

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

 NZD 2.50%	 AUD 3.25%
 GBP 0.50%	 USD 0.25%
 CAD 0.25%	 EUR 1.00%
 CHF 0.25%	 JPY 0.10%

The Insider Trader

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Still Bullish on Brazil?

If you look back on my previous updates you will know that I have been a big fan of Brazil and it's been one of my favourite regions for the last few years.

Brazil is back in the spotlight thanks to winning the rights to host the 2016 Olympics so I thought it would be a good time to evaluate and look at some of the individual companies I like in the region, many of them can be traded via spread bets.

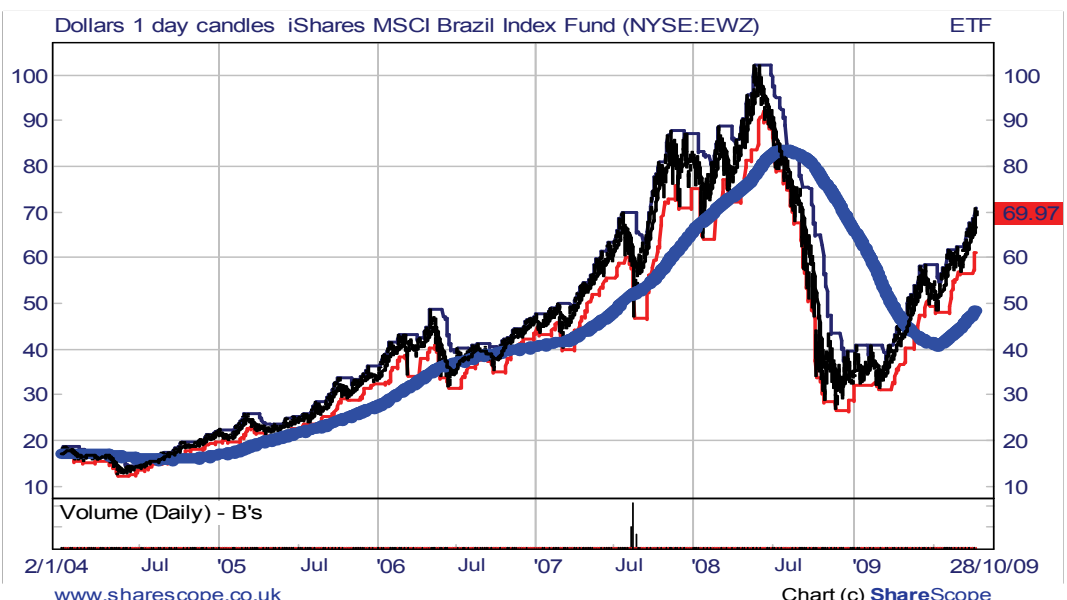
Also since my last update Van Eck have launched a new Market Vectors Brazil Small cap ETF (NYSE:BRF) which opens up a whole new way to gain exposure.

The first thing to state is that Brazil has a stable government; President Lula da Silva has an 80% approval rating, a level that other world leaders could not

Ishares Brazil with 420 day MA. The bear market in Brazil is over but we should still be aware that 10 to 20% corrections can happen but the uptrend remains.



dream of. He has been a major force at pulling many out of poverty and building up a Brazilian middle class which is good for the economy. The business environment is friendly to foreign investors and the President has built up good relationships with nations that matter, such as China. 2010 is election year in Brazil and President Lula cannot stand again as he has been in power for two terms already, however, I don't see the next president rocking the boat and undoing the good



work already done.

Brazil is rich in Oil and the state still owns the majority of Petrobras (NYSE: PBR) which owns the Tupi Oilfield, one of the largest new discoveries in recent years. The President has also stated he is not interested in exporting oil but would rather export higher margin oil derivatives such as diesel, gasoline (petrol) and petrochemicals.

Other Brazilian resource companies include mining giant **Companhia Vale Rio Doce (RIO)** which is a leader in Copper, Steel, Coal, Potassium and Nickel. Steel producer **Gerdau (GGB)** and sugar/ethanol producer **Cosan (CZZ)** should all benefit from the rise in commodity prices in the coming years. Cosan is up 180% since the last update in April thanks to strong Sugar prices.

Although world food prices are off their highs they remain nearly 30%-50% above their decade averages. Agriculture comprises approximately 8% of the nation's GDP and employs nearly one-fifth of the nation's workforce. Brazil is not just growing food but also processing it, they are the second-leading supplier of poultry in the world, accounting for 38 percent of the market just behind the USA and I expect them to be number one within a few years.

