

Fullermoney

Global Strategy and Investment Trends by David Fuller

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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 14th January 2008

Gold Value of Manhattan Apartments Sinks, Despite Spike in US Dollar Terms - [My thanks to a subscriber for this informative article and compelling graph by Julie Satow, published by The New York Sun. Here is the opening:](#)

The value of apartments in Manhattan is plummeting, even as the price of apartments in dollar terms has, according to several reports by real estate firms, soared to record highs.

The average value of a Manhattan apartment over the past six years has plunged nearly 39%, to 1,727 ounces of gold, even as the average dollar price of an apartment in Manhattan over the same six-year period has nearly doubled to \$1.4 million, according to figures in several real estate reports published today for the fourth quarter of 2007.

None of the reports from the real estate industry values the apartments in gold, but the gold value of apartments - and other assets - is being glanced at more frequently by sound-money advocates, and others, as the Federal Reserve governors scramble to deal with the credit crisis by loosening the monetary reins, a policy underscored in minutes the Fed released yesterday of the December 11 meeting of its Open Market Committee.

"I expect a huge collapse in Manhattan real estate, with apartments in New York City losing 90% of their value in terms of gold," the president of financial brokerage firm Euro Pacific Capital, Peter Schiff, said. "The dollar is a deceptive way to measure the value of any asset, because the dollar itself is losing value, so prices have to rise just to stay constant."

Despite the fact that the Manhattan real estate market is losing value in terms of gold, it set records in the fourth quarter in dollar terms. The average sale price jumped 17.6% over the prior year quarter, to \$1.44 million, while the average price a square foot increased 18.2%, to a record \$1,180, according to Prudential Douglas Elliman.

My view - [Desirable tangible assets in finite supply have generally been a good hedge against not only the US dollar but all fiat currencies. However the relative price performance of these assets to each other is seldom constant and changes in line with fashion.](#)

It is no secret that gold has been edging its way back onto the investment stage since 2001, in a move initially regarded with scepticism by most investors, but which has gradually attracted more participants, not least in recent months.

A relevant question is: How long will gold's uptrend last?

No one can know for sure but this 50-year chart of gold in US dollars, [adjusted](#) for CPI inflation, offers some perspective. Gold is experiencing another momentum move within this recovery but it would be premature to speak of a bubble.

Of course gold is not just rising in US dollar terms. Here is a long-term chart of gold in [Swiss Francs](#) and also gold in [Chinese renminbi](#). In fact, gold is appreciating against all fiat currencies, as you will be able to see in the Subscriber's Chart Library. Additionally, gold is currently appreciating against most investment assets, as you can see inversely on this chart of the [Dow divided by gold](#).

However no trend ever moves in a straight line for very long so we need to understand and monitor the current price action.

To see these most clearly, have a look at this weekly [chart](#) showing gold on a log scale. You will see a series of long, ranging consolidations, followed by momentum moves to the upside lasting several months. It is not unusual for trends to develop consistency characteristics for behavioural reasons. Of course they do not always do this so what I say below is only an attempt to guess as to a possible roadmap for the gold price over the next few months.

I suspect we are currently experiencing an approximate replay of the advance evident from September 2005 to May 2006. My guess is that the yearend 2007 consolidation evident in the \$800 region was the equivalent to either the pause just above \$500 in late 2005 and early 2006, or it could more closely resemble the consolidation mostly evident above \$550, before the final surge to the May 2006 peak.

If the former, we will probably see another pause before long, perhaps in the low \$900 region. If the latter, gold will probably accelerate higher without a ranging pause, on its way to another spike peak. Of course we do not know what all the influencing factors will be in the weeks and perhaps months ahead.

Assuming they remain mostly neutral to bullish, gold could form a series of sideways consolidations (steps) within its current medium-term trend. You can see three of these in the earlier advance culminating in May 2006. However speaking as someone who remains long, I would not like to see gold fall back into a lower trading range step. Also, I would not like to see a much larger, churning range, relative to what we last saw at yearend.

