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**Global Strategy and Investment Trends by David Fuller** www.fullermoney.com

Please note: This is a compilation of Comment of the Day for Subscribers, which appeared on the www.fullermoney.com website during the last week. Subscribers are encouraged to login at their convenience, to read the daily coverage and use the many other site facilities, including the Library of charts.

**Monday 1st October 2007**

Irwin Stelzer: Shake-up must not bring back overregulation - This article by Irwin Stelzer for The Sunday Times contains much more than the headline suggests and is a good overall summary of recent financial events and prospects. It is posted in the Subscriber's Area but here is the opening:

THE turmoil of the past months has had one advantage: we now have a clearer picture of where the US, UK and world economies are headed - and how monetary and regulatory policies are likely to change.

World economies are going to slow. In the US home sales and prices are down, inventories of unsold homes and foreclosures are up, and new construction has slowed, resulting in layoffs of building workers. The mortgage business is in the doldrums, meaning layoffs, too, of the paperwork creators attached to the building industry.

The problems in the sub-prime mortgage market have affected financial markets from Germany to Britain, with the latter facing the humiliation of the first run on a bank in some 150 years. The reputation of the governor of the Bank of England, Mervyn King, is in tatters.
Business confidence in France, Germany, Italy, Belgium and the Netherlands is declining, and France's finance minister says her country is bankrupt.

Federal Reserve Board chairman Ben Bernanke, who cut interest rates sooner and by more than other central bankers, is a hero - at least to stock traders and investment bankers. Which tells us a great deal about what is to come. Among other goodies in store for rattled investors will be a decision by several central bankers to lower interest rates.

Bernanke's experience proves to all central bankers that in balancing the risks of a financial meltdown against the risks of encouraging more improvident lending by bailing out those caught in the credit crunch, their reputations are safer if they opt for the stimulative effect of lower interest rates. Besides, with the economies of many countries slowing, and inflation relatively tame, further reductions in rates can be justified as needed to prevent a downturn in the real economy from turning into a serious recession. That justification will be even more appropriate when China really steps on the brakes to contain inflation, an event the regime will delay until after the Beijing Olympics so as not to stir up any unrest that might result from rising unemployment.

We also know something else: that the regulatory systems of several countries will be revised.

My view - One of the outcomes of the Western credit crisis is a long overdue reassessment of risk on a geographical basis. What I have previously described as a choice for investors between the Wobbly West and the Enterprising East has come as a shock to many, although it shouldn't, if they compare the regions' GDP growth, debt and savings rates. We can be smug in the West where many of us prefer to live, not least for cultural reasons, but that does not mean that it is the best place to invest.

Markets can be swift to adjust, at times, and investors have certainly been voting with their feet recently. Compare the West versus East stock market performances since the mid-August reaction lows. Here is one comparison: Germany (daily & weekly), which many regard as the West's most promising large economy, versus India (daily & weekly), which remains one of Asia's new pacesetters.

I have nothing against Germany; its stock market has been a good performer in Europe and remains within in its primary upward trend, provided the August reaction lows hold. But I would much rather invest in India, with its considerably higher rate of growth, including corporate profits.

Ah, but what about the currency risk, some will say. Well, yes, the Indian rupee used to be a basket case but this chart of the EUR per 1 INR over the last five years shows that the rupee is now a considerably firmer currency. If economic growth remains the long-term determinant of a currency's performance, as it should, I would expect the rupee to appreciate against the euro over the next decade or more.

In the UK, former editor of the Financial Times and now director general Confederation of British Industry, Richard Lambert, recently described the bank run on Northern Rock as what you would expect in a 'banana republic'. Presumably this problem, which required the government to step in and guarantee deposits, will lead to better governance in future, including a rethink regarding the so-called 'tripartite' method of regulation introduced by Gordon Brown in 1997. It also demonstrates that there should be no complacency about standards of governance in the West.

What about the outlook for GDP growth and interest rates generally?

I assume that slower growth in Euroland, the UK and USA will persist into 2008. This should lead to lower interest rates from the BoE and ECB at some point, preferably sooner rather than later, although this necessitates a reassessment at these two institutions which were still signalling higher rates in early August. I also expect further rate cuts from the Fed.

While the US and Europe should avoid recessions, assuming the balance of monetary policy remains in favour of easing, slower economic growth almost certainly means lower corporate profits for many industries. This will be a headwind for Western stock markets.

Consequently, a repeat of the gains for share indices in the West, to which investors have become accustomed in recent years, will require valuation expansion in the form of higher PERs. This is not guaranteed, although easier monetary policy will help. Companies which export to Asia should be among the better relative performers. Meanwhile, the stagflation risk is increasing.

Slower growth in the West will almost certainly pare Asia's growth somewhat. However this could be a net positive if it causes the region's central banks to postpone further interest rate hikes.

Meanwhile, I remain satisfied with and gratified by the performance of my personal top-ten, long-term investment portfolio. However I would not chase these positions. There will always be market reactions.

Tomorrow, I will review global bank indices.

Additional Commentary by Eoin Treacy

Email of the day (1) - on additions to the Chart Library:

"Can you please add Fidelity China Fund to the wonderful Chart Library?

"And have a good trip."

My comment - Thank you and we had a wonderful time, eating exceptionally well and taking in some of the sights. It's the beginning of the fresh water crab season in China; they are a wonderful local delicacy. We had more than our fair share. We also spent the mid-autumn festival on the West Lake in Hang Zhou to admire the moon's reflection which was a magical evening. I'll write a longer piece about our trip tomorrow.

I have added this interesting fund to the Chart Library.

Email of the day (2) - more additions to the Chart Library:

"Please add Western Goldfields, symbol WGI and Golden Queen symbol GQM on TSX and Uracan Resources Symbol URC.V on Canadian Venture exchange."

My comment - These three stocks can now be found in the international Equity section under Canada.

Email of the day (3) - even more additions to the Chart Library:

"Bill Mott's fund is called PSigma Income Fund. Here is the link to their website:"

My comment - I have added this fund to the Chart Library.

Email of the day (4) - on technical indicators:

Quoted from Comment of the Day on September 21st

"Over the course of a couple of years I was teaching seminars across Europe on technical indicators. I had been whittling down the number of indicators I had any faith in following my initial splurge of interest in all such tools for about a year"

"Any likelihood of you sharing these with your more technically-oriented subscribers?

"Thank you in advance."

My comment - The seminar I enjoyed teaching most was a double act with a fundamental analysis specialist, Tim Mihok. Tim was one of the main people who developed the fundamental analysis tools for Bloomberg and is a noted wit. He would show the delegates how to filter the vast database for suitable stocks along a fundamental filter and I would overlay timing tools, attempting to find those which looked like they might be good buys. While I was asked to teach seminars on all the indicators on the Bloomberg system, the only ones I found of any real use were momentum indicators such as MACD and Stochastics. These are simple enough to understand the logic behind, as opposed to some of the more esoteric tools which are of limited value in my opinion.

We have also written about the benefits of looking at divergences from long-term moving averages in well defined trends as a useful indication of how over-extended a given market may be. With that said, 99% of the analysis we do at Fullermoney relies on the pure price action without the aid of indicators. While they are not our personal preference, I can understand the uses to which others put them.

Email of the day (5) - on additions to the Chart Library:

"Could you add the chart of Boliden (Sweden) to the equity section of the Library.

"Thank you"

My comment - This is already in the International Equity section. If you type 'Boliden' into the dedicated search for the International Equity section or go to the Sweden list you will find it.

Email of the day (6) - and even more additions to the Chart Library:

"When next in share inclusion mode, please add these two:

"a new Nuclear Energy ETF kindly pointed out by colleague John Ritchie of Stockcube, and this World Uranium Index (URAX) Tracker from Société Générale, kindly drawn to my attention by colleague Jackson Wong of Investors Intelligence."

My comment - The Market Vectors Nuclear Energy ETF can already by found in the Chart Library in the Commodity Indices - Funds ITs & ETFs section. I have added its benchmark, the World Uranium Index to the same section.

Email of the day (7) - on India stock market ETFs

"Can the two trackers mentioned by Deepak Lalwani in his report be added to the Library."

My comment - Both of the Lyxor India Nifty Trackers denominated in Pounds and US Dollars have been added to the Chart Library.

Email of the day (8) - on shipping stocks:

"Late last year you posted a couple of reports by Vivian Lewis, and one of the shares she was recommending at the time was Dryships (DRYS in the US), one of the bulk shippers taking advantage of those soaring rates to ship goods to the developing world.

"I consider myself fortunate. I bought DRYS back then and am now sitting on a tidy profit (or have I got a tiger by the tail?).

"Could you please add DRYS and two other bulk shippers to the chart library? The others are Diana Shipping (DSX) and Eagle Bulk Shipping (EGLE).

"Thanks so much."

My comment - All three of these companies are already in the Chart Library and can be found using the dedicated search for the International Equity section. David replied to this email on September 28th. Also see Comment of the Day on September 5th for a piece on shipping companies where Diana Shipping is mentioned and September 25th 2006 where Eagle Bulk Shipping was mentioned in Tom Donaldson's top-10 yield picks.

Eoin's personal portfolio: gold position stopped out and reopened and MSCI Singapore position rolled forward - I was feeling nervous about going away for a week with open leveraged positions so I raised the stop on my December gold positions and it was triggered by an intraday move on September 25th, taking me out at $729.75 against purchases on September 7th at $713, September 12th at $721.30, increased by 16.6% on September 18th at $723.90 and by 33% on September 20th at $742.1. I reopened half the position this morning paying $752.75 for the December contract including spread-bet dealing costs.

My longs in the MSCI Singapore September contract were rolled forward on September 26th at 448.60 to a similar sized long opened at 449.62 in the October contract. This was against purchases on September 11th at 435.7 and August 30th at 412.12.

Today's interesting charts - The Chart Library has two Search Engines. One searches the more than 16,000 equities, funds and ETFs in the International Equity Library and the other searches through the rest of the Chart Library for indices, commodities, currencies, bond prices and yields, ratios, spreads and overlays.

Brazil - continues in a well defined uptrend, although looking somewhat over extended. However it would need to sustain a move below 57,000 to limit scope for further upside.

Euro Bunds - found support at 112 and would need to sustain a move below that level to reaffirm the short-term downtrend.

Japanese Yen per 1 British Pound - The Pound breaks upwards from the month-long consolidation below 235 and would need to sustain a move below that level to question scope for further upside.

Arabica Coffee - breaking upwards from the short-term consolidation and would need a downward dynamic to limit potential for at least a test of the high near 140¢.

Last 2-week's signups for the Free (Abbreviated) Comment of the Day - For the week of September 16th new signups, including subscribers and pre-subscribers, live in the following countries or regions: Australia, Belgium, Cyprus, India, Ireland, South Africa, the UK and USA - 8 in total. In descending order, which topped the list in terms of the last three week's new signups? It was the USA, the UK and Ireland. Welcome all to the Fullermoney Global Strategy Service.

For the week of September 23rd new signups, including subscribers and pre-subscribers, live in the following countries or regions: Australia, Canada, France, India, Ireland, Japan, Russia, Singapore, South Africa, Switzerland, Turkey, the UK and USA - 13 in total. In descending order, which topped the list in terms of the last three week's new signups? It was the UK, the USA with Australia and Canada tying for third place. Welcome all to the Fullermoney Global Strategy Service.

Thousands of people around the world receive Fullermoney's Free (Abbreviated) Comment of the Day, and their numbers steadily increase. Why do so many sign up? It is primarily due to word of mouth or word of press mention, from people who like Fullermoney's global perspective and our Empowerment Through Knowledge theme. Incidentally, on receiving our free daily email, you will not be contacted or solicited with advertisements and other marketing material. No one else will have access to your email address. We respect your privacy.

**Tuesday 2nd October 2007**

Global Bank Indices: Another Technical Update - This global strategy service has long regarded the performance of a country's bank shares as an important lead indicator for its overall stock market. In other words, what is good for the banks is good for shares generally, and vice versa. We saw evidence of this earlier in the year, long before most people had heard of sub-prime, with the persistent weakness of bank indices for the USA, Europe and Japan, a fact frequently cited by Fullermoney.

So, following central bank measures to alleviate the credit crunch, particularly from the Fed, what are bank indices indicating today?

Significantly, the message continues to vary from region to region. For instance, India's Bombay Banks Index (weekly & daily) have largely uncouple from the performance by Western bank indices, which saw February peaks in the USA and April highs in Europe. Relative strength by India's banks helped the broader Sensex Index (weekly & daily) experience a comparatively small correction in July and August, before powering to new all-time highs. The only mildly cautionary indication from these indices is that they may be a little overextended in the short term. The more important message is that they recently reconfirmed their long-term upward trends.

