The Insider Trader

Issue 53 September 2010

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)

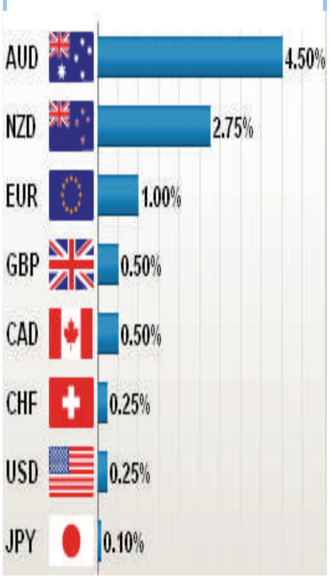
Orange Juice (OJ)

Sugar (SB)

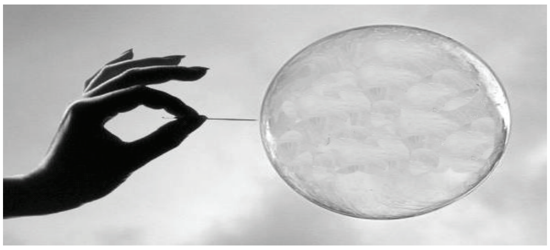
Wheat

Cotton

Rough Rice



A Bubble in Caution and Frugality?



When we think of financial and economic bubbles the image that normally comes to mind is euphoria and new economic paradigms the best one still fresh in the minds of most readers will be the DOT COM internet bubble.

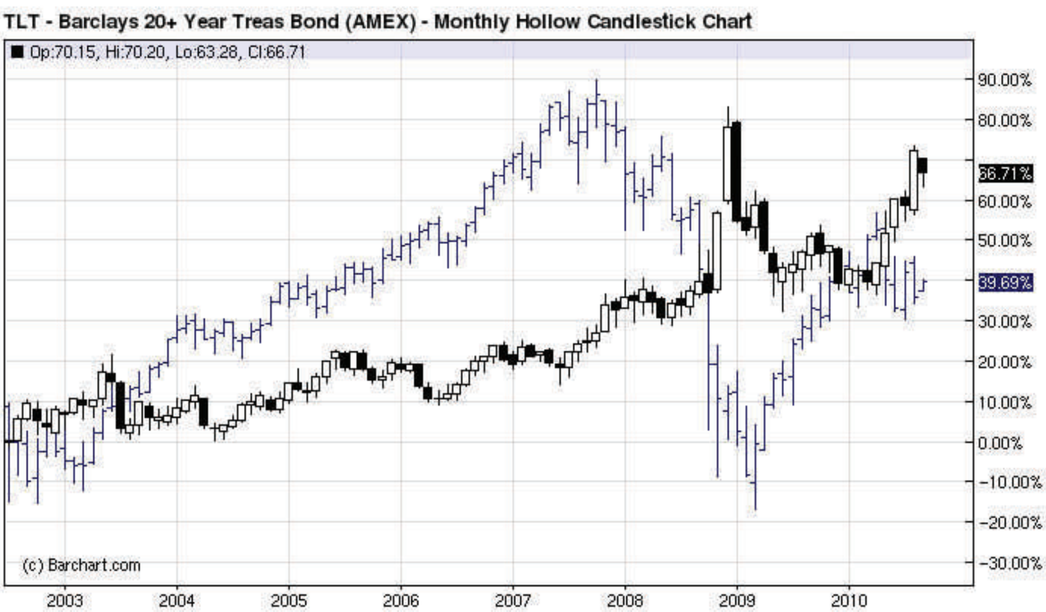
Bubbles in Chinese property, shares, precious metals, tulip bulls or whatever is the menu of the day always start and end the same way with those arriving late to the party losing money. The crowd psychology takes over 'everybody's doing it' after all nobody wants to see his neighbour work half as hard and spend twice as much do they?

But this month I want to focus on what could be a new bubble but not in euphoria or reckless speculation but in caution, frugality and conservatism. Right now I see investors both large and small taking fewer risks, paying down debt and not using leverage. Month after month money is being pulled out of the stock-market and being moved in to government and Corporate bonds a trend which I believe has more to go.

Most consumers have also started to get accustomed to a bit more frugality and starting to think twice about using a credit card. Replacement cycles have been extended; do I really need a new car every 3 years and can I get by with a cheaper brand? With this change in psychology it's hard to see how inflation will be a problem and how interest rates could be raised for at least the next 12 to 18 months in Europe or the US.