Meanwhile, my strategy consists of trailing stops, which I would hopefully tighten in the event of dramatic acceleration. I may do a bit of Baby Steps buy-

low-sell-high trading with my futures positions, as I have with silver. When the current momentum move ends, I would expect no worse than another medium-term consolidation within what I maintain is a secular bull market.

Email of the day (1) - On instruments that track commodity prices:

"Thanks once again for all the enlightening comments you give. It's like a breath of spring. You have often talked about being invested directly in the metals like gold; [I] have found ETFs securities which seem to virtually track the metals, energy and commodities and are quoted on LSE. I bought AIGG last week to track soybeans, corn and wheat but could have gone for soybeans alone. I wonder if you have any comments on these funds."

My comment - Many thanks for your kind words.

Eoin and I definitely have views on these trackers. We like them and have ever since stock market index trackers appeared, followed by gold bullion funds and now many other commodities. Basically, they are an alternative to futures or managed funds, and give investors more choice. Also, trackers are generally a lower cost means of participating in markets that interest you.

Most of these are listed in the Chart Library, and if not we can add them for you, as new instruments become available. The big decision is whether or not you wish to be long gold, the grains, or whatever. Thereafter, we advise all subscribers to do their own due diligence regarding charges, which will vary, and weightings for multiple instruments. This information is readily available on the www. You might also add some overlay charts to your 'Favourites' section, if only to ensure that your trackers actually do track the markets of interest to you.

Lastly, well done for participating - I sold my grains too soon, last Wednesday. As a general comment, I would be wary of chasing these trends as they have accelerated somewhat and will inevitably undergo corrective phases within longer-term advances.

AAll Bears to Bulls Ratio - My thanks to a subscriber for this superb sentiment [indicator](#), prepared from data published by the American Association of Individual Investors and presented in graphic form by Hays Advisory. Here is their unequivocal comment:

"The AAll Bears to Bulls ratio has now double dipped to one of those "hock the house" kind of readings. This indicator is an excellent contrarian sentiment gauge and is based on the responses to the weekly AAll investor survey. After the most recent release of the survey results, the three week average of bears/bulls increased to 218%. This is an extraordinarily rare level to achieve for this indicator, especially coming so soon after another recent spike in bears/bulls. The last time that we saw a reading of 2 bears to every bull was on the week that ended on February 27, 2003 near the end of the bear market. The market advanced 36.6% over the next 12 months from those

levels.

Since the advent of this survey in 1987, this indicator has reached the 200% level 23 times in its history, with 18 of those readings occurring during 1990 when the indicator was relatively young. Twelve months after a reading of 200%, the market advanced an average 21.75% with NO instances of declines. If we average the multiple readings that occurred in single years (to eliminate the bias that 1990 plays), this indicator has hit 200% in only five of the 20 years that it has been around. In that case, the market rallied more than 23.5% over the next 12 months. Results three and six months out were also impressive, outpacing the average market return by a significant margin. Any way that you slice it, this week's reading has some powerful bullish implications."

My view - Sentiment in its various forms is just about the only type of indicator that I am interested in. I have always described sentiment as providing a far better indication of what people have actually done, rather than of what a market will do, because everyone talks their book.

Therefore sentiment is a contrary indicator, which occasionally moves to extremes. When everyone is saying the same thing, few people are really thinking analytically. Instead, their emotions have taken over which is hazardous in markets.

It will not have escaped your attention that sentiment in the USA has been extremely bearish recently. Yes, there are always some bulls but they are heavily outnumbered, as you can see from the telling graphic produced by Hays Research. This bearish sentiment has been exported to Europe and also most other parts of the globe, to a lesser extent.

I am certainly not saying that there are no fundamental problems for investors to consider. US banks, and some of their European counterparts have arguably exceeded their previous ability to self-destruct, at what is also a considerable cost to clients foolish or naïve enough to have loaded up on some of the banks' debt products in recent years.