This review does not quite compare like with like in that some of the financial indices included have constituents other than banks, such as insurance companies. Consequently they are likely to be somewhat firmer than a banks-only index, were the latter available. Nevertheless we get a reasonable indication and financial indices that nearly match the performance of broader indices in overall upward trends, let alone at new highs, can be regarded as providing bullish confirmation.

Australia's S&P ASX 200 Finance Index (weekly & daily) has underperformed the broader AS51 Index (weekly & daily). Nevertheless, it has recovered well and would need to fall back beneath 6800 to confirm significant resistance from the May high.

Singapore's Finance section (weekly & daily) has similarly underperformed the STI (weekly & daily) but not sufficiently to be a concern. Financials would now require a fall beneath 2400 to reaffirm more than temporary resistance near the June-July highs.

Indonesia's Jakarta Finance Index (weekly & daily) has slightly underperformed the broader JCI (weekly & daily) which reached a new high today. Financials would now need to break beneath 230 to signal potentially significant deterioration.

Thailand's Banks Index (weekly & daily) similarly shows only a slight underperformance relative to the SET (weekly & daily). A decline beneath 275 by the Banks would now be required to reintroduce bearish technical evidence.

China's S&P CITIC300 Financials Index (weekly & daily) does not have much back history but only lags the Shanghai-A (weekly & daily) by a small margin. Both have shown some loss of momentum recently, although the A-Shares Index reached a new all-time high on Friday. A slide beneath 5800 by the Financials would now be required to raise concerns.

Hong Kong's Financials (weekly & daily) has almost tracked the broader HSI (weekly & daily), providing bullish confirmation. However both indices have become overstretched following short-term accelerations which will inevitably be followed by reactions, albeit probably within the overall upward trends.

South Korea's Financials (weekly & daily) are lagging the KOSPI (weekly & daily), albeit within an overall upward trend. A close beneath the August lows just above 580 by the former would be required for an outright bearish signal.

Taiwan's Bank / Insurance Index (weekly & daily), although recovering from its August low, is clearly lagging the TWSE (weekly & daily). The Financials would commence pattern deterioration beneath 1000 - significantly if the August lows are taken out.

Japan's Topix Banks Index (weekly & daily) is lagging the broader Topix Index (weekly & daily). Nevertheless both have improved recently, with Banks seeing some upside follow through today after last week's potentially significant upside weekly key reversal. A close beneath 285 would now be required to reverse recovery scope.

Conclusion on Asian financial indices - They vary, with the healthiest patterns in relation to their broader indices evident in India, China and Hong Kong. The fact that these markets are somewhat overstretched in the short-term is another matter, which does not reflect on the long-term upside potential. Financials in Australia, Singapore, Indonesia and Thailand are not lagging sufficiently to be a concern. The sector needs to be watched more closely in South Korea, Taiwan and Japan, although all have improved recently, with Japan's Banks the most recent to show evidence of a new floor.

The USA's financial sectors are represented here by the S&P 500 Banks (weekly & daily), S&P 500 Diversified Financials (weekly & daily), Philadelphia Bank Index (weekly & daily) and S&P 500 Regional Banks (weekly & daily) (there are more in the Library but these should suffice). These are obviously lagging way behind the S&P 500 Index (weekly & daily), not to mention the Dow and Nasdaq indices which reached new highs for the year on Friday. The first three Financial Indices above show a sequence of either two or three rising lows since the August trough. Breaks of last week's lows would be the first warning, while breaches of the August lows would be an unequivocally bearish signal. A downward lead would probably come from the Regional Banks Index which remains barely steady. Conversely, every additional recovery by the USA's bank indices would be reassuring technical evidence for bulls.

Europe's financials are represented here by the DJ Euro Bank Index (weekly & daily), DJ Euro Financial Services (weekly & daily) and the FTSE 350 Bank Index (weekly & daily). These have had a torrid time, breaking or testing lows in mid-September, and trailing way behind the DJ Euro STOXX 50 (weekly & daily) and FTSE 100 Index (weekly & daily). However the European banks and financials have rallied recently, providing a little breathing space. As with the USA, moves beneath last week's lows, not to mention breaches of the September troughs, would be distinctly bearish. Conversely, an additional recovery by financials would open the door to more new highs by European indices.

Email of the day (1) - On questions from a pre-subscriber:

"I am a presubscriber to your letter. Before I do it, I HAVE A FEW QUESTIONS

"1/How long will you continue to be personally involved in the daily routine of the subscriber audio and forum. Do you plan to retire and when 2/ I am from Canada, how do I pay for your service ( monthly, yearly), and can I cancel anytime?. What will be my cost exactly for Canada? 3/ how do I receive the audio and the forum? Do I have to constantly reapply through my password through the day? 4/ where are situated your Offices and where are Eoin and you working? 5/ Do you have seminars in North America planned?

"I apologise (as a true Canadian) for the long email, but some other presubscribers may have the same queries. Thank you for your answer,

My comment - No need to apologise and thanks for your interest in Fullermoney. Being only 65, which some regard as the new 50, I have no intention of retiring - Fullermoney is a labour of love for me. As we are a UK company, subscriptions are priced in GBP - currently £44 monthly and £440 per annum. Consequently the cost of your Fullermoney subscription would vary slightly on a day to day basis, in line with currency fluctuations. Fortunately for you, the CAD has mostly appreciated against the GBP this year. At C$2.0375 to the pound as I write, today, a monthly subscription would cost approximately C$90, while an annual subscription would be just under C$900. Incidentally, we don't set the exchange rate as you would most conveniently pay by credit card. We do not have a cancellation policy since everyone can check the service via the historic archives and via monthly trials, should they wish to, before taking an annual subscription.

To subscribe, just click on the "Subscribe" link at the top of our Public Area homepage, and proceed accordingly. The process should be easy but if you have any additional questions, click on the "Need help Logging in" link on the Subscription Form page. Incidentally, a pleasant surprise for annual subscribers is that on continuous renewal (not allowing their subscription to lapse), they automatically receive a discount on the annual subscription price, usually 10 percent.

As a subscriber, you have to logon to the site to access the Audio, Comment of the Day, Chart Library and other features, but once logged on you can use the site throughout the day, if you wish. We continue to send you the Free (abbreviated) Comment of the Day so that you will know when the site has been updated, and it will also give you some idea of the contents. My office is in London, at Stockcube's headquarters. Eoin works from Killarney. We do not currently have any seminars planned for North America, although this will change at some point as Eoin takes over The Chart Seminar next year and will travel with it in coming years, although probably not before 2009, at the earliest.

Email of the day (2) - On 5-year future oil contract:

"Welcome back and I hope u and Mrs. Fuller had a wonderful and relaxing holiday.

"I attended a university seminar given by a local columnist yesterday and he made a comment which is really interesting. He mentioned that Alan Greenspan once said the price of the 5 year Future Oil Contract was a reliable benchmark to reflect the future oil trend, since no trader will be trading it. Only final user will be interested in the 5 year future oil contract.

"I am wondering what is ur thought on that? Additionally, could u direct me as to where I can find the quote on the ' 5 year Future Oil Contract " online?

"I have noticed from ur recent comment that OIL is ur 11th largest holding in ur long term investment portfolio. I think if Greenspan is right, this 5 year future contract quote will be important for ur future reference.

"As usual, I still think ur commentary is one of the top seven in the world."

My comment - We had a fine, energetic holiday, thanks.

I'm always interested in what Alan Greenspan has to say but I'm not convinced that a 5-year oil contract would be a better indicator of oil's future trend than an informed assessment of global supply and demand.

I'm not sure how you can find the prices online but according to Bloomberg NYMEX WTI crude (currently 80.32) has these forward prices: 2008 $75.24, 2009 $72.86, 2010 $71.59 and 2011 $71.03. My guess is that the oil price will be considerably higher in those latter years.

An energy fund, rather than oil, is the 11th largest position in my personal investment portfolio but I reduced this holding a while back.

Thanks also for the encouraging feedback.

Email of the day (3) - On IFAs and BRIC Funds:

"I was interested to read your email of the day no 3 today [Ed: 26 Sep] from the IFA. As an IFA myself and practice owner - and without sounding boring, I could not agree more with those comments. If more IFA's subscribed to this service and applied the knowledge - the only winner would be the UK consumer - as I feel they would receive better informed investment advice. On another note - I recently received an email from a senior investment specialist from a leading life office - who are owned by a megacap bank - asking if I had heard about the Fullermoney service and how good it was!!!! Your name and reputation are out there - please, please keep up the good work.

"PS: I am also bearish on long dated gilts - but bullish on European ex UK equities - would be interested to hear your thoughts and - in addition - your thoughts on BRIC funds."

My comments - Thanks for these comments and also thanks to your contact mentioned above, since people discover Fullermoney almost entirely by 'word of mouth'.

Regarding your market questions: briefly, I think the danger period for gilts and other long-dated bonds will return when investors become more concerned about inflation, once again, rather than the current slowdown in GDP growth. I much prefer equities but do not regard Europe as in the stock market Premier League, although it certainly has some world-class companies, especially those which are good at the globalisation game.

Regarding the BRICs, yes, definitely but they are not all equal opportunities in my view. As you probably know, my favourites for the long term are India and China - the queen and king of emerging markets. Brazil is an outstanding resources play, but needs to develop more and probably will. Russia has enormous potential but is my least favourite BRIC by far, because its government remains cavalier about the rights of minority shareholders.

Please note - I am miles behind in my emails but hope to catch up.

Tuesday's Audio - Yes, this really was recorded on Tuesday evening, not Monday as I said in the opening. It only felt like Monday.

My personal portfolio: Some trailing stops triggered on trading positions - Details and charts will be provided tomorrow.

Additional Commentary by Eoin Treacy

Shanghai trip report - When I first moved to London in early 2000, the retail brokerages were all running marketing campaigns along the lines of hiring pretty girls to stand at rush hour in Liverpool Street station handing out flyers to convince punters to use one broker over another. The same campaign has been adopted by a number of the smaller brokers in Shanghai although with slightly different characteristics. We walked past one brokerage just before the lunchtime break. There must have been fifty sales people waiting outside attempting to convince customers to switch. Some of the salespeople told us they had congregated around this one shop because it was moving premises, so clients could be convinced to switch more easily. They get a commission for every client that switches.

Brokerages in China are much more like day trading houses in appearance. Many people do not have the internet at home so they spend a good proportion of the day in a brokerage watching the big board and dealing on the terminals provided. Chinese born, Mrs. Treacy opened an account with one of the larger brokers which occupies a 20 storey building. We arrived quite early and didn't have to wait long but, when we left there was a long queue of people waiting to open accounts. Access to different floors is dependent on how big one's account is, with VIP status accorded to 200,000 yuan and above clients. The VIP dealing rooms are towards to the top of the building and the lower floors cater for much smaller account holders.

One can see people trading everywhere from offices to restaurants. One silk shop in Hang Zhou (a regional tourist destination about 200kms south of Shanghai) where we bought some scarves had a laptop in pride of place next to the till where the four middle-aged women working there were monitoring the markets. They told us that they were using investment magazines to generate the bulk of their trading ideas.

A number of taxi drivers claimed to have been dealing in stocks since the inception of the stock market almost twenty years ago and there were some sour grapes at people who had started trading in the last couple of years and made a killing, without having had to endure the previous bear market. They asked the relevant question of what these newly minted bulls are going to do during the next bear market.

The dispersion of trading profits is easily seen with many people saying that they will go to an expensive restaurant and buy some luxury item on the next new market high. In more expensive restaurants the waiters told us that many of the customers wouldn't normally be there, were it not for trading profits.

We also found that almost everyone knows about the upcoming enactment of the QDRI (Qualified Domestic Retail Investors) program and are looking forward to investing in Hong Kong and potentially other markets. There is a perception that money in these other markets is safer than at home.

On the plane to China I met a Chinese executive from a large chip maker who was returning from a trip to Ireland, where he had been looking at facilities that could potentially be replicated in China. They were talking about setting up a motherboard manufacturing business in China but he was quick to reassure me that he had not been in Ireland to 'steal' jobs since their primary business in Ireland is chip manufacture. Making motherboards is a competitive and low margin business where labour costs can be the determining factor between profit and loss. Making chips is much higher end, requires greater sophistication and is not as easily transferable to China. It was his opinion that while China is progressing at breakneck speed it is not yet ready to compete in production of high-end chips on a par with those in the West.

I also met an interesting individual from Nashville Tennessee. He travels to China for 10 days every month and works for a company that insures mobile phones. They ship the broken phones to Hong Kong and Shanghai where they are repaired and then export them back to the USA. In excess of 400,000 units a month. I thought this was an excellent example of an American company using globalisation to its greatest advantage; exporting a low value item and importing it a short time later as a high value item which can be resold.

