

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 88

September 2013

Biotech 5 Years on – Boom sector

It's just over five years since I stated that a "The new bull market has started in biotech". The IBB ETF has returned 126%

against the S&P returning 27% over the same period. What is also interesting and may come as a surprise, whilst biotech is often called a high a risk business the returns have be relatively smooth, yes of course some 10 to 20% pullback along the way but each time the ETF has gone down its comeback stronger and made new highs with the IBB sitting near all-time new highs.

I cannot believe how quickly 5 years has passed, so when I talk about making an investment for 3 or 5 years that may sound like an eternity to some readers, but really it will pass sooner than you think.



I favoured using an ETF as it reduced the risk by owning a basket of names and eliminated the risk of

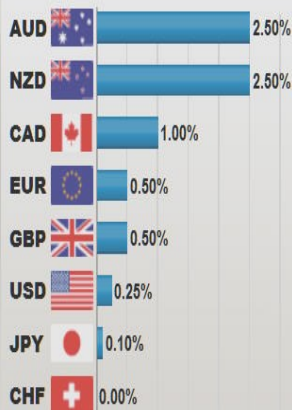
picking a few individual companies that did not do well, of course picking individual names has seen some spectacular gains with a number of stocks being taken over, just the last few months we have seen Onyx Pharmaceuticals (ONXX) being bought by Amgen (AMGN) and this area will continue to consolidate.

The big 4 companies are Amgen (AMGN) Gilead Sciences (GILD), Celgene (CELG) and Biogen (BIIB) combined they make up 33% of the ETF

If we look at the smaller cap biotech we have seen extraordinary returns, with the exception of a few technology names like

Below: 5 years of the IBB—Nasdaq Biotech ETF with the majority of the gains being made over the last 24 months.

• IBB O: 173.61 H: 177.07 L: 169.50 C: 173.13



3D printing and the recent boom in Tesla Motors all the big 300%, 500%+ gains the last few years have been in healthcare/biotech/Pharmaceuticals.

PS Dynamic Biotechnology & Genome ETF (NYSE:PBE)

I still like IBB and XBI. PBE is another lesser known ETF but still has enough daily volume to make it easy to buy into and more importantly get out of. It's issued by Powershares which is a well-established ETF issuer. As you can see from the table it has a spread of 30 companies and the net expenses ratio is reasonable at 0.63%. It does not focus on the big four biotech companies which the IBB does.

Short term this may pull back, after all its up 50% Year To Date however the story for biotech, aging population and need for the large global pharmaceutical companies to replenish their drug pipelines is not going to change anytime soon.

I really don't hear much about this sector even after these big gains, I don't get lots of emails asking me about a hot biotech stock, so it does not feel like a bubble and I think 3 to 5 years out holding PBE will give you an above average return (certainly beating the S&P500) even with a few pull back along the way it's going higher. The other ETF to look at is XBI which has a better spread of companies and not as exposed to the big 4.

Of course you can also look at some of these names to trade individually as I have, many are available via a spread bet, option or to buy outright. If you follow the 100% buy lists via tradeonmarkets.com you will be able to track movements in the smaller names.

Market Vectors Oil Services ETF (OIH)

Back in the February 2013 newsletter I stated that the US had won the oil lottery and the boom in shale oil will have a very positive effect on the economy. The Oil services sector is now starting to feel some of these benefits which I believe will continue. The big heavyweight in this ETF is **Schlumberger (SLB)** and those that have recently attending one of my trading

<u>Ticker</u>	<u>Company Name</u>	<u>% OF FUND</u>
REGN	Regeneron Pharmaceuticals Inc	5.38%
BIIB	Biogen Idec Inc	5.06%
ALXN	Alexion Pharmaceuticals Inc	4.97%
GILD	Gilead Sciences Inc	4.91%
ILMN	Illumina Inc	4.90%
AMGN	Amgen Inc	4.80%
LIFE	Life Technologies Corp	4.73%
ASTX	Astex Pharmaceuticals	3.39%
XON	Intrexon Corp	3.16%
ISIS	Isis Pharmaceuticals Inc	3.14%
INSY	Insys Therapeutics Inc	3.11%
SGEN	Seattle Genetics Inc	2.86%
ACOR	Acorda Therapeutics Inc	2.81%
SGMO	Sangamo Biosciences Inc	2.81%
UTHR	United Therapeutics Corp	2.79%
NEOG	Neogen Corp	2.76%
MDVN	Medivation Inc	2.73%
WAT	Waters Corp	2.70%
CBST	Cubist Pharmaceuticals Inc	2.66%
EBS	Emergent Biosolutions Inc	2.66%
MYGN	Myriad Genetics Inc	2.64%
BRKR	Bruker Corp	2.62%
OSIR	Osiris Therapeutics Inc	2.57%
TECH	Techne Corp	2.57%
ARNA	Arena Pharmaceuticals Inc	2.54%
LMNX	Luminex Corp	2.54%
PDLI	PDL BioPharma Inc	2.51%
NBIX	Neurocrine Biosciences Inc	2.07%

lunches in London will know it was on my focus buy list. The next largest in this ETF is Halliburton (HAL) . So far this ETF is up 20% YTD beating the returns of the SPY and DIA and I still think we can go further over the next 12 months and up another 20% even if oil prices sell off the underlying investment will continue.

2 beaten up ETFs in the bargain bucket that may bounce over the next 12 months.