Some analysts conclude that the banking excesses, aided and abetted by a flood of central bank liquidity and a consumer binge too far, have done irreparable damage to the post-WW2 credit super cycle. We have heard this before, of course.

This does not mean that the bears are completely wrong. In fact, they have been mostly right for a number of months, evidenced by weakness in many stock markets, although considerably less so in Fullermoney's long-term investment themes.

Sadly for the US, it remains the epicenter of global risk, but in an increasingly multipolar world this is not the global problem that it might have been in previous decades. There are plenty of other engines of global GDP growth. Moreover, the US Federal Reserve is now committed to slashing short-term rates, albeit somewhat belatedly, and to providing whatever liquidity the

banking system requires. Additionally, the White House is preparing what is likely to be a major fiscal stimulus for the economy.

We should be prepared for additional market turbulence over the next few months but I believe we are approaching an inflection point from which risks will be greater for the bears than the bulls. Interestingly, this view is supported by the AAll Bears to Bulls Ratio prepared by Hays Research.

Subscribers interested in AAll or Hays will find more information on the [www](http://www.fullermoney.com).

Email of the day (2) - On Japan:

"Would you share your current outlook on Japan? It seemed that last year there was an atmosphere of cautious hope that the Nikkei would experience an overall gain. That hasn't happened and looking at both the Nikkei and Topix charts in the Library, neither appear to be exhibiting any encouraging signs. Could some of this action be due to the current U.S. difficulties and might the Japanese market improve when the Western markets strengthen?"

My comment - In terms of performance, it all started to go wrong for Japan in July, as we also saw for many Western markets. This is probably more than coincidence and I have occasionally mentioned my concern that there might be sub-prime related problems. However this has been denied by various sources.

Meanwhile, Japan is a future recovery candidate, currently approaching a previous low near 14,000 for the [Nikkei](#). However [Topix](#) has already broken its equivalent low and both indices remain in downtrends. An eventual break in the progressions of lower rally highs will be required to alter this consistency. I suspect we will need to see a bullish lead from the [Topix Banks Index](#) before we can be confident of a significant recovery by the broader Japanese market. Currently, this Index is testing the lower side of its range and a rally from here is required to be consistent with base formation development.

I feel it is too late to sell Japan, but these patterns cannot support more than technical rallies at present. It is not unreasonable to suspect that it may recover in line with Western markets, given the chart pattern similarities.

Email of the day (3) - On switching currencies for the main portion of my cash holding:

"Many thanks for your comment on switching sterling into New Zealand dollars. My experience of trying to do currency switches through banks is that they have a huge spread between the buying and selling price. I would be interest to know if you overcame this when you purchased the NZ dollars? Also if you considered achieving the same effect by a spread bet, which would give you a trade free of capital gains tax?"

My comment - Switching currencies for my main cash holding is not something that I expect to do very often. The spread quoted by banks

understandably varies according to size, and what I paid paled compared to sterling's additional decline while I waited for the bank to complete their belated compliance checks. I suppose I could have hedged the sterling risk with a spread-bet but I doubt this would have been worth the hassle, in terms of monitoring and rollover costs. I was just after what I hope will be a firmer currency for a passive position, and I increased my yield.

Email of the day (4) - [On three currencies](#):

"I have been reading your daily newsletter now for a couple of months and I do plan on subscribing in a few weeks. I was listening Bloomberg today and the commentary was on currencies. The gentleman talking was saying that he thought that the Euro currency was going to crash in 2008, What are your thoughts on the direction of the Euro, USD and Sterling over the next 12 months."

My comment - [Thanks for your interest in Fullermoney](#).

Inevitably, when watching Bloomberg or any other financial channel you will hear a variety of different views on various currencies. Briefly, my own is that reports of the euro's demise are premature, as are forecasts of a US dollar recovery, and sterling is no longer a strong currency. The euro will continue to punch above its interest rate and Euroland growth rate due to its increased importance as a reserve currency alternative to the US dollar. The greenback is gradually losing reserve currency status, in a lengthy process that will probably last for decades. Meanwhile, there are too many dollars; the interest rate trend is negative and the American economy is weak. The UK economy is also weak and it is a near certainty that short-term rates will fall.