When I asked him how his wife liked him travelling all the time, he told me he used to work in the oil drilling business so she was used to him being away for long periods. The reason he was now in the mobile phone refurbishment business is because he was laid off 5 times in 2 years as the drillers went through a consolidation in the middle of the energy bear market. He decided enough was enough and left the industry. It is precisely because experienced entrepreneurial people, such as this man, left the business forever that there is a skills shortage today. It's been a long time since being a driller was a fashionable job and there is a dearth of graduates in this field. This is a contributory factor in the continued high cost of drilling globally.

Forbes.com: Singapore shares close at new record, fueled by gains in China stocks - Thanks to a subscriber for alerting me to this story on the awarding of QDII status to a third Chinese fund, this time with a mandate to invest in Singapore listed Chinese companies. Here is a section:

Singapore shares closed higher Monday, with the Straits Times index finishing at a new record high, as investors snapped up Singapore-listed Chinese stocks following Beijing's decision to liberalize investments.

Today's gains drove the benchmark index to a record high for the third straight session.

Buying in blue chips including banks, offshore and marine stocks as well as property plays also supported the index.
The Straits Times Index added 48.99 points or 1.3 percent to a record close of 3,755.22, after hitting a new all-time intraday high of 3,774.79 points. The day's low was 3,734.94.

Gainers outnumbered losers 718 to 193, with 773 stocks unchanged.

There were 4.0 billion shares traded valued at 3.8 billion Singapore dollars.

Singapore-listed China stocks were heavily traded in anticipation of more liquidity flows from China.

News that Beijing approved Jiashi, a fund backed by Deutsche Asset Management, as the first fund under China's Qualified Domestic Institutional Investor (QDII) scheme to invest in stocks other than Hong Kong H-shares and red chips, boosted sentiment for the Singapore market, which has more than 100 listed China companies.

My view - The Strait Times Index (p&f, monthly, weekly, daily) found support in mid-August along with most other global indices and has rallied well. It is now one of a growing number of indices which has moved to new high ground. However it is beginning to look somewhat overextended but would need to sustain a move below 3600 to offset scope for some further short-term upside.

The HSI and the China Enterprises Index are looking even more overextended as they have benefited much more from speculation that a tidal wave of liquidity from mainland China is about to be unleashed on their bourse and have had the added bonus of rate cuts.

I know from talking to people on the ground in China that they are looking forward to having greater choice in which area to invest in but the amount of cash which will be allowed to leave the country is unlikely to fulfil the prices to which these indices have accelerated in such a short time. I believe that this is going to be a case of buy the rumour and sell the news, because once money actually starts to flow into Hong Kong and Singapore from China, all those people who bought on the promise of being able to sell their inventory to the Chinese are likely to want to do so at the same time. The first significant down week is likely to signal a top of medium-term significance for these markets. (Also see comment of the Day on September 17th for more on this subject.)

Email of the day - on additions to the Chart Library:

"Could you possibly add Newmont Australia to the Chart Library please? The ASX symbol is NEM."

My comment - This has now been added to the international Equity section of the Chart Library.

Mazda Develops a World-First Catalyst Material Structure for Autos Using Single Nanotechnology - Thanks to a subscriber for this interesting news release from Mazda which has potentially bearish repercussions for the platinum and palladium markets. Here is the release in full:

Mazda Motor Corporation has developed a world's first catalyst for cars that uses single-nanotechnology to create a catalyst material structure which substantially reduces the amount of precious metals that are used, such as platinum and palladium.

The new development enables Mazda to reduce the amount of platinum and palladium used in automotive catalysts by 70 to 90 percent. It does not result in any changes in the performance of purifying gas emissions and maintains the high durability of conventional catalysts. Single-nanotechnology is a technology that can control even smaller particles than nanotechnology.

In automotive catalysts, precious metals promote chemical reactions that purify exhaust gases on their surfaces. In conventional catalysts, the precious metals are adhered to a base material. Exposure to exhaust gas heat causes the precious metal to agglomerate into larger particles. This reduces the catalyst's effective surface area and catalytic activity, which requires the use of a significant amount of precious metals to counter and maintain an efficient purification performance.

In order to increase the precious metal surface area, Mazda developed a new catalyst using its proprietary catalyst material structure and precious metal particles that are less than 5 nanometers (nm) in diameter. This is the first time that a catalyst material has been achieved that features single, nanosized precious metal particles embedded in fixed positions.

As a result, there is no agglomeration of the precious metal particles, and the amount of high-priced precious metals used in three-way catalytic converters -- which purify gasoline-engine exhaust gases -- can be reduced by 70 to 90 percent. Moreover, the new catalyst material will maintain the same level of purifying efficiency, with minimal deterioration over time even under the harshest operating conditions.

My view - The above piece does not discuss how expensive this nanotechnology solution is to implement. However assuming that it is competitive with the platinum group metals technology currently in place it could be a bearish fundamental for platinum and palladium at least in the short term.

Platinum (p&f, monthly, weekly, daily) broke upwards last week from an 18-month consolidation but encountered resistance at $1400. It needs to sustain a move above that level to reaffirm the overall uptrend. For the bearish case to have teeth it would need to sustain a move below $1225.

Palladium (p&f, monthly, weekly, daily) accelerated upwards from depressed levels in late 2004 through to mid-2005 and has been consolidating that move since. It needs to sustain a move above $400 to reaffirm the overall uptrend. For the bearish case to gain any ground it would need to sustain a move below $300.

Eoin's personal portfolio: Gold position stopped out at a loss - I didn't have a stop on the gold position I opened yesterday and was surprised to see it down so much when I logged in this morning. When I saw the market rally somewhat late in the morning I introduced a stop on the logic that I would be uncomfortable if it was unable to sustain the rally. That stop was hit at $739.75 against my purchase at $752.75 yesterday.

I also raised my stop on my MSCI Singapore longs to protect profits.

Today's interesting charts - The Chart Library has an extensive range of currency crosses which may be of interest to subscribers.

Australia - breaks above lateral resistance at 6400 and would need to sustain a move below that level to limit scope for further upside in the short term.

Ireland - testing the progression of lower highs from the end of May peak. It needs to sustain a move below 7500 to question scope for further lateral to higher ranging.

Brazilian Real per 1 US Dollar - The Dollar remains in a consistent downtrend against the Real and would need to sustain a move above 2 to break the progression of lower highs.

**Wednesday 3rd October 2007**

Bill Gross's Investment Outlook: What Do They Know? - My thanks to a subscriber for this excellent report by the founder of Pimco. Here is the opening:

If you're struggling to find something that symbolizes the transition from the old-fashioned markets of yesteryear to the seemingly inexplicable wilderness of today's derivative-driven, conduit-imploding financial complex, you need look no further than the contrast between old television's Louis Rukeyser and thoroughly modern Jim Cramer. Calm, stately, with deep-throated baritone certainly, Rukeyser was the spokesman for aging boomers who wanted assurance that a nostril-snorting bull market would reign supreme. No less a cheerleader, but with soprano-inflected importuning decibels louder than any rival on the flat screen, Cramer, in recent weeks at least, has been willing to recognize that the moment could turn in favour of the visiting bears. At a moment of courageous yet seemingly reckless abandon during a week when Treasury, Fed, and White House officials were trying to calm investors with an "all clear" story line, Cramer screamed at the CNBC camera, "They know nothing, they know nothing!"

My view - Bill Gross provides a very good summary of the problems and difficulties facing the Fed, to which I would add some other central banks, not least in the UK and Continental Europe. Let's hope Bill Gross is a bit too pessimistic, after all, he runs a bond fund.

However I do not assume that he overstates the case. Some of you may have heard Alan Greenspan's comments recently on the reduced influence of central banks. My view is that they still have enormous influence but in financially-dominated economies there are obviously other forces at work, which have grown enormously in terms of influence.

Arguably, they are more often a stabilising rather than destabilising presence, albeit unintentionally so as is generally the case with capitalism. But the environment is different, as Bill Gross and others point out. For my money, this puts skilled, objective price chart reading at an even greater premium, not least because it reveals the fault lines before they are generally recognised, let alone understood.

Email of the day (1) - On gold:

"David - In your audio yesterday [Ed: last week] you ended your discussion of the likely rapid rise in the price of gold saying "gold is not a buy and hold". I am wondering, why not, at least in the short-to-medium term? Or were you just referring to futures trading? Thanks for you clarification.

"Hope you enjoyed the Ring. The Met opening of Lucia with Dessay was marvellous."

My comment - The Ring Cycle at Covent Garden was wonderful, thank you, and better than two years ago, not least because it was staged over eight days rather than a year. I'm glad that you are enjoying the Met.

Regarding freely-floating gold as hard money and a store of wealth, I believe that over the long term it will at times become extremely overvalued as we saw in 1980, leading to a long period of underperformance and eventual extreme undervaluation as we saw at the beginning of this decade.

Over the last six years I have described gold as being in a secular bull market. I believe bullion commenced a short-term consolidation of recent gains yesterday but that it is in the process of resuming the overall upward trend following another lengthy medium-term correction.

If so it should have a good three to six months on the upside, at which point it may go into another correction during which I would prefer to be on the sidelines, particularly regarding gold shares which are generally much more volatile than bullion. You will appreciate that this is an approximate roadmap and we will be able to fine-tune analysis based on chart action.

Email of the day (2) - On my long-term positions (from a new subscriber):

"Thanks a lot for the excellent service you provide.

It's only a couple of days that I have been a subscriber to fuller money and I am trying to find what are your long-term positions. I keep coming up with ratings of your various positions but where are they? Do you keep them somewhere archived or your subscribers know them cause you have mentioned them throughout past comments?"

My comment - Thanks for your comments and welcome to Fullermoney.

To source items of interest in the Archives, use the Fullermoney Search facility - fifth item down on the left above, and type in a key word(s). For instance: "my personal" will produce everything that I do in my own accounts, and "investment portfolio" will take you to investments only. I last reviewed the top-10 (that description could also be used for the search) portfolio on Friday 21st September.

On searching the Fullermoney site, please remember that spelling must be accurate - we are not Google.

My personal portfolio: Some trading stops hit in corn, silver, gold and platinum, and the latter was reopened slightly lower - These are delayed reports although I believe I referred to the trades in Audios. In corn, my December long was stopped out on 28th September at 370¢ against my purchase at 339.6¢ on 16th August.

In silver, yesterday's sharp sell off triggered stops taking me out of December longs at $13.45 against equal-sized purchases at $13.425 and $13.695 on 25th and 27th September, respectively. In another account I was stopped out of December silver at $13.50 against equal-sized purchases at $12.75, $12.65 and $12.915, on 7th (the first two) and 18th September. I repurchased one unit yesterday at $13.425 and put in a 20¢ stop before heading to a lengthy meeting. This was triggered at $13.22 in mid-afternoon.

In gold, I was stopped out of equal-sized positions yesterday at $735.5 and $732 against purchases at $731.1 and $735.4, respectively, made on 19th and 24th September.

Lastly, I was stopped out one equal-sized unit of platinum, being a January position which was sold at $1367 against the purchase at $1367.5 on 27th September. I repurchased this position yesterday at $1360.

Consequently, I am currently out of silver futures and looking to reacquire as the dust settles. My gold futures position has been reduced by a third. My platinum futures position is the same size and therefore my biggest holding in precious metals at present.

Trading, as I have said before, is much more difficult than investing because leverage needs to be managed prudently. This means that one is often knocked out of promising positions by volatile conditions.

For instance I am not the least bit worried about my gold share and gold fund investments, although I would not be surprised to see some consolidation of recent strong gains before the uptrends resume. I would feel the same way about bullion funds.

Some of us trade, mainly because it is possible to make large profits from time to time, risking very little capital, provided and this is a very big proviso, monetary discipline is tight. However trading can be time consuming and is often frustrating. In addition to investing on a long-term basis, I trade for disposable income and because I no longer play other brain games such as chess and bridge. Investors, who were not drawn to trading in their earlier years, should probably avoid it due to the steep learning curve. And traders can have a tough time becoming successful long-term investors because they have been conditioned to jump in and out too frequently. Trading and investing are very different disciplines.

Email of the day (3) - On soft commodities:

"David, with soft commodities now moving up almost in unison and within the Fullermoney theme - do you have any suggestions as to the best ways to play the sector and in particular have you looked at any of the funds which have started up recently to capture this upside potential. I hope you are well and thanks for the excellent analytical commentaries both written and oral. I have now been operating full time for 18 mths and learn something every day but what helps most of all is an enquiring mind."

My comment - I am in rude health and thank you for your kind words.

I think the grain and bean-led rally has spilled over in a consolidation but I certainly don't think it is over. However it is very tricky to play directly via the commodities, due to volatility. The funds, some of which are listed in the Library at subscribers' request, are unproven in my opinion and many managers face a steep learning curve. Contangos, which are the norm with commodities, also create a headwind. The safest way to participate is probably via the agricultural and fertilizer shares, or perhaps an ETF for Brazil. This would give you some coverage of industrial metals as well.