After a decade of no returns in stocks, numerous scandals, high frequency trading manipulations you can understand

Below : TLT ishares T bonds ETF (NYSE:TLT) Vs S&P500 in blue (NYSE:SPY) You would have made more money with less volatility holding Bonds than Shares.



why the average investor has decided to either give up completely on the stockmarket or certainly have cashed out the majority of their wealth. The new normal is earning 4 to 5% a year and being able to sleep at night. Companies looking to finance expansion can raise money by issuing corporate bonds rather than having to enter into the equity market and yield hungry investors are happy to buy.

The next long term bull market in stocks is further away than most think and we could have years of sideways markets, of course shorter term traders will still have plenty of opportunities however for the majority of those over 55 years of age I doubt they will return to the stock market and will be happy to stay in bonds into retirement.

Those that do tread back in to stocks will likely go the ETF indexing route or stick to very large cap multi nations paying dividends this could lead to a return of what was known as the Nifty 50 which happened in the 1970's where 50 big stocks attracted all the interest and the rest of the market was left out.

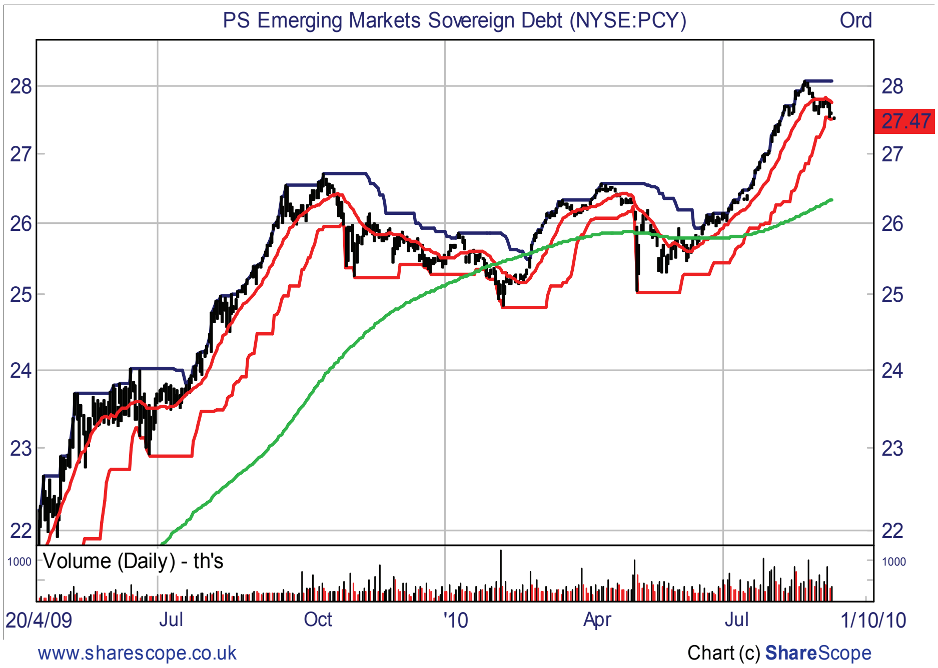
For years investing in bonds for smaller investors was very difficult and expensive, also many brokers would want you to buy at least £50,000+ per transaction however today thanks to Exchange Traded Funds you can invest in bonds as easily as you can stocks, also

unlike Commodity Etfs which have been subject to bad press due to the problems with contract roll overs and poor correlation to the undying asset, bond Etfs (non leveraged) have done a great job in replicating their respective benchmarks.

Of course all bonds are not the same but briefly you have Government or Sovereign Bonds considered the safest such as ishares Treasury Bond fund (NYSE:TLT) which buys the US Government AAA rated bonds, High Grade Corporate Bonds issued by blue chip companies such as Ishares ibox Investment Grade Bonds (LQD) and High Yield bonds also know as Junk Bonds such as SPDR High Yield (JNK) which are companies that have lower credit ratings and a higher chance of defaulting however they also pay a higher return.

The advantage of an ETF is that you have diversification in the case of the Ishares ibox Investment Grade Bonds (LQD) you are spread over 36 company bonds.

Today, many are saying that US Treasuries are in a bubble. I'm not arguing that the US government doesn't have fiscal challenges, but I am arguing that the supply of funds to finance those challenges can continue flowing for a very long time and anyone that has tried to short bonds the last few years have been taken to the cleaners. At some stage the US Bond market will end badly and the skill will be in getting off the ship before it sinks. I also think at some stage shorting Bonds will be the trade of a lifetime but it's not yet and it will likely be a collapse in the US dollar that will go hand in hand with investors demanding higher yields. This will also see the



return to massive inflation.