Additional Commentary by Eoin Treacy

Email of the day (1) - [on freight rates](#):

"I have recently renewed my subscription to your service for a year and looking forward for the TCS seminar on May.

"I regard myself privileged to be part of the global community of your commentators and subscribers and most of all your invaluable guidance on the tricky waters of investing. Speaking of waters what are your thoughts on the vicious correction that is incurring at the freight indexes especially on the bigger ships (the cape size index). The fall from the highs is approaching the 40% mark and the last two days the decline has accelerated in a way not seen in previous corrections. I am part of this industry and can give various reasons why this is happening but the biggest fundamental issue is that in 2009 and 2010 we expect Newbuildings to flood the supply side of the market at the extend of 50%-60% of existing tonnage. Do you think that Chindia can absorb this magnitude of newbuilding program or recession is looming ahead in this specialised part of the global market place?"

My comment - Thank you for this inspiring email and I look forward to meeting you at The Chart Seminar in May. Freight rates accelerated to significant new highs in Q3 last year and were looking overextended by any measure. [Shipping stocks](#) corrected sharply in late October and while the [Baltic Dry Ships](#), [Panamax](#) and [Capesize](#) indices held up somewhat better initially; they are now also in a more corrective phase.

You will know better than I do whether the fundamental reasons which propelled these rates to their highs have changed. If I remember correctly it was at least in part due to significant bottlenecks at port facilities as well as the anticipation of vessels being removed from service because of age or absence of a double hull. Some of the new builds will replace existing stock but a 50-60% increase in the global fleet is huge and is bound to have an effect. I understand that shipping is generally a cyclical business but developing Asia is a secular demand theme for commodities. This probably means that Chindia and the rest of Asia will soak up this supply in time but perhaps not right away. Just how low rates go will also depend on whether major commodity export terminals have increased their capacity to service more ships. Without a change in how ships are loaded and unloaded we could continue to see queues such as those at Newcastle in Australia.

From a technical perspective the Baltic Dry Index accelerated to a high near 11000, but lost momentum in that area and the break below 10,000 indicated the onset of a medium-term correction. The Index needs to find support and stabilise, then push upwards and break the progression of lower highs to signal that a low of medium-term significance has been reached.

Email of the day (2) - on the impact of falling freight rates on wider commodity prices:

"BDI continues to flash warning signals - how will this affect the commodity markets. In particular what is it indicating to base and precious metals. And also world stockmarkets?"

My comment - Thank you for this interesting [article](#) by Alaric Nightingale for Bloomberg which looks at some of the fundamentals behind the recent fall in Freight rates. Personally I am sceptical of any correlation between freight rates and commodity prices or the global economy. This may have been the case at one point but with the advent of Chinese and Asian demand onto the world stage, I don't think there is evidence for a correlation today.

For example, freight rates more or less went sideways for two years between 2005 and 2007 but the global economy continued to grow and Freight rates soared well after the housing bubble popped in the USA. These are interesting indices but are not the last word on the potential direction for commodities and stock markets going forward.

Email of the day (3, 4, 5 & 6) - on how to access Fullermoney while on the

move:

"In regard to the email of the day entitled "on keeping in touch with FM on the move" I believe this to be an emerging need from many of your baby boomer clients. It seems every week I am reading articles on the ever increasing adventure-travel antics of my peer group. I currently have a large sailing yacht being built for me and due for delivery in early 2009. I intend to do many ocean passages so have had it fitted with broadband and Inmarsat. Having some way to quickly download the commentary of the day plus my chart library favourites to reduce Inmarsat costs would be welcome.

" Perhaps user attributes could be added that allowed a subscriber to periodically annotate 'remote access' which would prepare a download file each day or quickly on each access.

