest which they won in 2009 and hosted in 2010 or around Christmas time when Norway sends a Christmas tree to the UK as thank you for the help that British army gave Norway in the second world war, but don't be fooled by this quiet county it is a commodities rich powerhouse.

Norway's fortunes turned when oil was discovered in the North Sea in the late 1960s. Today Norway is the third largest exporter of natural gas, the fourth largest exporter of oil and the second largest exporter of fish in the world. The country consistently ranks high in many global rankings, such as Global Competitiveness Index, Human Development Index and its population have one of the highest living standards in the world

with top health-care and schools. The un-

employment rate currently stands at 3.5% the lowest in the OECD.

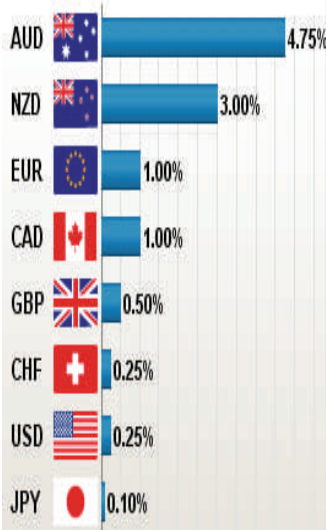
Some of the reasons to invest in Norway are:

Norway is a surplus country. The budget surplus last year was 11% of its GDP. The Norwegian Krone is in my view the world's safest currency. Whilst Norway has a good relationships with Europe it is not part of the European Union and nor will they ever join. Norway's interest rates are currently 2% and are decided by its own central bank, the Norges Bank.

Oil and natural gas accounts for about 25% of the GDP. With oil back near \$100 nobody is complaining in Norway. Surplus oil revenue is saved into a sovereign wealth fund that is the second largest in



Norway OBX Index (IG Index have this listed as Norway 25)



second largest in the world with assets of over NOK 2.1 Trillion. Unlike the UK Norway did not squander its petroleum wealth by wasteful spending. The Norwegian government still owns 67% of Statoil (NYSE:STO)

Sound banking system. Norwegian banks are highly regulated and did not get involved heavily in the sub-prime mess. The banking industry also represents just 2% of the country's GDP (take note Ireland). The largest bank Dnb Nor is 34% government owned and bank customers also own a large share.

One company which stands out and I have been buying is fertilizer and chemical maker **Yara International** (listed in Oslo: YAR) and is also available as a spread bet. The Norwegian government own 36%. The company was founded in 1905 as Norsk Hydro and then Yara was demerged in 2004. Yara is the number 1 in Ammonia, Nitrates and NPK complex fertilizer the company stands to benefit from higher prices.

Yara is on a P/E of 11 which is much lower than its US listed peers. Whilst the shares gained 40% in 2010 they are still 30% off the 2008 highs. If you think Yara sounds familiar its in the MOO ETF and makes up 4% of that ETF

Global X FTSE 30 Norway ETF (NYSE: NORW) Global X recently launched an ETF to trade the main FTSE Nordic 30 Index. Companies that make up the index include Statoil ASA, 18.82%, DnB NOR ASA, 13.58%, Telenor ASA, 10.76%, Royal Caribbean Cruises Ltd., 6%, Yara International, 5.86%, Seadrill Ltd., 5.71%, Norsk Hydro, 5.31% and Orkla ASA, 4.48%

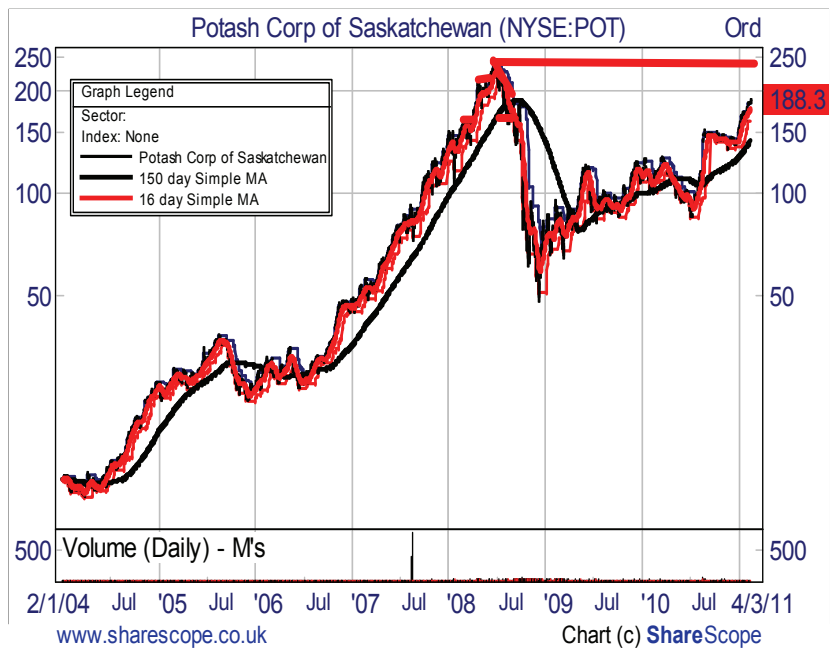
You can also look at the **OBXEXACT:NO** which is the Norway Index ETF listed in Norway in Norwegian Krone