Email of the day (4) - The Atlantis funds discussion continued:

"Further to my previous email advising that a decent broker can purchase the Fortune Fund with zero front end load, and only charge 0.5% brokerage, there are a couple more material differences. The China Fund is unregulated in the UK, is close-ended, and has a minimum subscription of US$25,000. The China Fortune Fund is regulated in the UK, and is open ended, with a minimum subscription of $10,000. It can be held in Peps and Isas.

"I prefer the Fortune Fund for its "absolute return" objective, and have traded it on a number of occasions without ever being charged the exit fee."

My comment - Thank you so much for these informed and extremely helpful comments, contributed in the spirit of Empowerment Through Knowledge.

Additional Commentary by Eoin Treacy

Goldman Sachs JB Were: BHP Billiton / Rio Tinto Stay On Board. Could Scarcity Become An Issue Given BHP's Buyback? - Thanks to a subscriber for this must-read report for anyone interested in these two companies. Here is a section:

The story has not changed - the top-down structural story still looks as strong as ever.

The share price performance of BHP year on year for the past 5 years (based on the date of our reports) has been +76%, +19%, +31%, +52%, +22%. For RIO it has been +59%, +29%, +36%, +44%, +6%. We continue to believe that a default overweight position in BHP and RIO is the best way to capture value with such a strong structural story.

NPVs have increased 17%, 61%, 17%, 25% and 23% in each of the years for BHP and 24%, 60%, 17%, 15%, 17% for RIO (note we estimate RIO is cum a 10% NPV downgrade with the Alcan acquisition). The NPV upgrades are due to higher long term price assumptions, higher short term price assumptions and more growth projects. Looking forward we believe there is upside risk to our long term and short term price assumptions - in addition we expect growth options to increase.

PEs now are 15.1 for BHP and 15.2 for RIO (12 months to June 2008). This compares (last year first) to 8.4, 11.4, 13.3 and 20+ in previous years for BHP and 8.2, 11.8, 10.6 and 20+ for RIO. EPS growth forecasts have varied over the period (often been negative).

Earnings upgrades have accelerated - we upgraded BHP's FY08 earnings forecast by US$250m/mth from our 05 to 06 report and we have upgraded it by US$375m/mth over the past 12 months. For RIO the upgrades were US$200/mth and US$230/mth. The duration of the upgrades is extending. We believe there is upside risk to our current forecasts particularly in iron ore, coking coal, copper and oil.

There have been periods of underperformance - 2006 had a very weak second half from a relative share price perspective (a great buying opportunity in hindsight) when copper prices collapsed from ~US$4/lb to US$2.40/lb - we don't forecast commodity prices weakening significantly in the near term.

Investment View:
The outlook for both BHP and RIO remains robust. BHP (Conviction BUY) has leverage to coking coal, iron ore, copper and oil - production growth and price increases drive earnings higher in FY08E. For RIO (BUY) the upside risks for iron ore prices offset any short term dilution from aluminium and the Alcan acquisition. If you are looking for a short term trade and to crystallise profits we would sell RIO out of the two - Alcan acquisition and aluminium price are downside risks/iron ore pricing is an upside risk.

My view - While this report rightfully points out that BHP Billiton and Rio Tinto offer excellent exposure to the China growth story, it is not to be overlooked that China is far from the only country which has growing demand for resources and these companies offer greater exposure to the global infrastructure boom than just about any other. There are only a handful which come even close to their ability to supply key resources.

Commodity supercycles are generally longer than other market cycles and we are arguably only 5-years into this move. The potential upside for shares in this sector is unlikely to show any comparison to their past performance, particularly over the last twenty years which were largely typified by a generational long bear market.

No globally traded share is unaffected by global investor sentiment and Rio Tinto and BHP Billiton are not immune to setbacks as we have just seen. They are best bought following corrections as I pointed out on August 22nd. David holds both of these shares in his investment portfolio which he last reviewed on September 21st and I have had all of my daughter's Child Trust Fund in BHP Billiton since December 1st 2006.

Email of the day (1) - on banking stocks relative to the Stoxx 600:

"Hope all is well with you and David.

"This month I work in a branch where I unfortunately cannot use my "Bloomie" via the 'everywhere' tool for security reasons.

"I was looking for relative charts so I took a look at your Chart Library and I was really impressed by the progress made. It's functional and user friendly and above all it's supported by a 'you ask, we deliver' service.

"I just have one question: is it possible to choose in the charting function an instrument of your own choice for comparison? I would like to compare the European banks with the Stoxx 600 which is not in the pre-selection. Very often a sector is compared to the Stoxx 50, but I think the broader Stoxx 600 is more relevant, because it's less biased by the big/small style."

My comment - I am glad to hear that the Fullermoney Chart Library can help to fill in when you are bereft of your Bloomberg. Our programming team are currently developing an interface which will allow users to make anything relative to anything else but it is not ready just yet. In the meantime I asked them to add the Stoxx 600 to the relative dropdown list in the Charting function, which they have done. You will now be able to look at any stock relative to the Stoxx 600.

ABN AMRO, partly as a result of takeover expectations, continues to outperform the overall index. It broke above the previous high in mid-September and needs to hold above .95 for the upside to maintain the benefit of the doubt, National Bank of Greece is also in the region of its July high but has encountered some short-term resistance at this area. It needs to sustain a move to new high ground to reaffirm the overall uptrend.

Banco Santander Central Hispano found support at the June lows before rallying. It would need to sustain a move below .0355 to hinder scope for further upside.

Intesa Sanpaolo has been broadly ranging for much of the last year. It found support in mid-July and rallied impressively before encountering resistance at .0155 in mid-August. Currently in the middle of the range, it needs to sustain a move above .0147 to signal that this congestion area is anything other than a distribution.

UniCredito Italiano, BNP Paribas, Societe Generale, Deutsche Bank and Banco Bilbao Vizcaya Argentaria all share a similar pattern relative to the Stoxx 600. They have all been in a relative downtrend for much of the last year and have all found at least short-term support. A break below the mid-September lows would be needed to offset scope for some further upside.

Fortis is also in a relative downtrend but has sustained only a paltry rally from support at .055. It needs to improve on this performance to attract more bulls to the stock.

Wheat Falls by Daily Limit on Expectations Plantings Will Rise - This article by Jae Hur and Danielle Rossingh for Bloomberg covers some interesting developments in the grain markets yesterday. Here is a section:

Wheat futures in Chicago fell by their daily limit on speculation that record prices will spur farmers to plant more of the crop.

Prices have more than doubled in six months after adverse weather damaged crops in Europe, Ukraine and Canada and dry weather threatened production in Australia for a second year. Wheat prices climbed to a record $9.6175 a bushel in Chicago on Sept. 28, as global consumption was forecast to exceed production for the seventh time in eight years.

``Every farmer in the world will plant wheat next year, because the prices are so high,'' Roland Jansen, chief executive officer of Mother Earth Investments AG in Lichtenstein, said in an interview in London today. Jansen's Mother Earth Resources Fund invests in raw materials and commodities.

Higher wheat prices have spurred companies including Premier Foods Plc, the U.K. maker of Hovis bread, to raise prices. Former Federal Reserve Chairman Alan Greenspan said at an event at Bloomberg LP in London yesterday that there was a ``dramatic'' increase in food prices globally.

Wheat for December delivery fell as much as 30 cents, or 3.3 percent, to $8.925 a bushel on the Chicago Board of Trade and traded at $9 in after-hours electronic trading at 12:05 p.m. London time.

``

The wheat price may find some support around $9 and then $8.75," Takaki Shigemoto, an analyst at Okachi & Co., said by phone from Tokyo. He referred to points on historical price charts used by some traders where buy orders may cluster.

The December contract fell 30 cents yesterday, the daily maximum set by the exchange. That decline, the biggest since Sept. 12, snapped an eight-session rally.

My view - Wheat accelerated upwards to a peak near $9 and reacted briefly at that level before moving to a marginal new high above $9.50. The two reactions which have been posted in the last three weeks have been the largest downward dynamic since July and signal that the risk of a more serious correction is rising as the uptrend loses consistency. The price would need to push upwards to new high ground and maintain the break to reaffirm the uptrend. If wheat closes down on the week, it will be the first significant down week in the last 15 which would be another inconsistency.

On a commonality basis, soybeans failed to sustain the move above 1000¢ and while it continues to have a progression of rising lows, it needs to sustain a move to new high ground to reaffirm the uptrend. Corn now has three lower highs from the peak near 440¢ to which it accelerated in March. It needs to sustain a move above 390¢ to indicate that the bulls are gaining the upper hand. Oats continue to encounter resistance at 300¢ and are currently looking set to post a weekly key reversal from beneath that level. It needs to sustain a move above 300¢ to confirm that the bulls have gained control of this market.

It is looking increasingly likely that we are close to a peak of medium-term significance in the wheat market, which may also affect the other grains. While this is a negative for those holding long positions, it could be a potential boon to stock markets as it will serve to diminish inflationary pressures. This however would not be a bullish outcome for gold.

Email of the day (2) - on exiting trades too early:

"I bought this stock on 19 July; price $10.14, based on strength shown on 18 July. I considered exiting in late July and through mid August but instead placed a reasonably lose stop (under a reactionary low). I bought again on 29 Aug price 11.14 based on several days strength. Given that I could not put a stop loss in this stock (NASDAQ CM) I decided to exit at $21.80 today (2 Oct) with a profit of 102% ( thinking that I was very smart) because I will be travelling for the next 2 weeks, with limited email access (appeared to be a logical reason at the time). However price subsequently rallied to close at 27.65 a gain of 159% from my purchase price and a gain of 75% today. This is not the first time that I have walked away from significant gains. Wheat is another example. I caught the rally (that hit $9.00+ recently) at an earlier stage than a well known Fullermoney veteran (XXX XXX). For what appeared to be a logical reason at the time I was exiting as he was pyramiding up. Once again I left significant profits on the table.

"It is frustrating that I seem to have the ability to identify highly profitable trades and also the weakness to cut profits short. I suppose the question I have is why do I not stay with highly profitable trades? I don't expect you to have an answer to my problem but any comments you might have would be welcome."

My comment - I had exactly the same experience with exiting my H-Shares position just prior to going on holiday. I had taken a good profit but saw the headlines on a daily basis trumpeting fresh highs and felt robbed. However the reasons for closing the position remain valid, it is a volatile market and was beginning to look overextended. If today's action had happened last Wednesday I would have had felt very smug indeed to have exited the market early. Regarding China Natural Resources, it has been prone to dramatic upward moves in the past, which it has failed to sustain although this is by far the largest. This is clearly an accelerating market which you were unable to place a stop in so I wouldn't feel too bad about closing the position because you had to go away.

Trading is a discipline that requires plenty of time in front of the screen and while I am not advocating screen watching, which is generally an indication that a position is too large, one does need to be able to assign a large amount of attention to a leveraged trading position. You can't do that if you are on the road. I allowed my Singapore position to roll forward while I was away because it was comparatively small relative to the H-Shares position and in a less volatile market. However I did so knowing that I was risking some or all of my profits in that instrument.

Trading and analysis are separate disciplines and we are lucky to have a natural affinity for one but almost no one is born with a natural talent for both. Personally, I know that my analysis is much stronger than my trading and while I work constantly on improving both, my trading is where I feel I have most room for improvement.

This is why charts are so invaluable, taking part in an accelerating trend is nerve racking because we are terrified of losing our paper profits but in an acceleration we almost always get a good signal that it is coming to an end. We should wait for this signal before exiting and should be raising in-the-money stops behind the price until it occurs. As we know this is not always easy to do.

Email of the day (3) - on long dated oil futures:

"With regard to the email about oil futures, the futures prices are on barchart.com.

"This page is a useful summary and then clicking on the commodity name in the left column gives you future contracts."

My comment - Thank you for this informative email which should be of interest to subscribers. You will also find the 64th month / 5 year West Texas continuation chart in the Chart Library. (Also see Comment of the Day on September 14th for more details.)

Email of the day (4) - on oil's change from backwardation to contango:

"What does this change in the Crude price moving from backwardation to contango in the last month or so (if I read it right) actually mean if one is largely overweight in energy?

"Does this mean that the early contracts display tightness against the longer out contracts and so show there is good support for the price at the terminal?

"Where does this spot tightness -if it is so- come from? It seems there are too many moving parts (refining capacity bottle-necks, Iran jawboning, OPEC manipulation etc) to learn much from this chart, except that -in Buddhist terms- "it just is".

My comment - This chart of oil's backwardation shows us that supply is tight from the near month to the far month which suggests that the price is well supported in the short-term. It is difficult to say where this tightness is coming from but I suspect it is a combination of all the factors you mention and the increasing cost of extraction.

