

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 \(OJ\)](#)

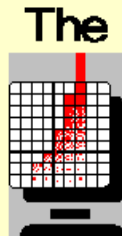
[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)

The Insider Trader



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Getting Bullish On Commodities Again

Those who have followed me for some years know that I have been a fan of trading and investing in commodities for well over a decade and I have held numerous seminars with the commodities guru Jim Rogers.

Now unlike many I am happy to also go short or just step out of the area when I don't see great opportunities. For the last few years I have really had less interest in commodities frankly the opportunities have been far better in stocks so why would I bother with commodities?

I am now starting to get excited or at least more interested in commodities again, whilst stock markets have been unstable so far this year, some commodities have really come back from the dead.

This cycle of boom and bust is one that I have seen many times, in simple terms this is what happens and lets use coffee as an example;

Coffee starts going up, farmers see opportunities and start planting more, price still goes up, throw in some weather conditions, some civil unrest and now coffee becomes the new golden crop so everyone wants to grow it. Speculation increases. Then the extra supply starts becoming available and then the price peaks as everyone scrambles to get out and before you know it the price crashes. Wash, Rinse, Repeat. A text book example of this was Cotton in 2011 to 2012.

Of course, commodities are a wide term and we can break them down in to four main areas, Metals, Energies, Grains and Softs. Meats/livestock are not really much interest to me. Some of the interesting areas so far have been Coffee, Sugar and Cotton. The graph on the next page shows the biggest movers so far in 2014. **What's the difference between trading Coffee or IBM?** Well really if we are trading off a

Below: 25 Years of Coffee prices (Monthly Chart)—Boom and Bust. Very hard to make money long term but some shorter term (weeks and months) can offer some opportunities.

KC - Coffee - Monthly Continuation OHLC Chart



AUD	2.50%
NZD	2.50%
CAD	1.00%
EUR	0.50%
GBP	0.50%
USD	0.25%
JPY	0.10%
CHF	0.00%

price chart, using a moving average system, trends then really nothing. I was alerted to coffee prices not by following the drought in Brazil it was rather the 20 day highs, so really the price tells us what is happening. Of course commodities move with fundamentals but then so do stocks, stocks have earnings and corporate news whereas commodities have weather, political issues and supply/demand (remember the crop report in Trading Places?)

How to back commodities?

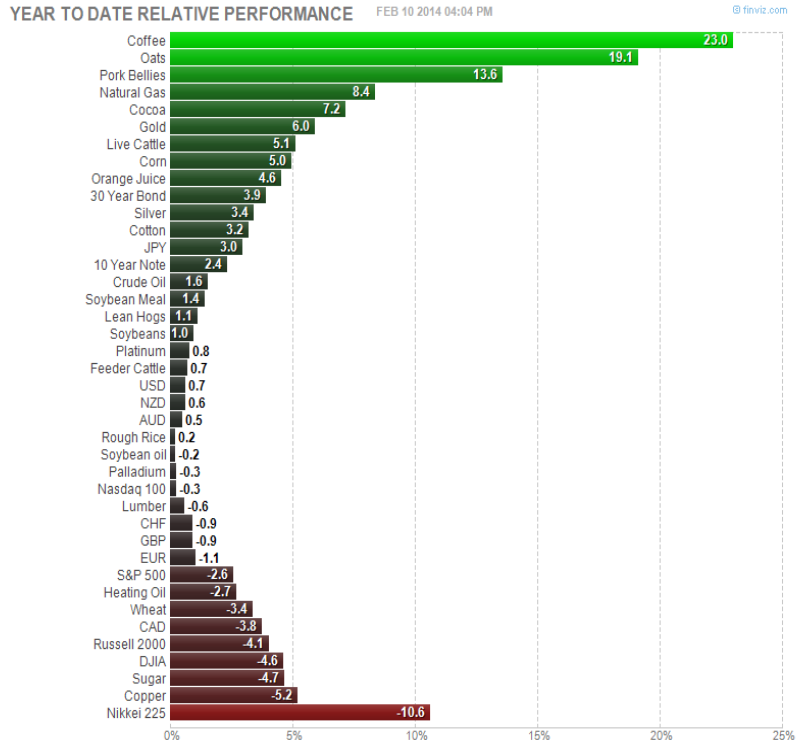
Truthfully there is no perfect way to back commodities, unless you start getting into storage and physical delivery you are going to be at the mercy of the futures markets but I have still made money in commodities. The volatility in commodities can be extreme, coffee could be moving a small amount for weeks and then in 5 days you get a 26% move as we just had.

