

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 \(KC\)](#)

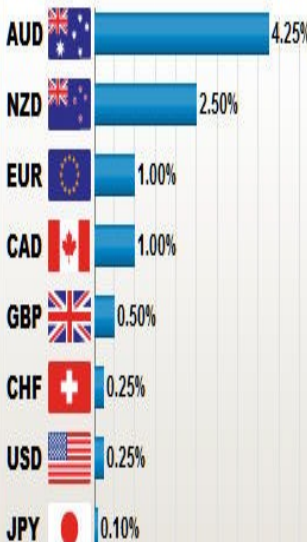
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

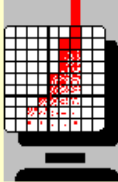
[Wheat](#)

[Cotton](#)

[Rough Rice](#)



The Insider Trader

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Is it really Fools Gold?



Whenever we invest in any share or financial market you will always have divided opinions, after all without buyers and sellers the market could not exist. Back at the end of September when I went bullish on equities I was the village idiot as most were bearish – now it seems that wasn't such a bad idea but there always has to be two sides to any investment.

The recent Berkshire Hathaway annual letter written by Warren Buffett has sparked off very mixed emotions between the gold bulls and bears. If you have not read the letter you can download it here: <http://www.berkshirehathaway.com/letters/letters.html>

Regardless if you're a Buffett fan or not it's always worth reading the letter as you know it's going to be read by everyone else and it will make headlines.

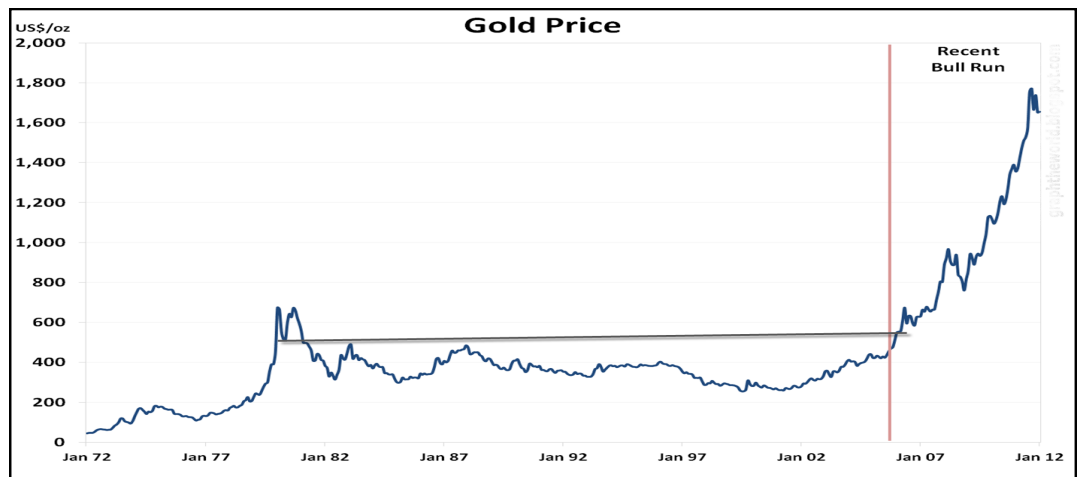
To recap this is what Mr Buffett points out which is all factually true:

Below: Gold going back to 1971 which was when the US\$ Peg was removed. After the run up in 1980 gold spent 25 years doing much of nothing. The last 5 years has seen Gold move up 300% but its now looking historically stretched and I would be extremely cautious about having too much of your wealth in gold.

"Today the world's gold stock is about 170,000 metric tons.

If all of this gold were melded together, it would form a cube of about 68 feet per side. (Picture it fitting comfortably within a baseball infield.) At \$1,750 per ounce – gold's price as I write this – its value would be about \$9.6 trillion. Call this cube pile A.

"Let's now create a pile B costing an equal amount. For that, we could buy all U.S. cropland (400 million acres with output of about \$200 billion annually), plus 16 Exxon Mobils (the world's most profitable company, one earning more than \$40 billion annually). After these purchases, we would have about \$1 trillion left over for walking-around money (no sense feeling strapped after this buying binge). Can you imagine an investor with \$9.6 trillion selecting pile A over pile B?"



So in a few paragraphs Buffett points out what we already know and that is gold is a “**greater fools market**”, you buy it on the basis that you can sell it to another fool at a higher price, now I don’t have a problem with this and have made good money over the years thanks to this fool theory and you can argue that the whole financial market is based on this including shares in Berkshire Hathaway. Those that have attended my seminars will know I often use the Pyramid selling scheme resemblance to the stock market.