"Whilst I would currently categorise this as a 'nice to have' feature I do believe that over time as more of your clientelle travel it will become a 'need to have' option."

And

"I also can not be without FM when travelling. Having received an iPhone for Christmas I'm still a bit of a novice but can report that FM presents very well visually. It is possible to rotate to portrait or landscape view just by tilting the iPhone, and zooming in and out is extremely easy using fingers on the touch screen. Listening to the Subscriber's Audio is no problem, and Subscriber's Area and Chart Library are both easily viewable, even with these old eyes.

"I am not sure about downloading content while online for offline viewing later. I can synchronize prior podcasts from my home computer iTunes onto the iPhone, but am not sure if it is possible to save the podcasts directly into the iPhone iTunes. I also would like to hear from others in the Collective on how they get their "essential" FM while on the road."

And

"Access to FM - 'on the fly'
I and 2 fellow investors have been trying to find a neat solution. At this stage we haven't found utopia. Web page creators are not fully conscious of the changing usage patterns/environments of users but are improving. PDA devices are short of screen real estate and struggle to provide the full capability necessary to access and view information and conduct interactive session. Notebooks have better screen real estate and full functionality but are bigger and heavier.

"I have a now old Sony Ericsson M600i (P1i is newer) mobile running Opera Mini browser, which I uploaded onto the mobile. I can access FM Comments of the Day but its very 'trying' reading such a small screen. I can download audio files easily but airtime charges are high. I can access some bank and stock accounts but can't conduct trades. I assume there is some application which is not compatible with the phone/browser.

"A colleague (very frequent trader) uses a small Sony Vaio tablet PC, VGN-UX17GP with a mobile network (HSDPA) data connection card. This is about the minimum solution for full mobile functionality, as it is running Windows XP and has external HSDPA for connectivity. For viewing/using outdoors you need a transreflective screen - equally as bright outdoors. Fujitsu and possibly others have small sub-notebooks (transreflective screens on most) which would be suitable. Another colleague uses a PDA running Windows Mobile and WiFi connectivity but limited capability.

"Research Vs browsing

What ever way one goes: do your serious research, setup your portfolios and favourites on a desktop/large screen environment and do your 'travel related' information/trades updates etc. on a smaller/lighter device of choice.

"Connectivity:

If you can connect to a LAN great speed and very low cost.

If you have a device with WiFi (802.xx) wireless you may find a free access point. Speed is OK, moderate usage charges

If you have a device with HSDPA then you have wide area cellular coverage and roaming capabilities. Speed is OK, cost can be very high unless you have a competitive data plan.

Some countries/operator, Telstra, provide the service in the 850MHz band. I'd suggest making sure the HSDPA wireless card cover all frequencies: 850, 1900, 2100 and as a fallback also supports GSM/GPRS 850, 900, 1800, 1900 e.g. Sierra Wireless modem internals as can be fitted to Lenovo, HP and others.

"If you have a 3G mobile, there is a good chance it has the functionality to enable it to act as a modem for a notebook/PDA device. The issues here are: You need to be able to load the phone manufacturer's application onto the notebook/PDA and secondly operators' voice plans are very expensive when used as a modem. Great geographic coverage and roaming but if you plan Australia/Telstra then ensure the mobile also supports the less common (today) 850MHz. (If you double the frequency you halve the coverage - approximately)

"I've just taken delivery of a Lenovo X61 12" screen with built in WiFi and HSDPA which I will take with me when travelling along with my M600i mobile."

And

"Interesting reading about your subscriber looking for mobile solutions; I had exactly the same problems. So for some time now I've used the xda exec which has a surprisingly good screen and is adequate for internet browsing and email, for several days at a time.

"However, it is useless for audio downloads.

"I recently looked at the new mobile broadband routers which are now available and whereas they appear to be a possible/partial solution for the UK, they can work out at £5 per MB download abroad, this makes your daily audio

and another well known weekly audio (which can run to 4 hours plus) not possible.