You can spread bet commodities but you have to be careful with the extreme moves also spread betting companies tend to only offer the near futures month on many markets so you have to keep rolling which can be costly.

The better way for most will be Exchange Traded Funds or some are known as Exchange Traded Notes, these are far from perfect and because they are rolling over futures contracts, you will not capture all of the cash price gains.

There are some ETFs listed in the UK but the liquidity is terrible so stick to the US listed ones that have more volume.

Ipath Coffee (JO) Ipath Cotton (BAL) Ipath Cocoa (NIB) iShares Gold (GLD) iShares Silver (SLV) ETFS Platinum (PPLT) are just a few examples of ETFs that are fairly easy to trade. You can also look at traded options on some of these but the spreads can be big.



Above: Above Coffee the big winner so far in 2014 but remember this was coming of a very low and distressed price so we could see higher prices still. Below ICE Coffee inventories, if supplies start falling again and that is very possible then expect \$2 to be hit in 2014 which would be good news for the JO ETF



Just to be clear whilst I see some opportunities in commodities my main focus remains on stocks. We have had a rocky start to indices which was expected after such a good run but we still have plenty of opportunities in individual shares. You can also find some opportunities in commodity related stocks one being heavy equipment maker Caterpillar (NYSE:CAT) which had a poor 2013 but could play catch up this year. Farm machine giant **Deere & Co (NYSE:DE)** also looks set for a better year.

A fairly new company which came around from the FIAT industrials and Case New Holland merger is CNH Industrial NV (NYSE:CNHI) As well as Case they also own trucks and buses maker IVECO, far equipment company STEYR and fire engine maker Magirus. We don't have much chart history but the fundamentals on CNHI look good an on a P/E of around 12 it's not a crazy valuation and is a play on more capital spending. Shares are trading at \$10 and worth putting a few away.

Gold Mining shares

Gold mining shares are starting to make a comeback whether its just a dead cat bounce or the start of some meaningful new trend its far to early to tell, however you have to give some respect to the move so far this year. The easiest way to get exposure is via the ETF GDX or if you want to try a bit more risk then try GDXJ which is the Junior mining index.

Now if you want to look at a few individual names then **Barrick Gold (NYSE:ABX)** is starting to make a turn around and have been selling off assets. **Anglo Gold Ashanti (NYSE:AU)** is another name that is turning around. To the right you will see the biggest holdings in the GDX ETF. The GDX is getting close to a 150/16 buy cross that is the first time since 2012.



Fund Holdings (weight in %)		
Barrick Gold Corporation	ABX US	14.46%
Goldcorp Inc.	GG US	13.02%
Newmont Mining Corporation	NEM US	6.95%
Silver Wheaton Corp.	SLW US	4.96%
Franco-Nevada Corporation	FNV US	4.90%
Yamana Gold Inc.	AUY US	4.81%
Newcrest Mining Limited	NCM AU	4.78%
AngloGold Ashanti Limited Sponsored ADR	AU US	4.48%
Randgold Resources Limited Sponsored ADR	GOLD US	4.32%
Agnico-Eagle Mines Limited	AEM US	4.09%
Kinross Gold Corporation	KGC US	3.97%
Eldorado Gold Corporation	EGO US	3.43%
Royal Gold, Inc.	RGLD US	2.73%
Compania de Minas Buenaventura SAA Sponsored ADR	BVN US	2.59%
New Gold Inc.	NGD US	2.19%
Subtotal - Top 15		81.68%
Remaining Constituents		18.32%
Total		100.00%

For a complete listing of Constituents, please visit vaneck.com/GDX

You can download the factsheet here which:
<http://bit.ly/NCMwZt>

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 or stocks 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.