Before I go further both of these ETFs are badly bruised and beaten up, so if you decide to invest in them it should be with risk capital only as this could be a false breakout.

The first area is Steel – The steel sector has had a horrible time, over capacity, lower prices and generally a very economic sensitive business which is hard to make money in. The **SLX ETF** dropped 80% back in

2008 and I don't think we are ever going to see a recovery to the old highs, however recently we have started to see small glimmers of a bounce in SLX and we have had a new 150/16 buy signal. It's not one of the most actively traded ETFs but still enough volume, IG also offer a spread bet.

The main shares in this ETF are Rio Tinto (RIO) Vale SA (VALE) Tenaris (TS) POSCO (PKX) and ArcelorMittal (MT)

If you consider buying, its one to hold for 12 months and we could get back to the \$55 level over the year.

The next beaten up sector which has some synergy with Steel and commodities and that is the shipping ETF (SEA) Again just like Steel this sector boomed on the back of record shipping rates and global growth and then crashed back down again. The market also became flooded (no pun intended) with too many new ships right as shipping rates started going down.

The big name in this ETF is Danish shipping giant AP MOELLER-MAERSK A/S-B and I am sure you have seen MAERSK containers before.

I am not looking for some miracle recovery in shipping rates however just a slight improvement together with lower capacity could

SLX - Steel ETF Market Vectors - Weekly OHLC Chart



SEA - Shipping Guggenheim - Weekly OHLC Chart



Above SLX and SEA starting to show signs of a bounce however would only use risk capital. Below SLB which is the largest stock in the OIH ETF—looking much better.

SLB - Schlumberger N.V. - Monthly OHLC Chart



push this ETF up 25% in the next 12 months. This ETF is very cyclical and much will depend on better growth coming out of China and emerging markets.

Ferro Corp (NYSE:FOE)

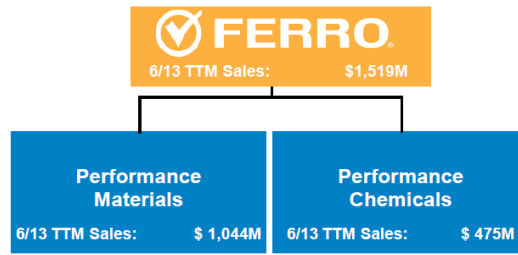
About

Ferro Corporation (<http://www.ferro.com>) is a leading global supplier of technology-based performance materials and chemicals for manufacturers. Ferro products are sold into the building and construction, automotive, appliances, electronics, household furnishings, and industrial products markets. Headquartered in Mayfield Heights, Ohio, the Company has approximately 4,600 employees globally and reported 2012 sales of \$1.8 billion.

Ferro is a relatively small company with a market cap of US\$700. Back in March 2013 it was subject to a \$6.50 takeover bid from Schulman which was rejected and the share price is now around the US\$8 and I can see it go higher. It's on a forward P/E of under 14 and the business is turning around and cutting costs. It's one to look at holding for the next 8 to 12 months, we could see another takeover

Ferro Today

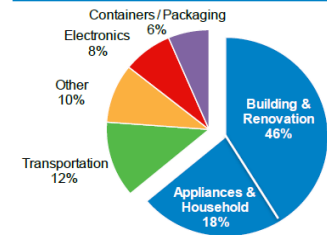
Current Organization Structure



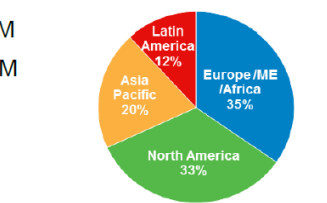
6/13 TTM Sales: Value-added sales, excluding Solar Pastes and Pharmaceuticals

- Performance Coatings: \$572M
- Performance Colors and Glass: \$329M
- Pigments, Powders and Oxides: \$143M
- Polymer Additives: \$307M
- Specialty Plastics: \$168M

2012 Sales by End Markets



2012 Sales by Region¹



(1) Not pro forma for sale of Solar Pastes or Pharmaceuticals

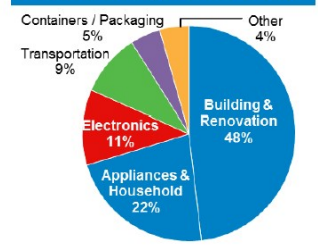
Ferro is a Leading, Global Supplier of Performance Materials and Chemicals



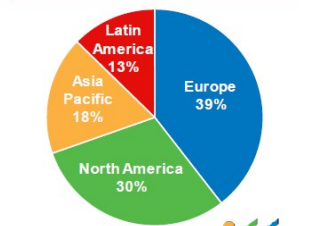
Performance Materials

	Key Products	Select Applications
Performance Coatings	<ul style="list-style-type: none"> ■ Tile Coatings ■ Digital Inks ■ Porcelain Enamel 	
Performance Colors and Glass	<ul style="list-style-type: none"> ■ Glass Enamels ■ Conductive Pastes ■ Forehearth Colors 	
Pigments, Powders and Oxides	<ul style="list-style-type: none"> ■ Conductive Powders & Flakes ■ Inorganic Colored Pigments 	

2012 Sales by End Markets



2012 Sales by Region¹



which would have to be at \$12+ to stand any chance but more likely the company will continue to turn around and be re rated. Next earnings are out 4th November and will give us more guidance.

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.