

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 \(KC\)](#)

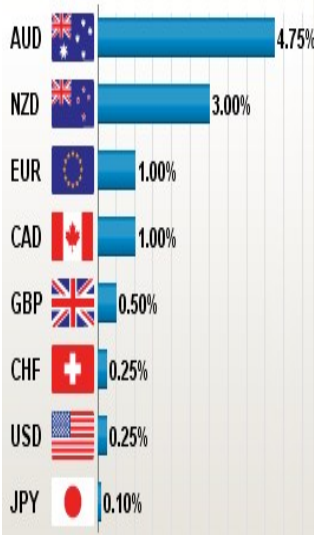
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

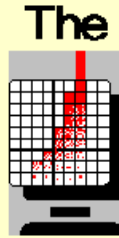
[Wheat](#)

[Cotton](#)

[Rough Rice](#)



The Insider Trader



Issue 65

September 2011

Time to start taking more risk and nibbling at shares?

As the long summer nights become a distant memory and we fast approach the end of British Summer Time (30th October) it's time to re assess financial markets and risk. The Seasonal sell signal came in May and so far has done a good job at keeping us out of the troubled summer months, "sell in May and go away" has certainly worked this year.

The smart hiding places the last few months has been Gold and US Treasury Bonds, both are up over 22% since April. October is a good time to start looking at reducing the safer holdings and taking more risk as the seasonally stronger time of the year draws closer. Over the last 50 years the Dow Jones has been up 58% of the time in October, 60% of the time in November and a 71% in December. The New Year also starts off well with January being up an

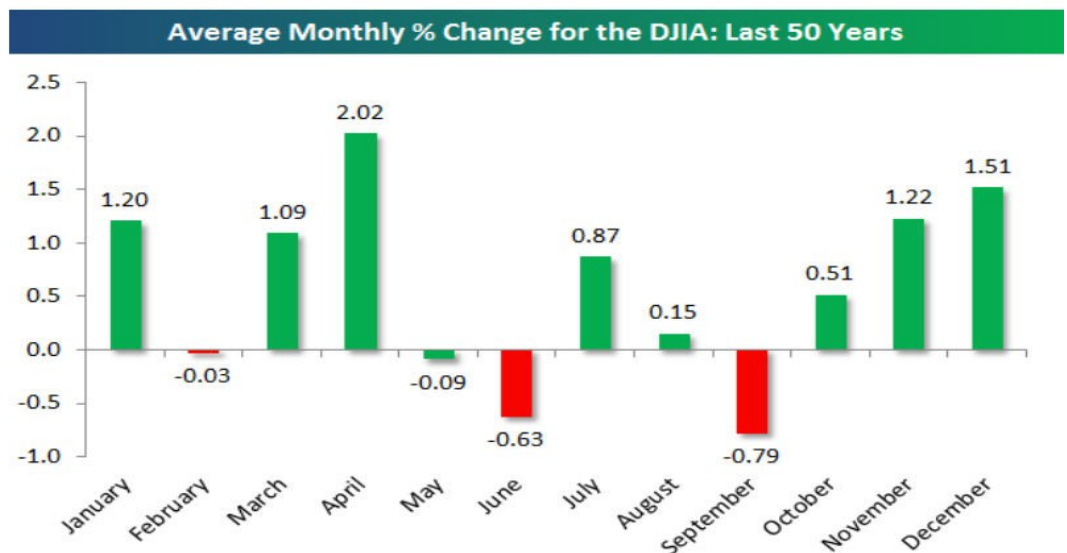
average of 64% of the time. Seasonality is a guide not a guarantee but the odds favour higher prices.

Whilst Gold still remains a long term favourite and those holding 5 years plus have little to worry about short term and a mean in the next few months Gold could see a serious sell off of 20% just as stocks have sustained as some of the recent air is let out of the market.

Buying the Bad News

Yes the headlines are awful, un employment remains high, the US credit rating was downgraded, the Eurozone is about to collapse according to many reports, one day the US dollar is crashing next day the Euro is crashing and new negative stories keep coming daily.

Below Dow Jones Seasonal chart over the last 50 years, a guide not a guarantee but odds favour higher prices in the coming months.



Bad news certainly outweighs good news but then that is always the way at market bottoms, as Mark Twain once stated "The reports of my death are greatly exaggerated" and so are the reports of the death of investing in shares. Many forget the markets look ahead, it's not what's happening today that you're betting on, it's the future and most cases shares have already discounted a lot of bad news.

The majority of major global companies such as McDonalds, Apple, IBM, Philip Morris, SAB Miller and Pfizer to name a few of my holdings are all in fairly good shape most are also paying and increasing dividends, I don't take the view that we are going into a new market melt-down, slower growth maybe but everything I look at points at stocks being higher than they are today by year end as hard as that may be to believe right now.

I see major US indices showing a positive gain for 2011 and to be ahead in the first quarter of 2012, of course at that time we may be looking to go short again but we will cross that bridge nearer the time. I would say the Dow Jones low for 2011 was put in on the 9th August which was around 10300 -10500 depending on if you're looking at cash or overnight electronic futures prices.

Many world class companies are paying great dividends and are on historically low P/E ratios, take global mobile telecom and data company Vodafone (LSE:VOD) right now you're getting a yield of 5.5% which I see being increased and on a P/E less than 8 – hardly demanding.

What kills most traders and those spread betting is the volatility and using too much leverage. Many traders call the overall market direction correctly but their timing is out and the volatility causes them to be closed out. The simple solution is smaller bets, with wider stops, buying an Exchange Traded Funds or looking at traded options where you pay a premium and buy time value will also help you avoid being chopped up in the day to day swings.