This chart of oil's contract curve is possibly more illuminating because it shows that the entire oil curve out to 2015 is in backwardation, (it's the same for Brent). This suggests that the market is pricing in longer-term tightness over the coming years which is bullish over the medium to longer term. However this is not game, set and match. Copper is also in long-term backwardation across the curve but the price has been consolidating for more than a year, although looking much more promising recently. It does suggest that there are plenty of buyers at lower prices though, so these commodities should be limited to medium-term corrections, when they occur, rather than outright reversals.

Email of the day (5) - on Monday's gold purchase:

"Why did you buy gold yesterday? On the daily chart the rsi is way overbought and there is a non-confirm on the price, the macd and the histogram

"While the weekly appears to have a fair bit of upside, the weekly stochastics are a mite toppy here.

"Were you caught up in a short-term mania?

"I was thinking of exiting a few here to wait for a return to the 715 area or maybe 700. I'd be a heavy buyer at those levels.

"The same goes for my oil positions; I'm expecting at least some consolidation here and possibly some correction ... 75 or so?

"I'm a recent subscriber, but you guys have now replaced the facile drivel headed up by Humphries and Naughtie which used to be my coffee accompaniment. But why just the short spiel? Allow your thoughts to develop and subjects to ramble."

"Keep up the high standards guys! Thanks"

My comment - Welcome to the Collective and I am delighted to hear that you are enjoying the Service with your morning coffee. Congratulations on your timing which obviously demonstrates your cool headedness.

When I was in China I saw that the gold market went through a brief consolidation for one week following the impressive move upwards from the mid-August low and through resistance near $700. In my opinion, Friday's upward break was a justifiable trading signal and I decided to participate on Monday morning. That looked smart for about half a day but buying back 50% of the position which was stopped out a week ago was probably a mistake. It left me more leveraged to the downside that I wanted to be, so in that regard yes I probably did allow the mania to get the better of me.

I agree that gold was looking a bit overextended in the short term, but I also believe that the upward break to new high ground was significant and as long as it can hold the gain we can probably give the benefit of the doubt to the upside. Personally, I will look to re-enter the market when I see evidence of firming.

Oil is consolidating in the region of the prior high which is not unexpected and would need to sustain a move below $75 to hinder scope for further upside in the short term.

Eoin's personal portfolio: MSCI Singapore long stopped out a profit - As I mentioned yesterday I raised my stop in the MSCI Singapore index, this was triggered today at 465 against my rolled forward purchase at 448.60 on September 226th. My initial long was bought on August 20th at 409.

Today's interesting charts - The Chart Library has a large number of charts of gold, oil and indices in different currencies.

Nasdaq Composite - sustains the break above the July high and would need to sustain a move below 2650 to limit scope for further upside. (Also see the review of Technology and Telecom stocks in Comment of the Day on September 20th.)

Hong Kong - posts a large key day reversal which probably caps the advance at least in the short term. It would need to sustain a move to new high ground to reaffirm the uptrend.

Singapore - similar to Hong Kong above.

Copper - testing the top of the six-month range and a downward dynamic would be needed to question scope for an upward break and at least a test of the high near $4.

Lead - breaks upwards from the three-month range and would need to sustain a move below 3350 to limit scope for further upside.

Bulgaria - accelerating towards the psychological 2000 level at rate unsustainable beyond the short term, but a downward dynamic will be needed to check momentum beyond a brief pause.

**Thursday 4th October 2007**

Eric Kraus: Russia's New Asian Century - My thanks to Eric Kraus for this article, which first appeared in the Moscow Times. It is interesting, gratuitously anti-American and controversial, although perhaps least so in this brief section:

Like Russia itself - not one of those countries now enjoying a spectacular transformation from half-starved agrarian backwater to economic powerhouse in a single generation succeeded by the strict application of the liberal IMF Washington Consensus; instead, all have employed some mix of free markets and State Capitalism - rejecting equally the dogmas of Marx and of Adam Smith.

It is only to be expected that these New Economic Powers will increasingly define a new and fundamentally pragmatic economic and political ideology, with abstract concepts of democracy and extreme economic liberalism seen at best as luxury products, at worst as a recipe for chaos. In what has recently been described as "The World Without the West" the new thinking is not so much anti-Western as it is a view of the West as gradually becoming irrelevant as the world enters into a period of intense and globalized economic competition. A vital side of the BRICs quadrilateral, Russia has already benefited enormously from the rapid growth in global commodity demand - and her New Asian Century is just beginning.

My view - Russia is riding the crest of the industrial resources boom and even the most moderate Russians understandably do not like being patronised by Washington over the collapse of the former Soviet Union. For this reason, not to mention NATO, Russia will continue to look East, as do all resources-based economies. Any sensible multinational company will be similarly focussed. Culturally, Russia's ties are with the West.

Russia's stock market is in generally good form, although it has lagged way behind the performance of other developing resources-based markets since mid-2006, due to legitimate concerns over the rights of minority shareholders.

Charges aside, Eric Kraus' Nikitsky Fund is probably a good way to invest in Russia, not least because he spends so much time there and is obviously a political animal. What he will not acknowledge is that he can criticise Washington from anywhere in the USA, in absolute safety. However were he to similarly criticise Vladimir Putin's government from within Russia, he and his fund would be uninsurable.

Email of the day (1) - On indices relative to their 200-day MAs:

"A couple of comments/questions:

"1. Many of the national indices in the chart library show sharp V corrections and are back at or above their prior all time highs and close to the gap between price and the 200 day MA as at the time of the last all time high. Is it Groundhog Day? If the market was nervous about the price/200MA gap before, I would imagine it has cause to worry again given a particularly swift return to these high prices. Do you agree with this or what do you believe should give us cause to think differently?

"2. I notice the FM library Backwardation/Contango chart of LME Nickel Spot-3 Mths Nickel has gone negative since late July, the first time since early 2006 which was around the time we had the accelerated price increases for nickel. Is this current negative relationship highlighting a potential recovery in prices?"

My comment - These are interesting questions.

Regarding the first one, I'm not sure that the market crowd was nervous about the price / MA gaps before, since the crowd had driven many markets to those somewhat overextended levels. However some of us were concerned about the scope for a reaction, not least because of the coincidental deterioration of bank shares in many markets.

To address your question, let's look at this weekly chart of Australia's AS51 Index and consider both similarities and dissimilarities with the mid-July period, before the shakeout occurred, based on both this chart and broader technical and economic developments.

Commencing with the chart, as you pointed out we have an overextension relative to the trend-smoothing MA which is not dissimilar to other occasions when gravitation back towards the MA occurred. Therefore it would not be surprising to see the AS51 range sideways and possibly somewhat lower before long. However, I regard this as a small risk because the latest rally has been brief and would have included short covering.

In other words, recent strength does not resemble the persistently long bandwagon rallies, which suck everyone in, as we saw earlier in this trend before they were interrupted in March 2005, May 2006 and July 2007. Additionally, the recent reaction will have shaken out many nervous holders, and while some people may now decide that 'it is never wrong to take a profit', the prior shakeout should leave the market less vulnerable today, assuming the broader technical and economic background has not deteriorated further.

Inevitably, assessing these latter factors, particularly economic items, is more subjective than commenting on the price chart. Nevertheless, I am also happier about stock markets today than in June and July because bank shares are mostly rallying rather than declining. Provided financials continue to improve, and this is a very important proviso as I have said before, most stock market indices should range sideways to higher through yearend and probably well into 1Q 2008.

With the USA and developed European economies slowing, there is clearly some risk to global GDP growth, as I have said before. More importantly, I believe, short-term interest rates have peaked in these regions and perhaps elsewhere. Liquidity is abundant once again and likely to remain so for at least the next few months.

Regarding your second question, we most definitely can not assume that nickel will go higher just because the contango has returned. It has returned because LME warehouse stocks are rising. However I believe this is temporary, and that Nickel is bottoming out and support building following a significant medium-term correction within its secular bull market. The more difficult question concerns the length of this support building before a sustainable uptrend resumes. It is impossible to know but I believe nickel will be well on its way to testing and eventually breaking its all-time highs when warehouse stocks are declining once again and the backwardation has returned.

Email of the day (2) - On my portfolio in the event of a bear market:

"Firstly, let me just say how useful and reassuring you and Eoin's objective and insightful commentary has been over the last few turbulent weeks. Looking ahead, I would be very interested to know what your options might be with regard to your investment portfolio in the event of the onset of a bear market at some point in the future. Would you hold on to your favourite long term investments or sell them in the hope of buying back at a cheaper price?"

My comment - Thanks for your thoughtful comments.

Twice in recent years - April / May 2006 and earlier this year, when the possibility of a global stock market correction appeared high or at least a series of choppy reactions looked increasingly likely, I have advised subscribers that I would not sell any of my personal long-term investments. My reasons were straightforward: I remained a long-term bull of my investment positions; I could (and did) partially hedge (asymmetrically); I felt the investment portfolio would bounce back quickly and most of all, I did not feel that a bear market was imminent.

Fortunately, the portfolio did bounce back quickly in both instances, and beyond my most bullish expectations last month. One could say that this was lucky, given the meltdown of Western financial shares, the sub-prime credit crisis and widespread forecasts of a bear market. Perhaps, but my portfolio was invested in the strong globalisation themes, not the risky, underperforming areas. Also, there are inevitably many more short-term reactions than medium-term corrections, and many more medium-term corrections than bear markets. The latter are a rare occurrence, at least on a global basis.

Regarding my strategy in the event of a future bear market of global proportions, which will occur at some point, I have often said that my goal would be to cash up significantly, if not entirely. This presupposes that I would be clever or lucky enough to see the bear market warnings in time. I do not take this for granted, not least because first there will be a reaction, which morphs into a correction, which morphs into a bear market. Once the latter becomes obvious, it is almost too late to sell. And if we jump at every shadow, we will sell too often and too soon, and miss a large portion of the upside.

For the last two years, my best guess has been that we would be unlikely to see a global bear market for equities before 2009-2010, at the earliest. More importantly, we can all look for warning signals.

For instance, I suspect that a bear market could emerge during the next round of global interest rate hikes and soaring yields for long-dated government bonds. They would constitute by far the greatest danger in my view. Other contributing factors could be a freefall for the US dollar, although on its own that need not trigger more than a correction, provided it is handled properly by central banks. Oil and food price spikes, which we are likely to see, could also play a role.

Meanwhile, I think the risk of a global stock market bear trend has declined for the medium term, following the July-August drama, provided recently underperforming bank shares do not take out their lows of the last two months.

If only to cover all bases, there is the outside possibility of an exogenous shock, but this would have to be of biblical proportions to trigger more than a reaction or correction. Consequently it is not factored into my risk calculations.

Lastly, so that we are all using the same terminology, I would not regard a decline of 20% or even 30% as a bear market. These reside within the range of short to medium-term corrections, in my view. The infrequent but very destructive bear markets that I hope to avoid fall considerably further and are slow to recover.

Email of the day (3) - On Brazil and Argentina:

"David, I know from your writings that you are very bullish on the long-term outlook for the emerging Asia nations. What is your opinion concerning Brazil and Argentina? I would think that both have commodity driven economies which would do well in this current environment. How does their outlook compare with Asia?"

My comment - Yes, because their fortunes are intertwined, as I have often mentioned before. There is plenty on this subject in the Archives.

My personal portfolio: More gold stops hit; also NZD long and platinum long position reduced - In gold, equal-sized longs in the December contract were triggered at $730, against longs purchased at $696, $724.5 and $741.9, against purchases on 23rd July, 18th and 28th September, respectively. This reduced my gold longs by 75%. My NZD long against the USD for March was stopped out at NZ$0.7420 against my purchase at NZ$0.7317 on 20th September. Rather foolishly, when gold was weak earlier today, I decided to pare my platinum longs, taking out the more expensive purchases. I sold half my position at $1365 and $1364.8, against purchases at $1368 and $1360 on 27th September and 3rd October, respectively. These prices include all spread-bet dealing costs.

My tactics are probably too conservative and I am impressed by the way these markets closed today. The longer-term charts remain very bullish and the recent reaction and consolidation appears to be ending. I'll be upping my leveraged exposure once again, commencing soon.

Email of the day (4) - On Swiss gold, turning bomb shelters into wine cellars and vaults, to the benefits of counterfeit paper money:

"I just received an e-mail from the Swiss National Bank. Boy, are they respectful and efficient!

Bills in circulation CHF 287 million, with a value of CHF 37.8 billion.
Coins in circulation: CHF 4.4 billion, with a value of 2.5 billion.

Gold stock end of 2006: 1290 tons.
Decision to sell a further 250 for 2007.

Has sold since 1998 1300 tons.

"Conclusion: if you add 37.8 billion in bills plus coins 2.5 billion, one gets approx CHF 40 billion in circulation. The discrepancy with World Gold Council's statistics is probably due to the year taken and currency that was retired. The Swiss will have at the end of 2007 1050 tons of gold left if all the 250 tons earmarked for sale are sold (God knows why).

