

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 \(KC\)](#)

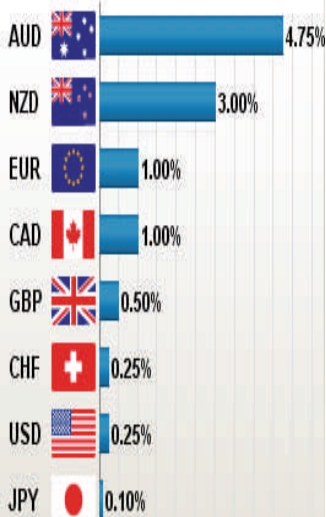
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)



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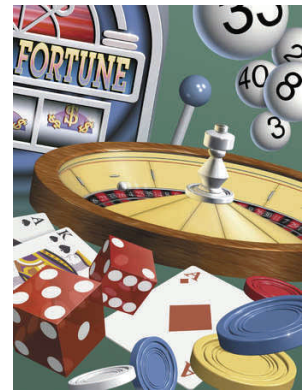
Betting on the House – Big Profits in the Gaming Sector

Regular readers will know that I am a believer that investing in “what people want rather than need” is a good way to make money. Over the last few years I have done very well with investments in Tobacco, Confectionary, Beverages (hard and soft) and fast food to name a few. What all these areas have in common is that they are fairly defensive and they are all areas that are seeing massive growth in emerging markets.

This month I would like to go a bit further into the Gaming Sector which I have been building up large trades in over the last 18 months. Those that were with me at my March 2010 seminar will know that this has been very profitable but I still think we have a way to go - so it's not too late.

Whilst Las Vegas is still an important market and is seeing a pick up from the recessionary lows, my number one focus is Asia with Macau being the most important global market which does far more volume than Vegas. We also now see Marina Bay Sands open which is the first casino resort in Singapore and reporting excellent business and the possibility of other Asian resorts following suit.

Genting which is just outside Kuala Lumpur in Malaysia also has a large resort casino. A staggering fact is that approximately 1.0 billion people are estimated to live within a three-hour flight from



Model of the Coait strip in Macau. The Venetian and Four Seasons on the right are fully open.



Macau and approximately 3.0 billion people are estimated to live within a five-hour flight from Macau. Also the Hong Kong to Macau Bridge and Tunnel project which is due to finish in 2015 will also make connections much easier.

Whilst not wishing to stereotype, Asians do love to gamble and have traditionally been some of the best clients in Vegas casinos and now they have their own Vegas they don't need to travel to the US anymore. The market also opens up to the new affluent Asian consumers with some of the best shopping, gaming, hotels and restaurants found within these new mega resorts such as the Venetian/Four seasons owned by Sands China.

The big players in the Macau Market are SJM Holdings (HK:880) controlled by Stanley Ho who until 2002 had the monopoly. Since 2002 the Macau government granted 6 licences which include Sands (HK:1928), Wynn (HK:1128), Galaxy World (HK:27) and Melco Crown (Nasdaq: MPEL). Sands and Wynn are spin offs of the US parent companies which still hold controlling stakes.