With its twenty three mills, four refineries and two port terminal, Cosan is one of the world's largest producers of sugar and ethanol. The Company cultivates, harvests and processes sugarcane – the main raw material used to produce sugar and ethanol. In the 2009 fiscal year, net sales totaled R\$6,270.1 million and EBITDA was R\$718 million.

Brazilian banks are generally intact as their balance sheets are free of toxic assets. Since my last update Brazilian banks have rallied sharply and I continue to like **Itau Unibanco (NYSE:ITUB)** which is now the largest bank in Brazil.

So how we can profit from Brazil and is it too late?

Since April the ishares Brazil Exchange Traded Fund (EWZ) is up 90% so it's not as cheap as it was, however, we are still around 30% off the 2008 high and longer term I look for Brazil to recover back to this level and beyond. I am pleasantly surprised how smoothly this has gone up with few pullbacks, however, at some stage we will no doubt have a 10 to 20% correction which will shake out some of the recent hot money and weak hands but that does not change the long term up trend.

We now also have the **Small Cap ETF (NYSE:BRF)** which allows you to invest in smaller companies focused on the domestic market and unlike EWZ does not have the big oil weighting. Stocks such as Department store Llojas Renner and construction company Gafisa.



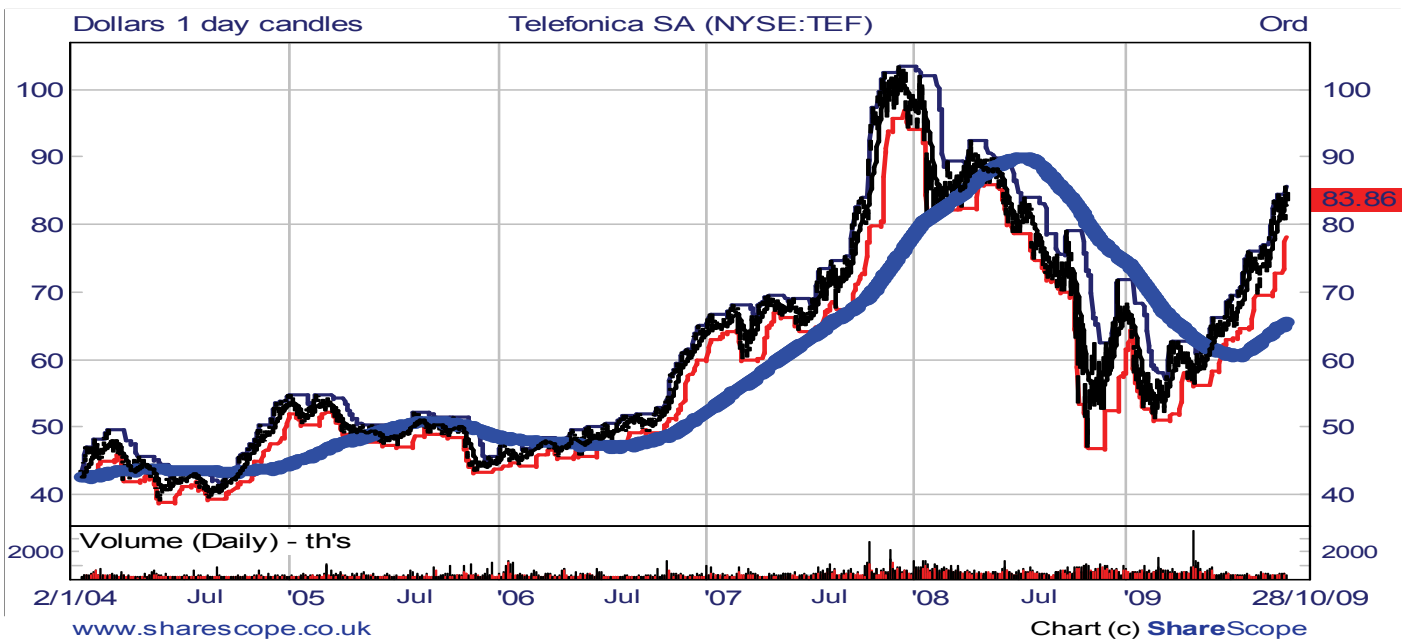
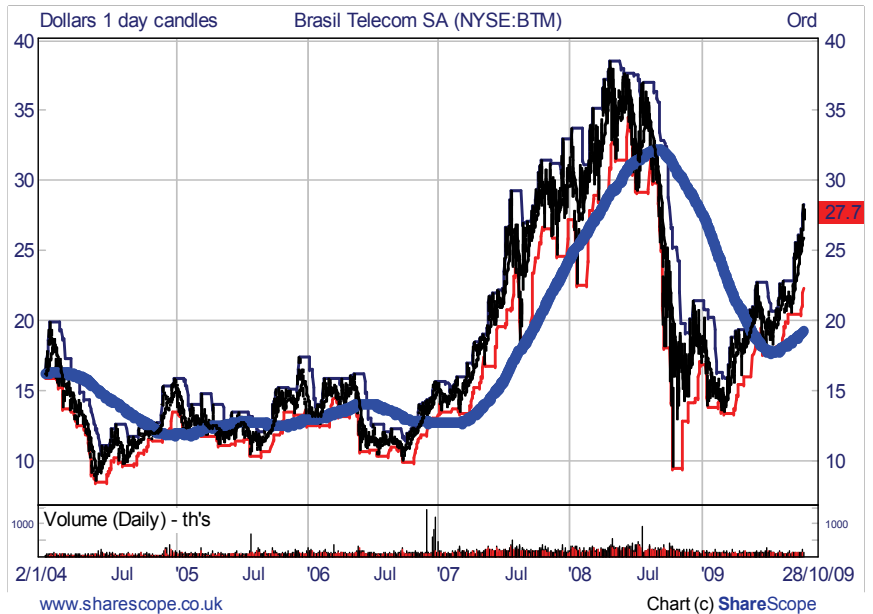
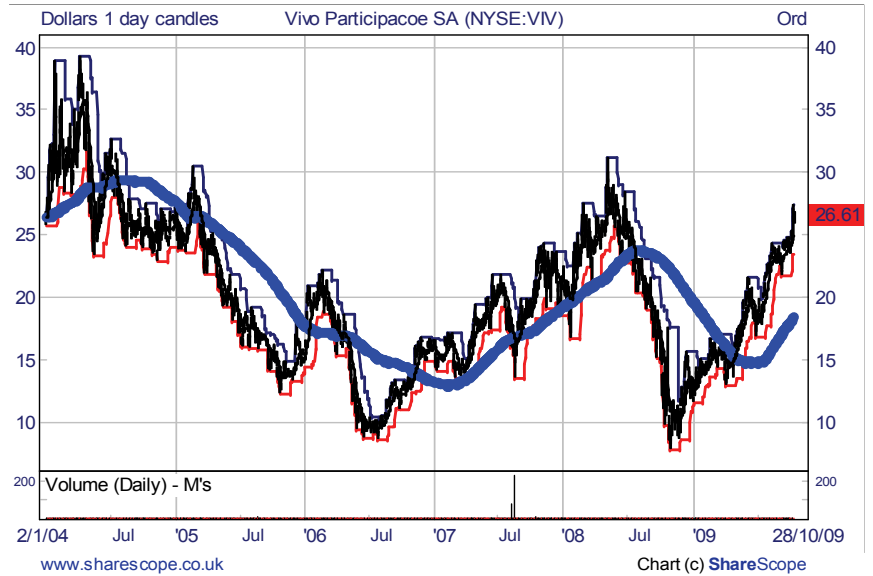
Other ways to trade include covered warrants offered by RBS Markets and Lyxor offers an Exchange Traded fund listed in the UK (LBRZ).

I am also bullish on the telecom stocks including **Brasil Telecom (NYSE:BRP)** and **Vivo Participacoes SA (NYSE:VIV)** which is the largest mobile phone service provider in Brazil and in South America with over 40 million users. This was formed from a Joint venture with Telefonica and Portugal Telecom and this leads me nicely into the next stock I have been buying and this is **Telefonica (NYSE:TEF or TEF.MC)** you can easily spread bet either the US or Madrid listing.

Most associate Telefonica with Spain but their reach goes way beyond and they are the owners of the O2 mobile company covering UK and Europe. Telefónica is one of the world's largest telecommunications companies by market cap.

Its activities are centered mainly on the fixed and mobile telephony businesses, while its broadband business is the key growth driver underpinning both. It operates in 25 countries and its customer base exceeds 260 million globally. Telefónica's growth strategy is focused on the markets in which it has a strong foothold: Spain, Europe and Latin America.