"My previous calculations remain more or less exact / ton = 31000 oz x 1050 = 32.580.000 oz at $730/oz actually gives us $23.70 billion, at 117.20 = 27.85 billion Swiss francs for 40 billion in circulation = gold coverage = 69.5% (more or less a 5% variation of current price).

"The question people ask me now is not where gold might go to, but where to buy it, how, in what form, or how store it to be safe from panicked government confiscation…

"My answer: in your Swiss home's atomic bomb shelter actually converted into a wine cellar and now to be converted into a vault…

"For your information, currency in circulation is published in Barron's, in the Federal Reserve Data Bank section every Monday with treasury statistics on gold, etc....

"You are quite right: the amount is probably much higher due to counterfeit.

"Just before the new $100 bills were printed and issued, it was calculated by very serious sources that more than $60 billion had been fabricated in Iran and North Korea. The dilemma at that time was that the bills were not only perfect, but circulated outside the US and therefore posed no problem domestically. The problem arose on whether this would change if the Treasury department received these counterfeit bills and exchanged them for the new bills. If they refused it would probably create a complete collapse of the Middle East economy as well as of the ex Eastern European economy.

"I never knew what decision had been taken, but I suspect from the silence of my same sources that the counterfeit bills were exchanged for the new bills discretely and circulate outside the US as before.

"If you remember the university days, an event quite similar was used as a classical case having to do with a late 19th century Portuguese counterfeiter who became Minister of finance and ordered excessive amounts of Portuguese money from an English banknote company. As students, we were to debate on whether or not this excess, although illegal, had or had not benefited the economy of the country!

"Last point to make you smile: if Isaac Newton put his finger on the historical and psychological necessity of a currency to be backed 50% by gold to maintain its credibility, he of course did not have a capacity to estimate the effects of credit cards. One could consider the use of these cards as currency in circulation in which case the gold backing necessities would be incalculable!

"In the meantime, bravo for your steadfast appreciation of India and China from a deliriously happy owner of your suggestions."

My comment - Many thanks for this erudite and charming email. I loved it!

Additional Commentary by Eoin Treacy

Email of the day (1) - on a comprehensive review of major Canadian oil sands companies:

"I enjoy your service, and your insights have benefited me greatly. I have noted that Fullermoney has been consistently bullish on natural resources over the past few years -- I have found (in my own research) that it is difficult to find, currently, a relatively comprehensive overview of the firms operating in the Canadian Oil Sands Industry. So here is an overview of the Canadian Oil Sands -- with firm-specific information (I think will be interesting to your readers):

Canadian oil sands are a type of heavy oil resource, mixed with sand and water which forms a substance which resembles an "oily mush." The bitumen from the oil sands -- chemically long hydrocarbon chains that are close in structure to those of asphalt -- can be upgraded, after separation from the sand and water, to syncrude (a type of heavy oil), which then can be further refined to gasoline, jet oil, and other premium petroleum products. The majority of Canadian oil sands are located in the Athabasca region of Alberta, an area covering approximately 30,000 square miles, but significant oil sands deposits are also found in the "Peace River" and "Cold Lake" deposits, which are are also located in Northern Alberta but in distinct regions from Athabasca.

Note also, there are large oil sand deposits in Venezuela and Russia, but this analysis only covers the Canadian oil sands.

Oil Sands Majors:

Canadian oil sands production is up and running currently (in contrast with Venezuelan and Russian oil sand deposits, which are also very large but are not developed), with the majority of the production coming from four firms: (termed "Oil Sand Majors" here):

1. Syncrude -- a consortium of oil majors and the managing Canadian partner Canadian Oil Sands, Inc, which produces approximately 361,000 barrels of syncrude a day (at 6/07) mainly through mining methods

This excellent review of the major oil sands companies and the relative merits of mining versus in-situ extraction methods by Randy Kirk continues in the this pdf.

My comment - I agree that the long-term potential for the oil sands is very much tied to the secular bull market for energy. Since we are very much in this camp, these companies probably represent good long-term value. However in the short to medium-term they are probably more likely to range than trend. This is because the oil price is consolidating its impressive gains and Alberta is experimenting with a new royalty / taxation system. There remains a large degree of uncertainty as to the impact these taxation changes will have, particularly on the larger companies already in production.

Canadian Oil Sands Trust rallied impressively between mid-2004 and May-2006 to a peak of C$38.59. It has been in a corrective phase since, which bottomed between October 2006 and April 2007 at C$25. While it has rallied well from this area and is currently consolidating beneath C$35 it needs to sustain a move to new high ground to reaffirm the overall uptrend.

Suncor also rallied impressively before peaking in early 2006. It remains in a corrective phase which bottomed late last year above C$70. It is now consolidating beneath the high and would need to sustain a move above C$100 to reaffirm the overall uptrend.

Imperial Oil broke upwards from an 18-month consolidation in mid-May but fell foul of the global stock market rout in late July. It has since rallied back to test the high near C$52 and needs to sustain a move above that level to reaffirm the overall uptrend.

Email of the day (2) - on the bullish case for wheat from one of our best sources:

"With regards to the Bloomberg story on wheat, this is the same bearish argument as they had last week. The price of wheat should go down because there will be lots of it by next summer. These people should get the Nobel prize for eradicating world hunger. You simply feed next year's wheat to today's starving . It's called pre-eating. With the Australian crop being the latest to implode (from 26 mln. tons to 11) the world balance sheet is totally broken, and someone somewhere will have to do without. Last week there were food riots in Morocco, because of a 30 % increase in the price of wheat. Within 5 days, Morocco bought 350,000 tons. You can't substitute enough rice, because the world rice stocks are at 30 year lows, just like wheat. Given an exorbitant price and rioting people, guess what governments do? To give you an idea how precarious the U.S. wheat balance sheet is , U.S. export sales are now almost 24 mln. tons, out of a projected 29 mln, with fully 8 months left in the crop year. Between now and next summer the available exportable supplies from all origins are far below the import appetite, even at these prices . At the current pace we will be sold out in less than 3 weeks. And that will put U.S. stocks at minimum pipeline levels. Durum wheat recently traded in the U.S at $ 17.50 a bushel. No, that is not a typo. I hope the Bloomberg crowd don't plan to eat pasta next spring, because that price tells me that there may not be any."

My comment - This extremely knowledgeable grain specialist contributed a notable piece which appeared in Comment of the Day on August 15th and was right-on-the-money.

At present the US listed wheat contract is consolidating its upward break from the short-term congestion area and needs to sustain a move above 950¢ to reaffirm the bullish case.

Milling wheat listed on Matif accelerated to a high near E300 in a Type-1 as taught at The Chart Seminar ending in early September and remains in a corrective phase. It needs to sustain a move to new high ground to reaffirm the overall uptrend.

Wheat quoted on Liffe also posted a Type-1 ending, accelerating to a high £192 before correcting. It also needs to sustain a move to new high ground to reaffirm its uptrend.

Mineweb.com: BHP and Rio both to push for freight premium for Aussie iron ore shipments to China - Thanks to a subscriber for this article from Mineweb by Lawrence Williams which highlights a potential bonus for BHP Billiton and Rio Tinto if they succeed in their negotiations with the Chinese on iron ore pricing for the next year. Here is the article in full.

Reports from good sources in Australia suggest that this year BHP Billiton and Rio Tinto will both demand premium prices for their iron ore shipments to China based on the freight cost differential between iron ore shipments from Brazil and those from Australia. If these differentials can be negotiated with the Chinese, then the effective price increase for Australian shipments could be as much as around 20 percent over and above whatever other price increase the miners might receive.

Currently China receives the vast bulk of the iron ore shipments necessary to feed its ever growing steel industry from Australia and Brazil, with BHP Billiton and Rio Tinto dominating the Australian deliveries and CVRD those from Brazil. In effect, the Chinese are currently paying considerably more fro Brazilian output, even though the fob iron ore prices are the same. The balance is made up from the freight cost differential because of the extremely long shipping route from Brazil.

BHP Billiton has raised this possibility in previous negotiations with the Chinese (and Japanese) steel mills, but this idea had been thrown out by the mills and without a stand from Rio Tinto on the same issue, BHPB had to concede.

Mineweb did touch on this issue in the article 'Forget gold and base metals - iron ore may be the place to be' but the latest reports from Australia that the two mega companies will probably both take a similar approach makes the whole scenario more likely.

If the Chinese agree reluctantly to a landed price for iron ore equivalent to the landed price of Brazilian material, analysts feel that the effective price increase likely to be achieved by the Australian miners would be 50 percent or more, which would make a huge impact on profits even for the big diversified companies. If such a price increase flows through to the smaller iron ore mining companies, where iron ore may be their main product, then the impact on profits, and on share prices, could be enormous.

Chinese steel mills, which have seen iron ore prices rise dramatically over the past few years, have been the victims of their own success as it has been their demand which has led to the iron ore price increases. With their appetite for iron ore seemingly unstoppable short of a huge worldwide recession, the outlook for iron ore producers remains among the best for any metal.

My view - I do not believe that this eventuality has been priced into the shares of Rio Tinto (RTP in the USA) and BHP Billiton because it seems like such a long shot. However these companies along with CVRD have succeeded in negotiating significant price increases in the last three years so they may be able to pull this off. If they can, the resulting jump in company profits will swiftly be reflected in the share's prices.

Email of the day (3) - on confusion between Rio Tinto and CVRD:

"With regard to your mention of an English report on BHP and Rio Tinto, I thought it may confuse North American subscribers. It should be noted that the stock symbols on the NYSE for Rio Tinto and CVRD are confusing RIO on the NYSE is NOT Rio Tinto

"RIO = Companhia Vale do Rio Doce (commonly called CVRD)

"RTP = Rio Tinto PLC ADR (the American Depository for Rio Tinto)"

My comment - We never refer to a company by only its ticker so when we refer to Rio Tinto we only ever mean Rio Tinto and when we refer to CVRD we will always use its name or that acronym. However I can understand where the confusion lies so from now I will refer to Rio Tinto as 'Rio Tinto (RTP in the USA)'.

Email of the day (4) - on backwardation:

"Please elaborate a bit more on backwardation.

"Should say the oil curve "normally" not slope upwards? Buying near-term plus storage/funding = higher prices further out?"

My comment - You are correct to assume that most commodities will normally trade in a contango because in a market where there supply more or less meets demand it is in the interests of sellers to get inventory off their books and sell near-term contracts cheaper. However when supply is tight, you will see it move into backwardation, in the short-term, because buyers doubt they will be able to secure enough to fulfill their needs. When a market goes into backwardation right across the curve it indicates that buyers are attempting to secure inventory at today's prices because they believe the tight situation will continue for the foreseeable future and they may not the get the chance to secure these prices going forward. This puts pressure on prices right across the curve.

Here is the oil curve I posted yesterday which suggests that market participants believe that the market will be tight from the short-end to the long-end of the curve. Six months ago they didn't believe that was the case. This chart shows the short-end of the curve in contangoe while the long-end remained in backwardation. This corresponded with a time when there was a high degree of uncertainty about whether oil could reaffirm its uptrend right away, or whether it would take a number of months. The fact that the long-end of the curve remained in backwardation indicates that the majority of longer-term investors were still willing to bet that the price would eventually break upwards.

We can contrast this with the outlook for wheat 1-year ago relative to now. Only 6-months ago, almost the entire curve was in contango because no one really believed in a long-term bull market for agricultural commodities. Today the curve is a completely different shape, with even the long-end of the curve up 125¢.

These examples indicate a market can go into backwardation when there is a temporary shortage and that the actual consumers / users of the commodity are forced to pay up rather than wait for later delivery. It will go back into contango once that supply shortage is over, but in secular bull that may take quite some time. I reiterate that this does not mean that prices cannot correct but it does suggest that corrections should be limited to the medium-term rather than outright reversals.

Email of the day (5) - on Amex Goldbugs in different currencies:

"Suggestion for addition to Chart Library: Amex Gold Mine Index HUI (or similar) in other currencies, esp. sterling.

"Thanks."

My comment - I have added charts of the Amex Goldbugs in 12 different currencies. These are the British Pound, Euro, Japanese Yen, Swiss Franc, Australian Dollar, New Zealand Dollar, Canadian Dollar, South African Rand, Singapore Dollar, Korean Won, Indian Rupee and Chinese Yuan. The index is performing best in Japanese Yen and South African Rand, where it is consolidating having moved to new high ground.

The Amex Goldbugs Index rallied impressively from it's mid-August lows to break above the 18-month range and test the high at 400. It now appears to be consolidating that move and needs to sustain a move above 400 to reassert the overall uptrend.

Email of the day (6) - on additions to the Chart Library:

"Could you please add the following to the steadily improving Library?