"The xda is fine for the internet imo but the audio download remains a problem."

My comment - Thank you all for these accounts of how you access Fullermoney while away from your desktop. You seem to lead very exciting lives and I admit to a little nostalgia for my own travelling days. You've certainly helped to improve my education and I'm paying particular attention, since I hope to take the Chart Seminar on the road in the next couple of years and may need to use some of these technologies.

The iPhone sounds very promising, but regarding the XDA, our IT people say it may be possible to produce a more compact audio file for this type of format but that their would be trade-offs with audio quality if we were to go down that route.

Email of the day (7) - [on investing in Brazil](#):

"Have just renewed my subscription for the fifth year and am looking forward to attending the TCS in May. I am a big admirer of your service and recommend it widely.

"May I trouble you with a tedious question? - I have exhausted all my obvious contacts with no luck - do you know if it is possible for a foreigner to buy Brazilian equities directly and if so how can this be done? - any guidance would be most helpful."

My comment - Thank you for choosing Fullermoney and for your very welcome proselytizing. We are delighted to welcome you back for a fifth year and I also look forward to meeting you in May. There are now only 5 spaces left for this seminar as the attendance will be capped at 50.

I don't know if it is possible for foreigners to own Brazilian stock directly but if any subscribers do I would be happy to publish details.

Email of the day (8) - [on Conoco Phillips](#):

'We like Marathon for its strong growth AND its long term inventory, notably in Angola. Oxy, Hess and Suncor are similar, and all of them, again, are the smaller, more nimble mid-caps.'

"Eoin: The analysts forget that CP (ConocoPhillips) have massive natural gas reserves too so when NG 'flies' companies like CP and in particular in North America Encana will do well LT but article only in fairness talks about oil. Only critique on this that I thought worth mentioning in looking at matters with 'big picture' balance."

My comment - Thank you for this interesting email and [Conoco Phillips](#) is worthy of mention. It is currently range bound and needs to sustain a move

above \$90 to reaffirm the overall uptrend. [Encana](#) remains in an overall uptrend but is encountering resistance around C\$70. It needs to sustain a move above this level to reassert bullish potential.

Email of the day (9) - on additions to the Chart Library.

"Can you please add:

[New Britain Palm Oil](#)
[Nido Petroleum](#)
[Horizon Oil](#)
[Extract Resources](#)
[Altius Minerals](#)
[REA Holdings"](#)

My comment - Thank you for these interesting suggestions. I'm afraid that while New Britain Palm Oil IPOed in late December it has yet to become actively traded so I will add it at a future date. All the others can now be found in the Chart Library.

Email of the day (10 & 11) - on an addition to the Chart Library

" Firstly, a belated thanks for your full answer to my query regarding sell signals or sell comments on Fuller Money Themes.

"I read today, in yesterday's daily comment, your answer regarding Brazilian ETF's. May I add another, "DB MSCI Brazil X - TRACKERS ETF" ([XMBR](#)), which is also not in your chart library. This is a London Stock Exchange quoted ETF denominated in £ Sterling and appears to have started recently - 7/9/07."

And

"Could you be so kind to add [Asia Water](#) (AWT) Singapore and [RICI Enhanced Agricultural Index](#) (RIAGE or CH 0033964070) to the library?"

My comment - Thank you for these suggestions which can now be found in the Chart Library.

Email of the day (12) - on the Dow Transports Average:

"PI could you arrange to have DOW [Transport](#) in the Library?"

My comment - A large number of Dow Jones Indices and Averages can be found in the Chart Library. You will find this one by searching for 'Transport' as a keyword.

Last week's signups for the Free (Abbreviated) Comment of the Day - For the week of January 6th new signups, including subscribers and pre-subscribers, live in the following countries or regions: Canada, Ireland, Japan, Malaysia, New Zealand, Singapore, the UAE, the UK and the USA - 9 in total. In descending order, which topped the list in terms of the last week's new signups? It was the UK, Ireland and the USA.