A big advantage for the small investor in gold and other precious metals is that they can take delivery of physical gold such as coins or bars which will always have an appeal, unlike commodities such as Corn, Crude Oil and Coffee which I doubt most small investors would like to have a truck turn up on their doorstep, metals are fairly manageable.

Gold has had a great decade as the bulls will point out but remember the previous decade gold was a dog of an investment, as I have mentioned in the past **McDonalds (MCD)** – the Golden Arches has been a far better investment than Gold over the last 15 to 20 years and McDonalds pays a dividend.

So where do I stand?

Longer term the trend for gold remains up but the idea that gold is some magic solution or you should put all your money in precious metals is one that does not wash with me also its important to differentiate between physical gold and some Exchange Traded Fund which mirrors the price of gold.

Rather than take sides and argue about the rights or wrongs I suggest using a simple chart and long term Moving Average and let the price tell you which side of the trade you should be on. I would look at a 420 day (20 months) Simple Moving Average – if the price is above you can stay in, if it falls below then I would get out, **right now that would be below \$1500 so the bulls are still in control.**



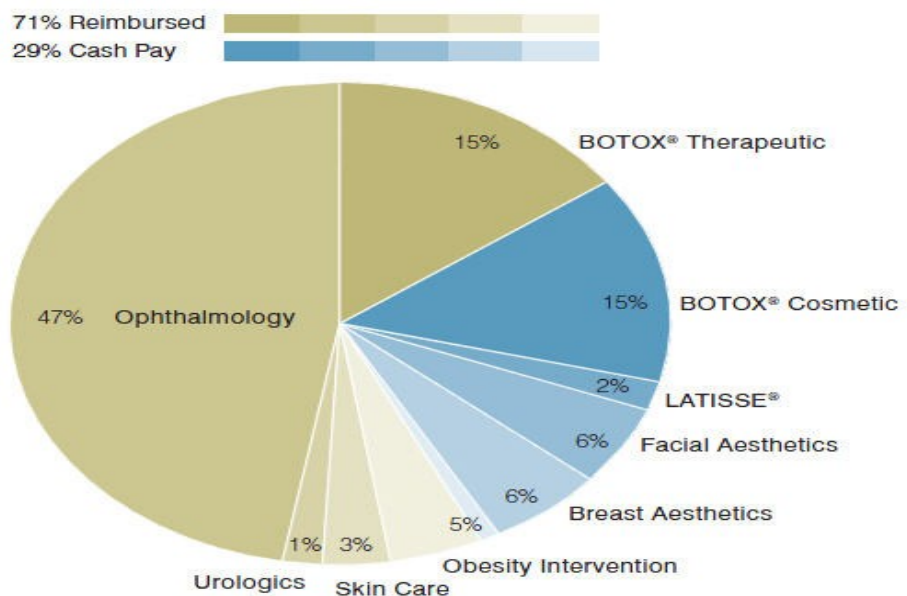
On the subject of metals, Silver recently broke its 420 day moving average. The long term buy signal had been given out at \$14 back in August 2009 and closed out 14th December 2011 at \$29 and is now back on a buy signal. Silver is even more volatile than Gold and is a relatively small market that can be pushed around fairly easily and a 5% or 7% daily move is not that uncommon. Personally I would not have much invested in silver and I think you can make better returns elsewhere with less volatility.



Whilst you have some commercial uses for silver the recent surge has come from investment speculation and many smaller investors are very bullish on Silver and that's never a good a sign!

Allergan (NYSE: AGN) \$90

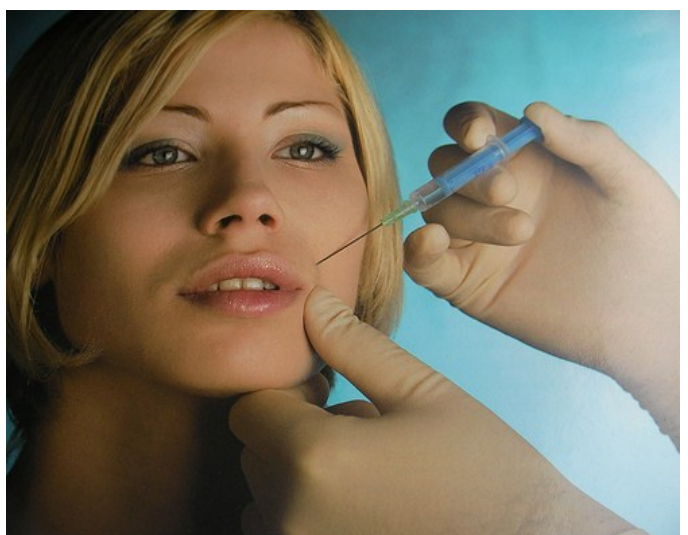
Allergan, with a market cap of \$27 billion, is a provider of eye care and specialty pharmaceutical products throughout the world with products in the eye care pharmaceutical, ophthalmic surgical device, over-the-counter contact lens care, movement disorder, and dermatological markets.