1) DWS Singapore Equity Fund A (ISIN 9999004923)
2) JP Morgan JF China Fund A
3) Hang Seng H Share Index IDX ETF (2828)

My comment - Thank you for these interesting suggestions which I have added to the relevant sections of the Chart Library.

Email of the day (7) - more additions to the Chart Library:

"Could you add the uranium futures price to the Chart Library. That's the futures price on the New York Mercantile Exchange."

My comment - I have added this contract to the Energy section of the Chart Library although it is very illiquid and bears little resemblance to the spot chart.

Today's interesting charts - To change the order of your selections in your Favourites section of the Chart Library pull up your Favourites list, deselect all of your options by clicking in the boxes on the left-hand side, then reselect each one in your preferred order. Then refresh the page. The whole process should take very little time.

FTSE 350 Banks - the positive action over last two days breaks the medium-term downtrend and the Index would need to sustain a move below 10,000 to question scope for further higher to lateral ranging.

Germany - continues to edge upwards towards the psychological 8000 but it needs to sustain a move above this level to reaffirm the overall uptrend.

India - remains temporarily overextended but would need to sustain a move below 17,000 to question scope for further near-term upside.

**Friday 5th October 2007**

Jackson Wong: Finding Gems in Siam - My thanks to colleague Jackson Wong of Investors Intelligence for another of his timely share reviews. Here is the introduction:

This report identifies stocks that have exhibited positive price trends and relative strengths (RS) within the Thailand SET universe.

Thailand equities have been underperforming the rest of Asia since 2006. Over the past year or so, the Thailand SET index has lagged behind the MSCI Ex-Japan index by 32%, as one may see from Exhibit 1. This relative underperformance was caused by the political turmoil after the sale of Shin Corp in the early part of2006.

In dollar terms, however, the performance of SET is notably better. This is due to the appreciating Thai Baht. Exhibit 2 compares the dollar and local returns of the SET index, rebased to 100 at 1990. According to this chart, US-based foreign investors who have stayed in Thailand during the 1997 crises would have recouped most of their losses.

For this report, stocks that have showed rising price and relative trends since 2006 are grouped under the Main list. And rather than creating the B and C List as in the Japanese report, we have created a Reserve list.

Specifically:

Main List: includes stocks with rising price and RS against the SET index, especially over the last two years.

Reserve List: includes stocks with weaker price and RS than the ones in the Main section. This relative weakness can manifest in several ways, primarily through, 1) the RS does not confirm the price rally and vice versa, and 2) both the price and RS are in medium-term corrections. In addition, I have inserted a number of stocks that have incomplete price data, indicating low liquidity, but still showed long-term positive price trends.

Out of the 464 member stocks in the SET, I have identified 18 stocks for the Main section and 15 for the Reserve section, a total of 33 stocks. They are listed in Table 1 alphabetically, where I provided some characteristics of the selected stocks, including their year-to-date gains, market capitalizations, price-earnings ratios, beta and a short description of their underlying businesses.

From this list, it is noticeable that the large cap stocks in Thailand have been doing quite well, forming a large number in the Main List. In contrast, the market capitalization of the Reserve List is generally smaller. I also notice that a number of hospital stocks have made it onto our lists, a feature perhaps unique to Thailand.

My view - This is a very informative report by a diligent researcher. Relative strength in an arguably inexpensive market is always interesting, not least in this context if you assume, as I do, that Thailand's political problems are temporary.

Subscribers can monitor these shares, indeed the 464 Thai stocks mentioned above, in the customisable Chart Library. We already have in-depth coverage of many stock markets, including the majors, and are steadily expanding our global coverage.

Email of the day (1) - On 'rampant decadence' as a sign of market tops, and a prodigal cousin:

"I first attended your Hong Kong seminar in 1988, and once again in May of this year. They rank as the first and second best investment seminars I have ever been to. I had wanted to write earlier but was lacking the proper words to express my feelings. It finally dawned on me just yesterday that I attribute 70% of my trading success to you. I cannot begin to thank you enough for what you have taught me all these years, and I am truly grateful to my guardian angels for sending you in my path. This is not flattery.

"As for the other 30%, there are many obstacles in the fray that could cause great damages to performance. I strongly believe that personal reasons, namely, family relationships and health status are the two most that influence one's psychological well-being. That had in fact been the most complex hurdle for me. Henceforth, it would be most rewarding if Fullermoney can allocate more space to discuss 'personal investment psychology'.

"I mentioned during our coffee break at the Mayfair that rampant 'decadence' is a sign of ultimate market tops. Since the following true experience may not be repeatable in the forum, I have put it in this attachment. However, you are welcome to share this with Eoin so that he can lookout for such telltale signs (with the permission of Mrs. Treacy of course) when he visits China.

"In the late eighties, the Taiwan Index went from 946 to 12,424, mustering an increase of 1,213% in a little over 3 years. A cousin of mine, like many others during mania periods, left his bank manager position in Taipei to become a full-time stock trader. He had parlayed his original investment of $0.5million to $100million. I visited him over Christmas in December 1989, and he took me to a hostesses night club of which is still a popular entertainment in East Asia. When I entered the VIP room, quite a few of his trading buddies were already there. To my disbelief, [*Ed: I will spare you the details, gentle reader, as this is a family site*]… If that is not 'decadence', I don't know what history book can provide better examples. As you would know, the market top happened in January 1990, and the index went back down 2,560 in October of the same year.

"I am thrilled today to read that you have no plan to retire. Good health, good fortune and may the gods shower you with blessings!"

My comment - Many thanks for your most generous comments. I will just add that as a long-term subscriber you are participating in a journey during which we all learn, often from each other, and speaking from my own experience, sometimes have to relearn lessons.

I suspect Eoin may be reluctant to take up your suggestion of sociological research in hostess night clubs, and sensibly confine his "decadence" to an extra portion or two at some of China's outstanding restaurants.

I strongly agree with your second paragraph including: "…personal reasons, namely family relationships and health status" are key influences on "one's psychological well-being". I would add that in my observation, nice people who live well-balanced lives tend to last longer in the investment field or any other. You are among them and met others at TCS in May, and there will be more at future seminars.

I note your interest in "personal investment psychology", which is part of the overall behavioural themes that influence the Fullermoney approach. For me, this starts with giving oneself realistic personal goals, rather than target numbers. For instance, I have found that it helps to ask reasonably frequently: How can I do what I do just a little bit better? If we get that right, the numbers eventually follow.

Lastly, on the subject of not retiring, I was inspired while at the Royal Festival Hall last Wednesday by Kurt Masur, masterfully conducting the London Philharmonic Orchestra (check the reviews) during Beethoven's 5th Piano Concerto, featuring Maurizio Pollini, followed by a particularly inspired rendition of Shostakovich's 5th Symphony. If an octogenarian can do that, there must be hope for somewhat younger global strategists or anyone else who aspires to grey power. And if I were to retire, I could never reach my prime in this agreeable profession.

Rod Smyth: Raising Stock Weightings In Line With Our "3 Rules" - My thanks to Rod Smyth and colleagues for their fine investment report, published by Wachovia Securities. Here is the opening:

We raised our stock weightings to a slight overweight last week (see Asset Allocation Models on pg. 3) by adding to emerging markets. Although there is still plenty to worry about, since our first two investment rules for stocks are positive we no longer want to be underweight stocks. To recap, our three rules are:

1) Don't Fight the Trend: The S&P 500's 200-day moving average, our proxy for the primary trend, is still rising and the index broke out above overhead resistance at 1500 last month.

2) Don't Fight the Fed: The Fed is in easing mode after more than a year of holding rates unchanged and doesn't appear to be overly concerned about inflation. The core-PCE price index decelerated to 1.8% year-over-year growth in August from a peak of 2.5% in February and is now within the Fed's 1-2% comfort range.

3) Beware of the Crowd at Extremes: Sentiment had become extremely pessimistic in August, based on the Ned Davis Research Crowd Sentiment Poll. It has since risen and entered the optimistic zone last week.

Email of the day (2) - On Japan and Cameco:

"I thought the piece Friday by Jackson Wong on Japan was very interesting. I presume it's too much to hope that someone can suggest a good US fund that holds many of these issues? I have been investing for 40 years and I have yet to run across good research on Japan so if someone has an idea that also would be helpful. Also, strikes me you owned shares of Cameco in your trading account and you got stopped out. Last week I saw you had Cameco in your long term account. Do I have it correctly? Many thanks for your coverage of many diverse areas of investment."

My comment - I can't answer your fund question, although several are listed in the Chart Library, but you could cherry pick a share or two from Jackson Wong's fine report. Cameco is in my long-term investment account, and yes, I did temporarily have a leveraged spread-bet trade in the share which was stopped out for a small profit on 27th June, as I reported.

We are the champions - My thanks to Prieur du Plessis for this delightful YouTube item.

Email of the day (3) - On government bonds and gold:

"I would welcome clarification on a couple points on longer term holdings:

1. I have got the impression that you do not favour Govt. stock as a long term component of a portfolio. If so why as I had thought it represented a good risk diversification to counteract share volatility?

2. What are the pros & cons of holding gold via ETFS v ML Gold fund or similar fund. Is there a role for holding bullion other than ultra conservativism?

"Many thanks for your & Eoin's insights & informative analysis."

My comment - Thanks for the feedback.

Your perception is correct - I have repeatedly stated that long-dated government bonds completed a secular bear market in June 2003, when they commenced a lengthy base building process for yields. Briefly, there is too much supply and we have entered a long-term cycle of gradually and erratically rising inflationary pressures, led by commodities. You will find much more on this in the Archives - try under 'secular bear' or 'June 2003'.

I take you diversification point and you should select the portfolio that suits you. However diversification for diversification's sake can equate *diworseification*.

Regarding gold, bullion ETFS are the most conservative way to participate, unless you want the actual bars to store in your Swiss fallout shelter / cum wine cellar / cum vault (*see yesterday's Email of the day 4*). The shares have gearing but are more speculative since many things can go wrong, affecting profits. Mining shares are also wasting assets so they need to have long-life reserves to be more than medium-term trades. I do hold the Merrill Lynch Gold and General Fund that you mentioned.

Alex Seagle's Ruminations of The Contrary Investor: Power to the People - My thanks to Alex Seagle for the latest edition of his report, published by Fraser Management Associates, which is always a good read. And I'm addicted to the final quips; here is a sample:

When I die, I want to go peacefully like my Grandfather did, in his sleep - not screaming, like the passengers in his car.

I would welcome feedback on Alex Fraser's Annual Contrary Opinion Forum, if any readers have attended.

My personal portfolio: Silver long trading position partially reopened - With precious metals apparently steadying within a short-term consolidation, I commenced reopening silver longs paying $13.53 for two separate purchases and $13.515 in the December contract. These prices include spread-bet dealing costs.

Email of the day (4) - On 'glitch' and my Topix Banks Index comment:

"First, thank you for your service, which I find both invaluable and enjoyable.

"However, I would like to point out what I think may be a glitch with the Chart Library. On the daily charts, the volume bars and the price bars tend to be slightly out of alignment (at least they are on my screen). This makes it difficult to see what price movement was associated with a note worthy spike or drop in volume. Is it just me having this problem?

"Second, can I ask you to expand on a comment you made on Friday about the Topix banks index encountering support? I can fully understand how a tradable entity, such as a stock or a commodity, encounters support and resistance at certain levels, but it is not apparent to me why this phenomenon should be present with the index of a sector (comprising a number of shares) which itself can't be traded. Surely few investors have an eye on the chart for the banks sector when considering what stance to take on individual bank shares? What in your view causes the index for a sector to encounter support and resistance at certain levels?"

My comment - Thank you so much for your thoughtful comments.

When I checked the volume on my screen there was no glitch and no one else has mentioned this to my knowledge. Please tell us if it persists.

Regarding the Topix Banks Index, why wouldn't investors interested in Japanese bands look at the index? Most of us use a top-down approach. Consider your home market. I suspect most people refer to their market being up or down on the day, defined by the index's move. They also talk about support or resistance levels for that index, imbuing these levels with at least minor psychological significance.

Now consider the Topix Banks Index. Last Friday I referred to lateral and psychological support in the 300 region, plus the upside weekly key reversal. The key is more important because it is a clear indication of support being encountered, whereas the other two factors were only logical areas of potential support. Lateral because people can see that the Index encountered resistance at three hundred on the way up, for over a year, before finally breaking decisively higher. The 300 level would have also been a psychological target on the way back down. Trends frequently pause near round numbers because they become reassessment points; you can see their influence elsewhere on this chart.

Email of the day (5) - On Tom Donaldson's top-10 yield plays:

"In today's commentary mention is made of Tom Donaldson's top 10 yield plays. If I remember correctly David mentioned a month or so ago that the provider of the last (Sept'06) yield plays (Tom, I presume) had offered to do an update. Has such an update been "bowled" to the subscribers and slipped past me to the keeper? If not then I for one would be most appreciative of such an update."