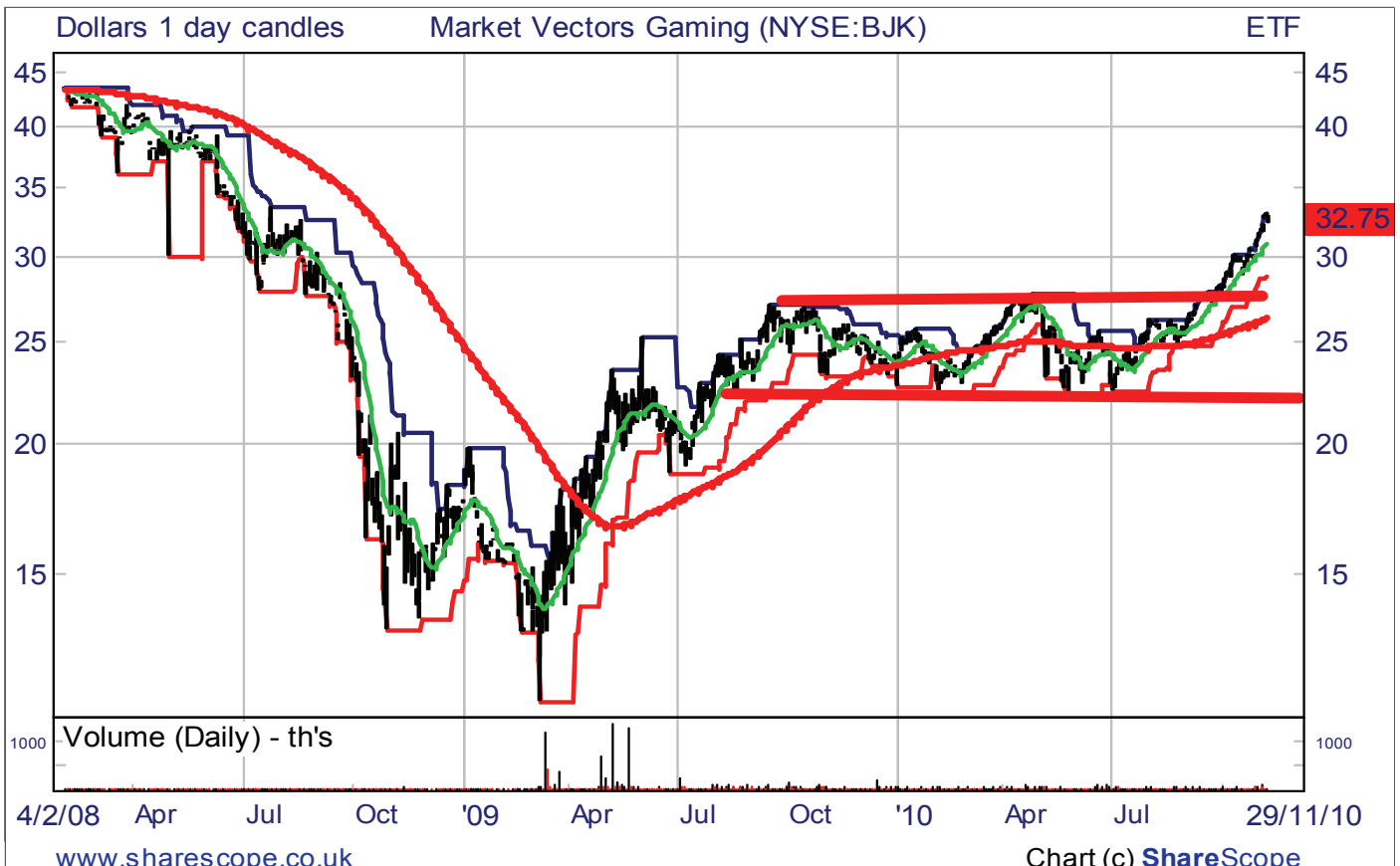
The Asian gaming market is changing, in the past it has been day trips with the main focus being hard gambling

more of a holiday/leisure destination and break away from a somewhat seedy past. Macau's October 2010 gambling revenue surged 50% from a year earlier setting an all time record US\$2.36 billion and revenues have been trending up since mid 2009.

How to cash in

The easiest way is via the Market Vectors Gaming Exchange Traded Fund (NYSE: BJK) which holds positions in all the major players including Wynn, Sands, Genting (listed in Malaysia) and slot machine maker IGT. You can also look to spread bet some of the individual names or buy shares via an online broker. The ETF also has a holding in **IG Group** (LSE:IGG) the parent of IG Index which has been doing very well and benefiting from overseas expansion and bookmaker **Paddy Power** (LSE:PAP) which is up 1000% over the last decade.