TLT - Barclays 20+ Year Treasury Bond Fund (AMEX) - Daily OHLC Chart



Above: US Treasury Bonds have been a great place to be the last few months however I look for them to top out as money follows back into stocks. Below The Dow Jones ETF: DIA over the last 3 years looking for 103 (10,300) to hold as the 2011 low. Gold ETF GLD still looking strong but the big swings could mean we are due sell off.

DIA - Diamonds Trust (AMEX) - Weekly OHLC Chart



GLD - SPDR Gold Trust (AMEX) - Daily OHLC Chart



As I stated at the outset “nibbling” which the Webster dictionary states “Take small bites out of” **that does not mean you sell all your gold and bonds to go “all in” on the highest risk stocks, take it in steps slowly start buying in.** An ETF such as the Vanguard Dividend Appreciation (NYSE:VIG) would give you stock exposure and dividend income. Major holdings include McDonalds, Coca Cola, IBM, P&G and Chevron.

Arcos Dorados Holdings (NYSE: ARCO) \$27

Arcos Dorados (Golden Arches) is the world’s largest McDonald’s franchisee and the exclusive owner, operator and grantor of McDonald’s in Latin America and the Caribbean. It operates 1,755 McDonald’s restaurants in 19 countries and is the undisputed quick serve restaurant (QSR) leader in the region.

They operate in Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela

ARCO makes up approximately 5% of turnover of McDonalds (MCD). The company only floated in April this year so chart history is limited but as regular readers know I am big fan fast food companies and McDonalds remains the premier name and most hold stock. ARCO were priced at \$17 and opened at \$21 and have stayed between \$20 and \$25. ARCO has been breaking out to a new high the last few weeks. I would start buying a few for a 2 to 3 year hold as growth continues to look excellent in this region. Try to buy on a pullback - \$25 - \$26 would be a good place.

What are Hedge Funds eating?

Staying with the fast food theme I looked at the top 350 hedge funds to see which shares of Fast food/drinks restaurants they were buying, no surprise **McDonalds** is the most widely held with 34 funds holding. Starbucks (SBUX) remains second with 31 and continues to trade near a record high. One share that did not come up which I hold and continue to like is Dominos Pizza (NYSE:DPZ) The share is up 60% since I first bought them but still remains reasonable value. Krispy Kreme Doughnuts

ARCO - Arcos Dorados Holdings Inc (NYSE) - Daily OHLC Chart



Above: Arcos breaking out to new highs. Fast Food stocks held by the top 350 hedge funds

Company	Ticker	No. Hedge Funds
McDonald's Corporation	MCD	34
Starbucks Corporation	SBUX	31
Yum! Brands, Inc.	YUM	30
Chipotle Mexican Grill, Inc.	CMG	21
Arcos Dorados Holdings Inc.	ARCO	18
Darden Restaurants, Inc.	DRI	13
Panera Bread Company	PNRA	13
Tim Hortons Inc.	THI	11

still remains a good speculative holding. It’s up 100% since I first bought them. I have avoided Dunkin Brands (DNKN), I like the stock but the valuation was just too rich for me. I had an order in to buy at \$20 - \$21 and would need the price to fall nearer to that level to be tempted.

Below KKD making a good turn around— look for a 2011 close of \$10+

KKD - Krispy Kreme Doughnuts (NYSE) - Weekly OHLC Chart



Stocks that have held up the last few months

Opposite is a list of S&P500 listed shares which have shown strength and held up well over the last few months and outperformed the general index. Ignore MMI which is being taken over by Google. All S&P500 shares can be traded easily via a spread bet or options.

After the recent market falls many are tempted to look for “bargains” and whilst there may be some shares which have sold off which do offer value, you may be better off looking at the shares that have held up the best.

The argument being if the companies are moving up or holding up well in a weak period then they stand to continue to do well for the rest of the year. **Mead Johnson Nutrition (MJN)** the leading baby formula company continues to do well and is not far from an all time high. I featured this stock in the October 2010 edition back at \$56 and continues to do well. MJN are best know for the In-famil products which are sold worldwide. Interesting pharmaceuticals giant **Bristol Myers Squibb (BMJ)** which spun off MJN is also holding up well. Confectionary company **Hershey (HSY)** which I have previously featured is up 20% so far this year and pays a 2.5% dividend yield. Next earning will be out 17th October and expect them to be good as they move prices up and chocolate bars are affordable treats regardless of economic times. Look for the stock to continue trending up.

Stock	Company	Price
KMB	Kimberly-Clark Corp	69.54
AZO	AutoZone	312.46
KO	Coca-Cola	70.87
BMJ	Bristol-Myers Squibb	29.89
PPL	PPL Corp	28.90
AEE	Ameren Corp	30.10
PSA	Public Storage	122.78
NSM	National Semiconductor	24.90
SO	Southern Co	41.09
CL	Colgate-Palmolive	90.26
NI	NiSource Inc	21.31
MCD	McDonald's Corp	90.98
AN	AutoNation Inc	40.59
ED	Consolidated Edison	56.05
MMI	Motorola Mobility Holdings	37.80
RRC	Range Resources Corp	65.71
COG	Cabot Oil & Gas Corp	77.36
MJN	Mead Johnson Nutrition	71.33
HSY	Hershey	58.57
WEC	Wisconsin Energy Corp	31.59
CNP	CenterPoint Energy	20.00
GAS	Nicor Inc	55.82
ORLY	O'Reilly Automotive	65.75
PEG	Public Service Enterprise	33.78
PGN	Progress Energy	48.78
AEP	American Electric Power	38.60

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.

Mead Johnson Nutrition Co (NYSE:MJN) Ord