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 15th January 2008

Browning Newsletter: Triple Whammy - [My thanks to Alex Seagle for the latest issue of Evelyn Browning Garriss' fascinating report on global weather patterns and consequences, published by Fraser Management.](#) Here is a brief sample on volcanic activity:

In other words, Sheveluch is active and is changing the weather of North America. The eruption is not large enough to change global weather, but as Oklahoma and Boston can testify, it has been enough to create cold and miserable weather downwind from the eruption.

Recent research on hurricane activity notes how dust from Africa's Sahara Desert rises to a level of 4 miles before crossing the Atlantic. NASA scientists William Lau and Kyu-Myong Kim have reported how the dust blocked sunlight from reaching the ocean surface. This dramatically cooled ocean temperatures and reduced 2006 hurricane activity.

The enormous quantity of dust from Sheveluch is having a similar cooling affect. At the same time, the ashes and chemicals from the volcanic eruption are interacting with the water in the air and forming clouds. The dust and clouds are blocking out incoming sunlight and cooling the polar air mass. The polar air mass cools and expands south. Unfortunately, that means deep into the interior of North America, chilling Central Canada, the Midwest and the Great Plains.

However, this is only part of the story. The eruption from Sheveluch was not unexpected. The Browning Newsletter has been warning about the possibility of an eruption and its resulting cold spell since September. What was not expected was that there would also be volcanic explosions in Mexico.

My comment - [Subscribers with an interest in agricultural commodities may be especially interested in the Browning Newsletter.](#)

Email of the day - On sovereign wealth fund liquidity:

"Do you buy this argument about SWF and their swirling pool of liquidity?"

[Ed: the following is by David Fessler for Investment U]

It's estimated that the total amount of SWF funds was around \$3 trillion by the end of 2007, but this figure could rise to \$12 trillion by 2015 as more and more countries seek higher returns for their national savings.

And think about this: It's estimated that the total value of the available shares of all companies in the world is roughly \$55 trillion, with a like amount attributable to bonds. In a few short years, SWFs could be the largest shareholders and bondholders in the world.

And as the assets of these SWFs grow, make no mistake about it: the countries that run them will be calling the shots in the world of international finance. All this cash injected into the global markets will provide a torrential flood of liquidity, increasing the value of every imaginable asset, both good and bad ones.

My comment - I am on record as saying that SWFs will become very big within the next 10 to 15 years - bigger than the combined assets of hedge funds and private equity firms. However, the SWFs will be competing with each other, and everyone else, just like most other investors.

Inevitably, very large investors are in the strongest position to be influential, especially with the needy who seek their support. For instance, many US and European banks are desperate for cash, so they have had to entice the SWFs by offering very attractive deals, such as high-yielding convertible preference shares, which you and I (well, most of you) are not able to negotiate.

Consequently, these preferential deals represent dilution for minority shareholders, which is another reason why bank share prices are unlikely to recover quickly.

However most of the time SWFs will be neither ambulance chasers nor lobbyists for seats on the Board of companies in which they invest. These funds will be content to look after themselves, as passive shareholders most of the time, and they will hope to avoid political criticism in the countries where they invest.

I do not agree with the last sentence from the email above. SWFs will proceed cautiously, investing for the long term, shifting their weighting among the asset classes from time to time. For instance, I assume that some of the capital earmarked for equities will be taken out of government bond markets. Yes, the SWFs are getting bigger, but so is the total capitalisation of most markets.

My personal portfolio: Asymmetrical hedge short in DAX futures reopened;

profit taken as silver futures stopped out - These remain nervous times in stock markets, particularly in the West. Consequently some short-term contagion risk remains so I have reopened a small short in the [German DAX Index](#), preferred because it has not fallen too far; the futures have long trading hours and are highly liquid. I opened a short in March DAX futures at 7707, including spread-bet dealing costs. As the market continued to weaken, I placed a breakeven stop.