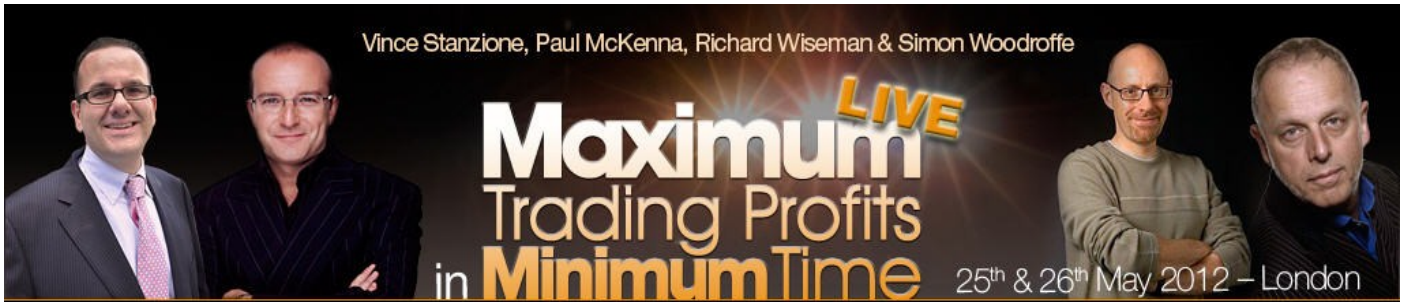


Above: Breakdown of Allergan products—BOTOX remains a popular treatment both for cosmetic and therapeutic areas.

Allergan is best known for the Botox product. Recently the company won a US court injunction preventing its rival Merz from selling a similar product because of allegations of theft of trade secrets. Shares are at a near all-time high and the company is holding an R&D day on March 28 which should be positive. The stock has been in a strong uptrend and up 29% in the last 12 months.

The P/E is not the lowest at 30 but this comes down to a more reasonable 19 and the company still has plenty of growth potential.





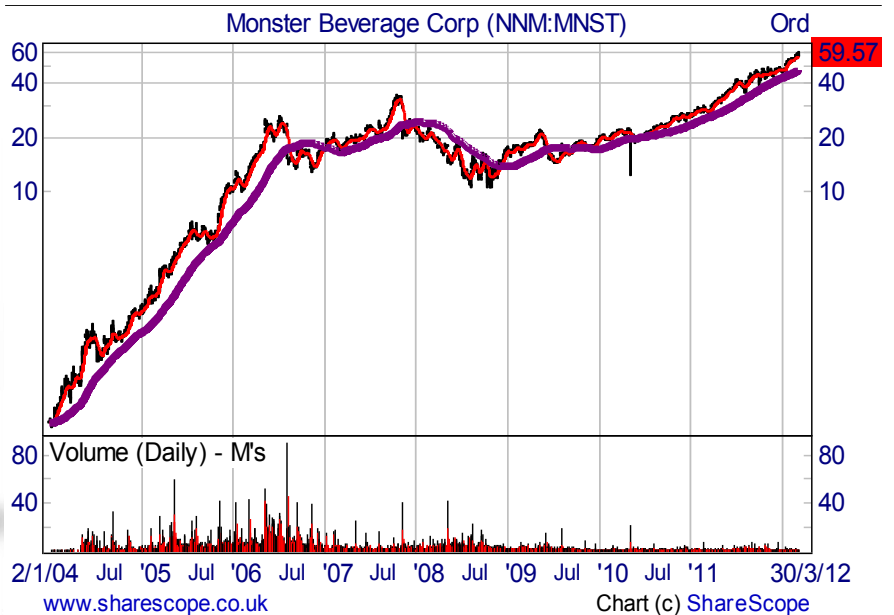
<http://www.traders2012.com>

Monster Beverages (MNST)

Monster Beverages (MNST) is near a new all time high – they had a 2 for 1 stock split.

MNST makes non-carbonated ready-to-drink iced teas, lemonades, juice cocktails and single-serve juice under brands such as Hansens all of which have high margins and appeal to the health conscious market. When I visited **Whole Foods (WFM)** they had fridges full of these drinks. They also own Monster Energy which is like Red Bull. – Great margins on these drinks the number 1 ingredient is.. Water !

Goldman Sachs recently issued a positive client note with a target of \$124 (\$62 in post split format).



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 Traded Funds or shares 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.