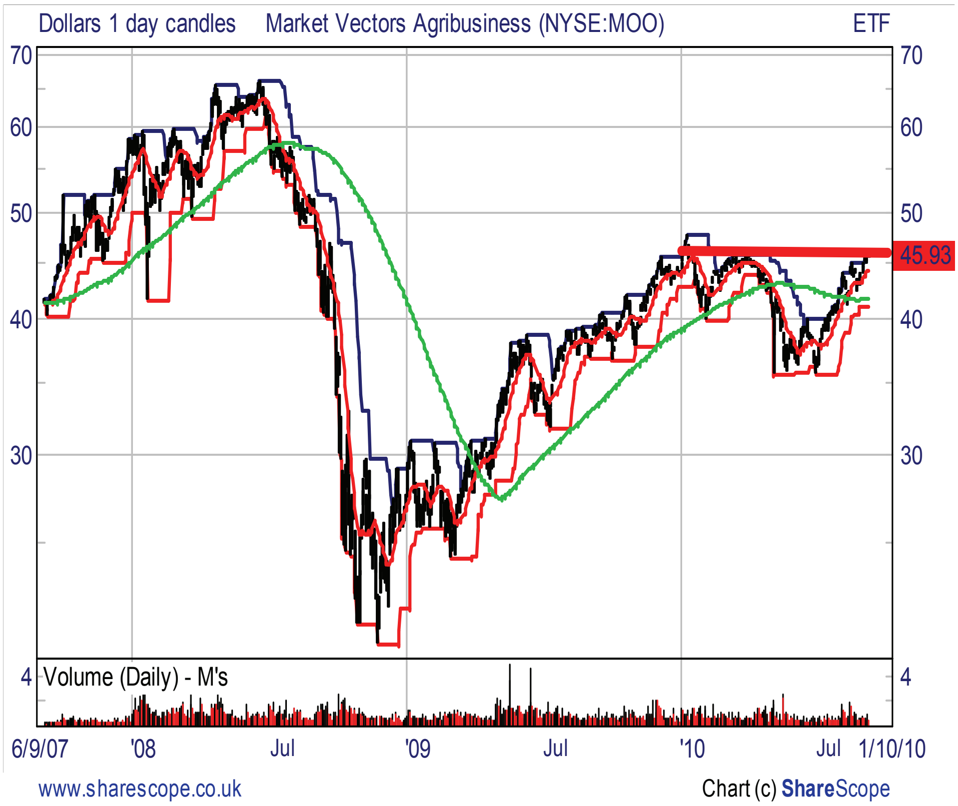
Staying with bonds but with more risk is the Powershares Emerging Markets Sovereign Debt ETF (NYSE: PCY). This ETF owns bonds issued by various countries such as Republic of Uruguay, Republic of Bulgaria, Republic of Indonesia and Russia Federation.
The recent run up in price of this ETF has seen the yield drop to around 5.9% and may be one to buy if we get a sell off. Over the long term I am more comfortable owning emerging market debt than most European debt.

Vaneck have also just launched another interesting ETF, Emerging Market local currencies Bonds ETf (EMLC) which gives you exposure to bonds and currencies of countries such as Brazil, Malaysia, Mexico, Poland and South Africa.

Market Vectors Agribusinesss (NYSE: MOO)

This ETF needs little introduction and I have featured it my DVDs over the years. It still remains the easiest way to get exposure to companies that profit from Agriculture. The recent news that BHP has launched a bid for Potash (NYSE:POT) has but the whole sector back in to focus. Potash is the biggest holding in MOO as the table shows.

The ETF has a good mix of global players that are well positioned for continued growth and some of the smaller companies are very possible takeover targets in the coming years.
You can find more details at: http://www.vaneck.com/funds/MOO.aspx



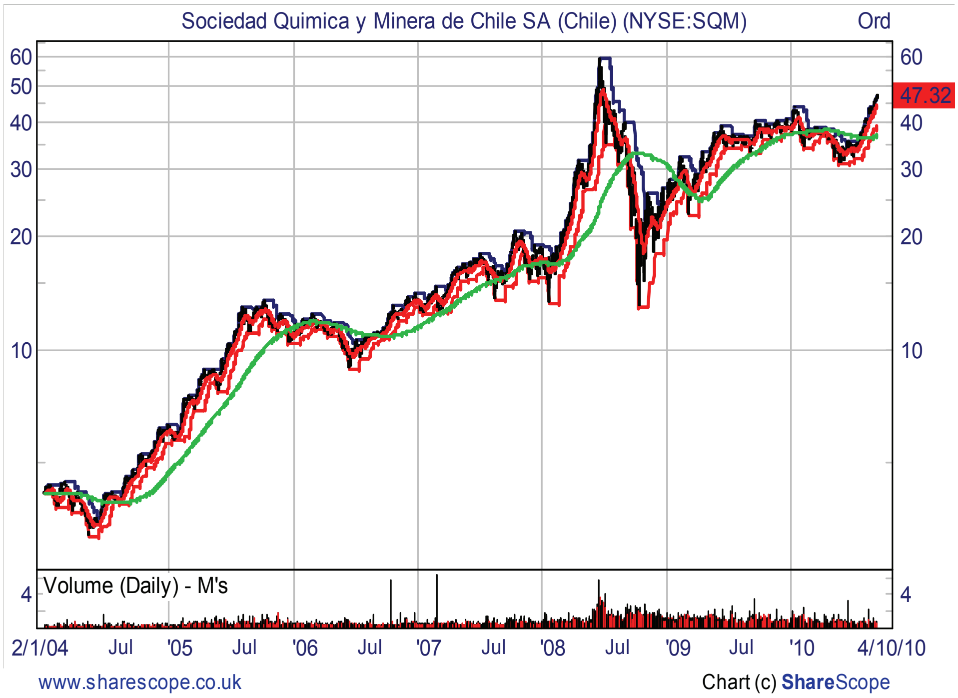
Above: MOO after being crushed in the 2008 market sell off price has made a good come back and whilst $46 maybe may act as a short term resistance the overall trend is up and we can be back up to $65 over the next 12 to 18 months.