If you're looking for 100% overnight, then Norway is not for you but if you're looking for a 10% to 12% a year return in a fairly safe environment then Norway could be for you. Statoil (NYSE:STO) is currently paying a near 4% dividend and I look for a year end price of \$27 giving you a 18% return including dividend.

Staying with the Fertilizer theme I continue to like Russian company Uralkali which has a UK listing (LSE: URKA) and will shortly complete its merger with Silvit this makes URKA this makes then the number 2 potash



Above: Yara International listed in Oslo. Below Canadian giant Potash Corp (NYSE:POT) shares will be splitting 3:1. The whole fertilizer and agricultural business is booming as farmers net more money from higher crop prices and re invest.



As for Potash Corp they recently announced a 3:1 stock split and increase in dividends. The stock hit \$220 back in 2008 before crashing to \$45 at the end of 2009 and are now back at \$180 level. With the 3:1 split we could easily see a price of \$73 which would take us back to the 2008 highs again. The split comes in on February 24th. TIP: If you need to know forthcoming splits use this link: <http://biz.yahoo.com/c/s.html>

ETFs Year to date

Whilst the year is still young I thought it would be a good idea to look at the leaders and laggards. I have not included any inverse or leveraged ETFs in this list.

Top of the list is a market that has caught me out so far this year and that is Cotton. Whilst I am bullish on Cotton longer term and if you recall it was my top pick in January 2010 the last few months of gains are what we see normally before a market crash. Last time I saw action like this was when Crude Oil hit \$147. I would be very careful about putting money into Cotton at these levels and personally am running a small short position via the Inverse ETF SCTO which I am currently down 25% on.

Solar had a terrible 2010 but so far is bouncing back but this sector is still not very exciting to me.

The US networking (IGN) and Semiconductor (SOXX) ETFs are looking very strong. Many of us take for granted the complexities of the backbone of the internet.