Fund Holdings as of 11/08/2010			
Number	Holding	Ticker	% of net assets
1	Las Vegas Sands Corp	LVS US	14.67%
2	Wynn Resorts Ltd	WYNN US	7.70%
3	Genting Bhd	GENT MK	6.85%
4	Sands China Ltd	1928 HK	4.63%
5	International Game Technology	IGT US	4.27%
6	Crown Ltd	CWN AU	3.75%
7	TABCORP Holdings Ltd	TAH AU	3.59%
8	OPAP SA	OPAP GA	3.27%
9	Genting Malaysia BHD	GENM MK	2.98%
10	Wynn Macau Ltd	1128 HK	2.87%



On the risk side we could see some volatility in the gaming sector especially after the recent large run ups. Also the Chinese government can restrict visas to their citizens as they did in 2008. The government has tried to cool the market down in the past and also restricts the amount of currency that citizens can bring in. Casinos are also a source for money laundering and China has set strict rules on casinos to report suspect activity. The Macau government has also raised concerns about fast expansion and the strain on local infrastructure, however, all casino operators realise that they must give back to the community and whilst this may affect short term profits it will insure long term sustainability and good relationships with the Government.

Overall the growth and returns outweigh the risks and the easiest way to make money at a casino is to own one!

Russia Looking cheapest of the BRICs

The BRIC acronym was coined by Jim O'Neill of Goldman Sachs in a 2001 since then it's become a well used term. Brazil, India, Russia and China are the well known growth areas and as you know from previous updates I have done very well from Brazil, however, I am starting to see better value in other areas including Russia which seems to be off most investor's radar. There are a fair amount of Russian companies listed in the UK and the US such



as food company **Wimm Bill Dann Foods** (NYSE:WBD), Potash and Chemicals company **Uralkali** (LSE:URKA) and mobile telecoms company **Mobile Telesys** (NYSE:MBT) which has 102.4 million mobile subscribers in Russia, Ukraine, Uzbekistan, Turkmenistan, Armenia and Belarus. Of course the best known Russian companies are in the Oil, Gas and metals business such as **Lukoil** (LSE:LKOD) and **Rosneft** (LSE:ROSN) whilst you can buy and spread bet the individual shares for most I suggest a good ETF which there are plenty that

track the Russian market including the **Market Vectors Russia (NYSE:RSX)** and the **DB Xtrackers MSCI Russia 25% capped (LSE:XMRC)** Both are heavily weighted to the energy sector which is not a bad thing, out of the two I prefer the Market Vectors one which has 43 shares in it against 28 in the DB one. Of course there are always political risks in investing in Russia, many will remember 2008 when Russia sent the tanks in to Georgia which had a negative effect on Russia listed stocks but overall the valuations more than factor this in.

Below: Russian oil company Lukoil which is trading on a P/E of less than 7



Main themes for 2011

Looking forward to 2011 my main theme is going to be Mergers and Acquisitions and I intent to invest in this area aggressively. After a relatively quiet 3 years or so I see M&A activities globally picking up and 2011 will be a bumper year for deals and here is why:

1. Cheap financing. Companies that have a good balance sheet can borrow money very cheaply. IBM, McDonalds, Nestle and Philip Morris to name a few can issue bonds at very low rates.

2. Many large companies have a lot of cash on their balance sheets which they will need to do something with. Take Apple - it currently has 51 billion in cash earning 0.75% a year. Nestle also has 28 billion dollars coming on to its bal-

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.

balance sheet from the sale of the Alcon stake and I will be shocked if Nestle doesn't make at least 2 or 3 large acquisitions in 2011. We also have Google with \$32B in cash and Microsoft with \$34B.

3. Companies will need to find ways to grow to keep earnings coming in and M&A will be a good way to do that.

The way I will be playing this is by looking for companies that are good takeover targets, buying into

announced hostile takeovers and look to make money from a higher/counter bid and finally by investing in the M&A facilitators that will make nice fees from these deals, Goldman Sachs being one of them. I don't want to give out specific names yet but the sectors I am looking at are Food/Beverages/Personal Care, Technology, Biotech and Oil & Gas predominately in the US but there are a few European names as well. One name that looks rip which we already own is Del Monte Foods (DLM) which would be an easy target for Nestle and Nestle could offer a cash bid without breaking a sweat.

Below KKR—Kohlberg Kravis & Roberts one of the best know private equity firms and deal makers will do well from an active M&A market. KKR recently floated on the NYSE. Also Goldman Sachs will be involved in some shape or form with a large chunk of next years deals bringing in excellent fees.