TEF (US listed ADR) is currently trading at \$84 and I am looking for a move back to \$100+ in the coming months.



**Tate & Lyle (LSE:TATE)
FTSE250 Mid Cap**

The recent bid for Cadbury by Kraft has many looking for the next potential takeover target and one worth looking at is Tate & Lyle. T&L has been a poor investment over the years with a weak management, however, that will be changing soon as Javed Ahmed ex Reckitt Benckiser takes over as CEO.

Looking at the major shareholders in Tate & Lyle you will find hedge fund Harbinger Capital Partners run by Philip Falcone with a 13% stake. Harbinger are activist shareholders which take stakes in companies that need shaking up. Harbinger also have a stake in Bunge (NYSE:BG) and Tate sold their sugar trading to Bunge in 2008.

My take is that Harbinger will force Tate to either merge with Bunge or another company either way they want to see more value for shareholders. This reminds me of what Nelson Peltz did with Cadbury Schweppes, forcing Cadbury to spin off Schweppes into Dr Pepper Snapple (NYSE:DPS)

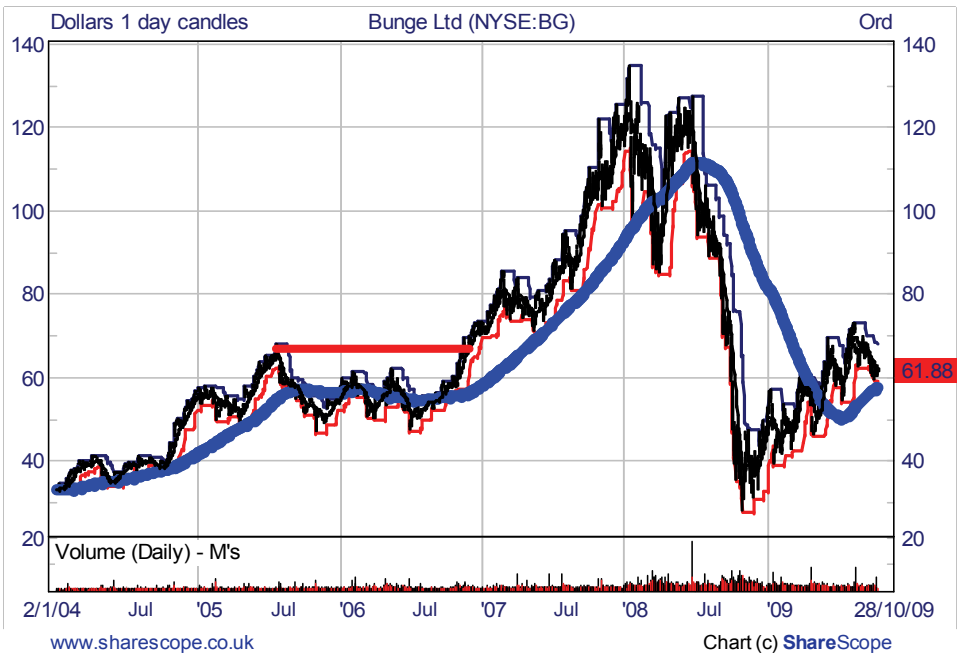
At £4.20 its worth buying Tate & Lyle for the 5.4% yield and your getting a free option on a possible takeover/merger.

Elan Corp (NYSE:ELN)

Elan is a neuroscience-based biotechnology company headquartered in Dublin, which so far has been a hopeless company that has sucked investors dry over the years with lots of promises of Jam tomorrow and so far has never delivered. The chart shows the shocking falls after such disappointments.

So why am I buying it? Because one of the smartest pharmaceuticals companies in the world has bought a stake and that's Johnson & Johnson.

In July, J&J spent \$885 million on an 18.4% stake in Elan. It paid another \$500 million to acquire 50% of Elan's Alzheimer's drug candidate. The deal valued shares at over \$9. But today, the stock is trading



below \$7 so you have a chance to buy in at less than what J&J did.

What J&J are interested in is the Elan Alzheimer's drug with data from the phase III Alzheimer's trials due in 12 to 18 months. If the results are positive, the drug could easily become a multibillion-dollar seller. Whilst this may need some patience I am looking for at least 100% move in Elan shares and with the J&J backing and funding I think the downside is limited. This is the sort of share I buy and forget about.