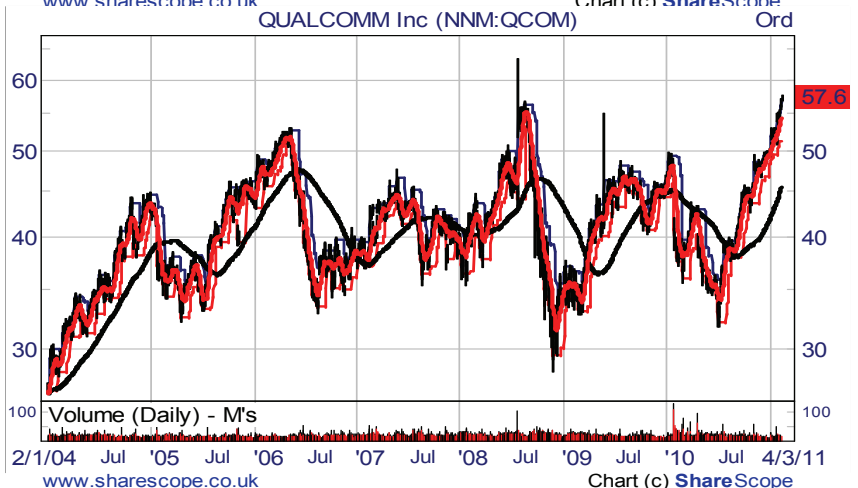
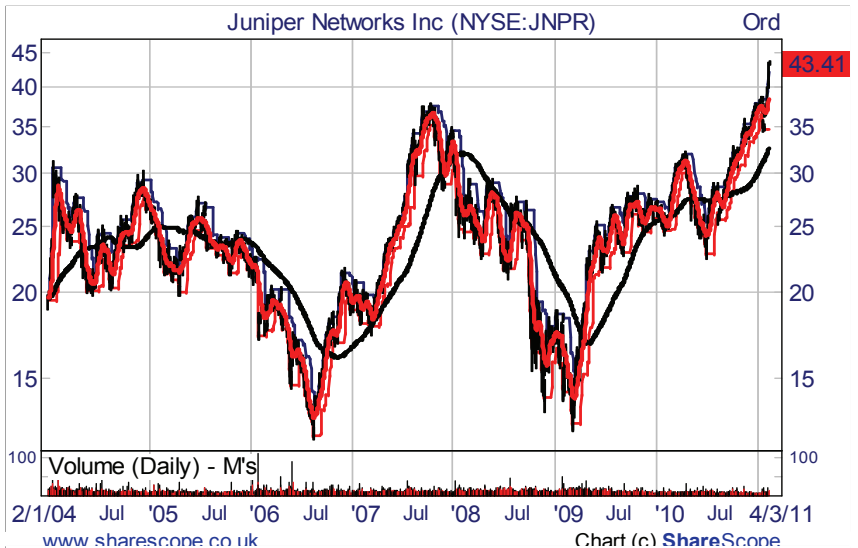
As internet usage becomes more demanding such as video streaming, IP and video conferencing then the infrastructure needs to be upgraded, **Juniper Networks** (NYSE:JNPR) makes up 9% of the IGN ETF followed by **QUALCOMM** (NM:QCOM) and **JDS Uniphase** (JDSU) all looking very strong. A smaller player worth looking at is **Sonus Networks** (SONS) currently around \$3 and has potential. Another related company is **Clearfield** (CLFD) which makes storage racks for the above and has been breaking out to a new 52 week high.

Two of the old time heavyweights also are showing signs of life which are **Alcatel Lucent** (NYSE:ALU) which is still losing money and **LM Ericsson Telephone Company** (NNM:ERIC) both of which stand to benefit as Telcos have to spend more improving mobile networks.

Year-To-Date Performance Leaders		YTD Return
BAL	iPath DJ-UBS Cotton	+31.7%
KWT	Market Vectors Solar Energy	+18.6%
TAN	Guggenheim MAC Global Solar Energy	+15.9%
JJN	iPath DJ-UBS Nickel	+14.6%
IGN	iShares S&P U.S. Tech-Networking	+14.5%
XSD	SPDR S&P Semiconductor Index	+14.2%
EWI	iShares MSCI Italy Index	+13.3%
EWP	iShares MSCI Spain Index	+12.7%
FXL	First Trust AlphaDEX Technology	+12.3%
SOXX	iShares PHLX Semiconductor Index	+12.2%

Year-To-Date Performance Laggards		YTD Return
INP	iPath MSCI India Index Fund	-17.0%
EPI	WisdomTree India Earnings Index	-14.8%
INDY	iShares S&P India Nifty Fifty Index	-14.2%
PIN	PowerShares Indus India Index ETF	-13.9%
SIL	Global X Solactive Global Silver Miners	-13.1%
EPHE	iShares MSCI Philippines	-12.3%
GAZ	iPath DJ-UBS Natural Gas ETN	-12.3%
UNG	United States Natural Gas Fund	-11.5%
GAF	SPDR S&P E.M. Middle East & Africa	-11.5%
BRF	Market Vectors Brazil Small-Cap ETF	-10.7%

data through: Feb 11, 2011





Alcatel-Lucent

Alcatel-Lucent has had a terrible time since it merged with Lucent Technologies and is losing money however it looks like the worse is over and they are now in the right place at the right time with the expansion of Mobile Internet and other wireless products. After the recent spike up the share price needs a bit of a pull back but at around \$4 I would make a small investment.

ERICSSON

LM Ericsson is also making a good comeback and is far more stable. whilst ALU may deliver a bigger return it carries a higher risk, ERIC makes money and pays a 2% dividend. The company has \$4 in cash and is on a forward P/E of 14 which is very reasonable. The stock can be bought or spread bet via the US\$ listing or in Sweden the B share is the one with the most volume ERIC-B.

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.