My comment - Why don't you search the site for 'Tom Donaldson'? An update of his yield picks, should he wish to share them, would always be of interest to many subscribers.

Tim Price: The Twelve Days of Crisis - This is brilliant. Published by PFP Wealth Management, here is the opening:

The Twelve Days of Crisis

On the first day of Crisis the markets sold to me
A sub-prime bankruptcy.

On the second day of Crisis the markets sold to me
Two structured notes and
a sub-prime bankruptcy.

On the third day of Crisis the markets sold to me
Three French funds
Two structured notes
and a sub-prime bankruptcy.

On the fourth day of Crisis the markets sold to me
Foreclosure loans
Three French funds
Two structured notes
and a sub-prime bankruptcy.

Quote of the week - On strategy and results:

"However beautiful the strategy, you should occasionally look at the results."
Winston Churchill

Additional Commentary by Eoin Treacy

Capital Link Forum: Dry Bulk Sector Analyst Virtual Forum - Thanks to a thoughtful pre-subscriber for this interesting transcript of an Analyst Panel discussion on the Dry Bulk Sector, dated September 5th. Here is a section:

I'll just get through some boring statistics here. The fleet growth for '07 is about 5.5%, '08 4.2% and '09 4.3% and as Urs and the others just pointed out, 5% to 6% is the demand growth. So no, over the next 12-18 months we don't see any danger of over-building.

Having said that, the total order book is about 45% of the overall fleet and clearly a lot of that is going to come in at 2010 and beyond. We also have the issue of the number of new shipyards in China opening up in 2010 and beyond. So I think while we don't see it as a concern yet, I think we do need to be aware and keep an eye on just how many vessels are going to be ordered in 2010 and beyond and what the order book is going to look like, so that we don't end up with a situation like we have in tankers with a very large order book and its completely swamping demand. So I think, from our perspective in a nutshell not in the next 12-18 months, maybe not in the next three years, but it is something to be aware of in 2010 and beyond.

Isabella Schidrich: Thank you, Natasha. Any other thoughts from the analysts?

Scott Burk: Yes, this is Scott Burk, I'll just chime in. So 2010 we were estimating a 10% fleet growth 2010. The order book for 2011 isn't full yet so I agree with Natasha's timing that 2010 looks like it might become an issue. But certainly China could keep up with all that supply increase, but that is a lot of tankers being, a lot of dry bulk stuff.

Natasha Boyden: It never hurts to keep an eye on it, right Scott?

Scott Burk: Yes, one other thing I'll point out is the dry bulk sector got kind of lucky in one sense, because the tanker guys ordered a bunch of tankers and filled up the order book through 2008 essentially in early 2006. I was trying to get ahead of the new CSR rules back in April '06, and so that basically set us up in the dry bulk space, where you had relatively small fleet growth for '07 and '08 and that's why then you've had demand to spend higher than expected and so that's why we've had such a great year this year, and that's why 2008 looks pretty good also.

Douglas Mavrinac: And Isabelle, this is Doug Mavrinac. I just wanted to mention one thing that you haven't mentioned yet. We've talked about the order book, but the one thing that we keep our eye on is not so much orders, new building orders for the next twelve months or deliveries, but the conversions of older, single-hull VLCCs that have been contracted to be converted to dry bulk carriers. It hasn't reached a point yet where it meaningfully should create an over-supplied market within the next twelve months, but it is something for those listeners and on the call, to be aware of and keep your eye on that there are other sources of increases to the global dry bulk fleet than just shipyard deliveries.

And

Let me get my crystal ball out here. I think again, you know, the billion plus people in China means that, you know, who don't want to be living a rural life anymore and want to move to the cities, it clearly means that China has a long way to go, but I think as Scott mentioned and we've talked about, the supply side I think is going to be the thing that probably brings the dry bulk shipping boom back down to earth because it seems to be…Unfortunately, ship owners tend to shoot themselves in the foot a bit. When things are good they tend to overbuild, and we've seen that in tankers, we've seen it in containers, and now we're seeing it in dry bulk. So I would tend to think that '08 and '09 are going to be very good years and we might fall back down to earth at the beginning of 2010. That would be kind of where we would start to worry.

My view - The Baltic Dry Index (p&f, monthly, weekly, daily) broke upwards in 2003 and rallied towards 6000, it then proceeded to range for the next three years, in what now looks like a prolonged first step above the base. The sustained break above 6000 in the second quarter signalled that the index was reasserting its uptrend. The index continues to look overextended but has done so for a number of months already and would need a clear downward dynamic to indicate that it is entering a corrective phase. (Also see Comment of the Day on May 2nd)
http://www.fullermoney.com/x/default.html?id=1053&schtxt=baltic

A number of shipping companies have been IPOed in the last couple of years and are performing in line with the Baltic Dry Index. Some of the leaders are profiled below:

Diana Shipping (weekly, daily) had a non-descript beginning to its trading life, falling from $17 to $10 by July last year. That marked the bottom and the stock embarked on an impressive uptrend which remains consistent. It is currently consolidating the break above $30 and would need a sustained move below $25 to break the progression of rising lows.

DryShips Inc. (weekly, daily) broke upwards from its year-long base in March. In the last six- months it has paused at $20 intervals and the pace of its appreciation is increasing. DryShips encountered resistance at the psychological $100 earlier this week; however it would need to sustain a move below $80 to question the integrity of the uptrend.

Eagle Bulk Shipping (weekly, daily) broke upwards in February and continues to have a progression of rising lows. The latest consolidation has been longer than the other two and it needs to sustain a move to new high ground above $28 to reaffirm the uptrend.

Genco Shipping & Trading Ltd. (weekly, daily) broke upwards in early July and has been advancing at a steadily increasing pace since. Having accelerated to a high just above $60 it moved into a two-month consolidation from which it broke upwards three weeks ago. It would need to sustain a move back below $60 to question scope for further upside.

TBS International (weekly, daily) started to trend in February and accelerated upwards to a high above $40 in late July. Following the August lows it quickly regained the highs and would need to sustain a move below $40 to question scope for further upside.

Quintana Maritime Ltd. (weekly, daily) started trending in January but it has had a much more inconsistent move that those mentioned above. It broke upwards from a brief consolidation in late July but failed to maintain the break and fell back to test the bottom of the range. (This is a classic example of a rule-of-thumb from The Chart Seminar. Once an instrument fails to maintain a breakout, there is a strong possibility it will fall back to test the bottom of the previous range.) Having found support near $15 it regained the high near $20 and broke upwards on Monday. It would need to sustain a move below this level to question scope for further upside.

Excel Maritime Carriers (weekly, daily) has more back history that those companies mentioned above. It accelerated to a high of $65.85 in 2004 and gave up almost the entire gain over the next two years. It found support above $7 last May and quickly broke the progression of lower highs. Since the move above $20 in April, the stock has accelerated to test potential resistance at the previous high. It would need to sustain a move below $52.50 to question scope for further upside.

Danaos (weekly, daily) also experienced a failed breakout in early August and has yet to regain its highs. OceanFreight Inc. doesn't have much back history but moved to a new high this week and the upside can be given the benefit of the doubt as long as it sustains the gain.

A number of these stocks are in consistent uptrends and are reasserting the bullish pattern following the August reaction. However while they look like they have further to go on the upside, they are best bought following reactions and it is well worth keeping an eye on the Baltic Dry Index for any sign that it may be losing momentum because it is likely to be a lead indicator.

GSI Asian Capital Growth Fund - Thanks to a subscriber for this report from the ever-interesting managers. Here is a section:

China and Hong Kong shares were the first to stage a recovery during August, while other Asian markets were still under selling pressure from the so called "through train" program whereby mainland China-based investors would be allowed to invest in Hong Kong markets. At the time of the announcement, we felt that full liberalization was not feasible. Even with capital controls, active underground money exchange operations exist in Hong Kong/Macau to siphon money in and out of China.

If all Chinese individuals were free to buy stocks in Hong Kong, money laundering activities would escalate in the Hong Kong Stock Exchange. Indeed, since then various Chinese government regulatory entities have gotten involved, and we believe the original idea is being watered down substantially.

Nonetheless, the resulting, initial strong surge in Hong Kong caught most fund managers off guard as many were underweighted in Hong Kong/China (~35% weighting in the MSCI Far East x Japan Index). Formerly, Hong Kong had been a major laggard among regional bourses. Buying by fund managers to address underweighted positions has recently provided a strong buying impetus, and other momentum players have jumped in.

We believe this trend will be short-lived as China has a number of major negative fundamentals, the most pressing ones being rising inflation and an overheated economy. Valuations are very expensive. The only positive is weight of money. Chasing market momentum stocks in China and Hong Kong is thus a risky proposition. Korea has better fundamentals.

My view - The Chinese markets has been closed for the mid-Autumn festival holiday all of this week, but the Shanghai A-Shares broke upwards a week ago and it remains to be seen whether it can hold the gain on Monday. Given that the market has been consolidating for much of the last month, I think we the odds are better than even that it can hold the gain.

I agree that Chinese stocks are expensive when compared with their global counterparts however the 2000 P/E peak was at 63 while today's levels are closer to 50. This indicates that the Shanghai A-Shares may still have further room to appreciate before they equate to valuations in 2000 and since this is a more broad-based move, valuations have the potential to become even move expensive going forward. If China's stock market is to continue on its way to forming an investment bubble, as it appears to be doing, then there remains further room on the upside in terms of absolute prices and P/Es

Hong Kong rallied 48.92% from its mid-August low and is looking overextended in the short-term. It posted a key reversal on Wednesday which checked the advance at least briefly. While today's action was positive and indicates the Index has found support in the very short-term it needs to sustain a move to new high ground to reaffirm the overall uptrend. The Index is certainly higher risk now than it was in August and it is best bought following reactions.

Email of the day - on a Hong Kong tracking ETF:

"I've hesitated emailing you due to your message backlog; however, this may be timely. China gapped down Wednesday after a steepening rise in the charts (looking @ FXI-US). I wonder what significance you attribute to the recent action?

"As always, your observations are much appreciated."

My comment - The iShares FTSE / Xinhua China 25 fund (FXI) tracks H-Shares and Red Chips (companies listed in Hong Kong controlled by shareholders in China) and is more or less moving in line with the Hang Seng. It also needs to sustain a move to new high ground to reaffirm the overall uptrend.

Eoin's personal portfolio: gold long partially re-opened and lead long opened - I have been dealing with a certain amount of self-recrimination having allowed myself to be shaken out of gold and re-opened half my position this afternoon at $743.20 in the December contract. I will seek to increase this position if gold forms a move orderly uptrend as I am hoping for.

I was enormously impressed by lead's advance to new high ground on Wednesday, holding on to the gain yesterday and improving on it today. I opened a long in the three-month contract at 3735 including spread-bet dealing costs.

Eastern European Indices moving to new highs - A number of Eastern European indices have had relatively shallow reactions relative to other markets as a result of the global credit crunch and a number have moved to new high ground. Here are some examples:

Bulgaria broke upwards from a seven-month consolidation in July and barely flinched during the mid-August drawdown in other markets. It reasserted its uptrend in early September and is now looking overextended as it approaches the psychological 2000, but a downward dynamic will be needed to check momentum beyond a brief pause.

Croatia has been consolidating its impressive move from 3200 to over 5000 for much of the last five months. It has just broken upwards once more and needs to maintain the breakout.

Latvia recovered well following the reaction which bottomed in Mid-August and moved to a new high above 760. It broke upwards again today and would need to sustain a move below 740 to question scope for further upside.

Lithuania also recovered well from its mid-August lows and has asserted its uptrend. A downward dynamic would be needed to check momentum beyond a brief pause.

Russia has been gradually ranging higher for most of the year and has moved to new high ground in the last three days. It needs to hold above 2050 to retain the bullish outlook.

Turkey broke upwards from a three-month consolidation in July and rallied to above 55,000, but gave up the entire short-term gain before funding support once more below 45,000. It has since rallied back to the previous high and broke upwards today. A sustained move below 52,500 would be needed to question scope for further upside.

Commonality suggests that these markets have been little affected by the global credit crunch and reactions, where they occurred, were probably more to do with contagion selling than any fundamental weakness in the region. They are likely to be able to improve upon their current performance in the absence of any further significant correction in global stock markets.

Today's interesting charts -The Chart Library has bond yield charts for a wide range of government benchmarks which may be of interest to subscribers.

US Treasuries - downward dynamic signals that the Long Bond would need to sustain a move above 112 to question scope for further downside.

Dollar Index - key day reversal probably caps the Dollar's advance for at least the short-term it would need to sustain a move above today's high to question scope for some further weakness.

US Dollar per 1 Canadian Dollar - breaks downwards from the short-term distribution and would need to sustain a move back above $1 to question scope for further US Dollar weakness.