Fund Holdings as of 09/10/2010					
Number	Holding	Ticker	Shares	Market Value	% of net assets
1	Potash Corp of Saskatchewan Inc	POT US	1,219,465	$181,505,170.60	9.83%
2	Deere & Co	DE US	2,123,424	$143,989,381.44	7.80%
3	Wilmar International Ltd	WIL SP	29,963,751	$143,134,617.03	7.75%
4	Monsanto Co	MON US	2,426,484	$138,867,679.32	7.52%
5	Syngenta AG	SYNN VX	507,133	$124,651,854.07	6.75%
6	Mosaic Co/The	MOS US	1,516,382	$89,997,271.70	4.87%
7	Archer-Daniels-Midland Co	ADM US	2,710,132	$88,675,519.04	4.80%
8	Yara International ASA	YAR NO	1,690,292	$71,039,831.01	3.85%
9	Sociedad Quimica y Minera de Chile SA	SQM US	1,525,915	$70,741,419.40	3.83%
10	BRF - Brasil Foods SA	BRFS US	4,975,348	$70,450,927.68	3.81%
11	IOI Corp Bhd	IOI MK	38,700,655	$68,598,882.72	3.71%
12	Agrium Inc	AGU US	912,492	$67,150,286.28	3.64%
13	Kubota Corp	6326 JP	7,445,000	$66,054,323.34	3.58%
14	Bunge Ltd	BG US	835,895	$47,679,450.80	2.58%
15	CNH Global NV	CNH US	1,378,129	$46,401,603.43	2.51%
16	CF Industries Holdings Inc	CF US	412,267	$39,289,045.10	2.13%
17	Kuala Lumpur Kepong Bhd	KLK MK	6,195,170	$34,151,307.75	1.85%
18	Golden Agri-Resources Ltd	GGR SP	70,391,745	$30,996,842.75	1.68%
19	Tyson Foods Inc	TSN US	1,779,626	$30,039,377.44	1.63%
20	China Agri-Industries Holdings Ltd	606 HK	22,385,100	$29,327,110.94	1.59%
21	Olam International Ltd	OLAM SP	11,725,087	$24,545,477.78	1.33%
22	Astra Agro Lestari Tbk PT	AALI IJ	9,133,876	$21,145,718.32	1.14%
23	AGCO Corp	AGCO US	539,381	$20,566,597.53	1.11%

JSC Uarlkali (LSE:URKA)
This is Russian company but also has a UK listing and trades in US$, most spread betting companies make a price in the stock. Uralkaliy OAO (Uralkali OJSC) is engaged in the chemical industry. The Company specializes in the production of potash fertilizers. The Company operates on the potassium and magnesium deposits located in Berezniki, Perm and Saint Petersburg. Its production assets include four plants and two mines. Uralkaliy OAO mainly exports its products to China, Brazil, India and South-East Asia.

You will find a full presentation on the company and the general demand for Potash here: http://bit.ly/9K5AEl

The stock has been going sideways the last few months but at the $24 level offers a good value play on Potash prices.



Sociedad Quimica y Minera de Chile SA (SQM) is a Chilean producer of specialty plant nutrients and chemicals. The Company's activities are structured in four business units: Specialty Plant Nutrition (SPN), comprising the production of organic fertilizers and nutritional solutions under the Ultrasol, Qrop, Speedfol and Allganic brands; iodine extraction and the production of iodine derivates; lithium exploitation and production of lithium carbonate, lithium hydroxide and lithium metal, and Industrial Chemicals, including the production of such chemicals as sodium nitrate, potassium nitrate, boric acid and potassium chloride, among others. The stock made a 52 week high and makes up 3.83% of the MOO ETF.