Earlier today I had jammed up my stops on [silver](#), fearing they were too low given the risk of volatility during a consolidation of recent gains. Late this afternoon these stops, which were all at \$16.24 for March positions in two separate accounts, were triggered at that price in one account, which fortunately held four-fifths of the position. My execution price in the other account was \$16.15, and I have complained about it. For the record the sales at \$16.24 were against purchases at \$14.665, \$14.715, \$14.915 and \$15.055 on 27th November (the first two), 28th December, and 13th November, respectively. In the other account, my disputed sale at \$16.15 was against the purchase at \$15.56 on 10th January. In the earlier account, I subsequently repurchased 20% of my sales at \$16.19.

Are the Subprime Losses Big? - My thanks to a subscriber for a very informative table from DB Global Markets Research, listing the USD value of global assets in various categories. It is posted in the Subscriber's Area but DB estimates the sub-prime and synthetic / CDO losses at \$400bn.

Table 1. Are the subprime losses big?

Total losses due to subprime cash & synthetic/CDO: \$400bn	
	Size (subprime losses in % of size)
Total asset-backed securities market	\$10.7 trn (3.5%)
Total financial assets of US commercial banks	\$10.8 trn (3.5%)
US GDP	\$14.0 trn (2.8%)
Global corporate bond market	\$17.1 trn (2.3%)
Global stock market	\$50.6 trn (0.8%)
Global GDP (in USD)	\$57.3 trn (0.5%)
US household net worth	\$58.6 trn (0.5%)
Total world financial markets	\$149.1 trn (0.2%)

Source: DB Global Markets Research

My view - That is serious money to you and me and some people think the total is \$500bn and will increase as the bonfire spreads to credit insurance. It is certainly a shock to the Western financial system, inviting numerous questions, including: Where will markets be in 12 months time?

A considerable portion of the immediate problem is the temporary paralysis of the Western banking system. This is slowly being resolved but recapitalisation takes time. Meanwhile, the losses are real and alarming, representing a shock to other sectors of the US and European economies, otherwise unaffected by the actual sub-prime related fiasco.

Psychological problems for corporations, consumers and investors are considerable because a year ago very few people had even an inkling of what was about to happen. The outlook seems grim, or has certainly been made to look so by an excited and emotional press. Therefore, for perspective, we should refer to the DB table:

The \$400bn of losses forecast is insignificant compared to items in the table, not least DB's calculation of \$149.1trn for total world financial markets. However, the ongoing and more serious problem that has yet to be checked concerns confidence. The setback in stock market valuations since the sub-prime related problems broke is vastly greater than \$400bn.

Needless to say, governments and their central banks have a big vested interest in stopping the rot. This requires leadership, which has not exactly instilled confidence to date. However governments are crisis oriented and I assume that leadership in monetary, fiscal and psychological terms will improve over the next few months. This does not require a miracle - just common sense.

A year from now, and perhaps well before, I believe calm will have returned to stock markets which will be trading above today's levels, with Fullermoney's secular themes among the leaders. Western banks, at worst, should show clear technical evidence of base formation development. Meanwhile, most stock markets look as if they will move somewhat lower before they trend higher once again.

Additional Commentary by Eoin Treacy

Taiwan's Stocks Jump on Election Result: World's Biggest Mover - This [article](#) by George Hsu for Bloomberg covers the bounce in Taiwanese shares resulting from the recent electoral success of the Kuomintang. Here is a section:

Taiwan's dollar added 0.3 percent to close at NT\$32.26 against the U.S. currency, according to Taipei Forex Inc. Overseas investors bought net NT\$22.1 billion (\$684.61 million) worth of shares today. Demand for Taiwan's dollar also surged to highest since at least 1989, as \$3.24 billion worth of foreign currencies were exchanged today. The island's 10-year government bonds gained NT\$14.50 per NT\$100,000 face amount.

The Taiex rose 1.8 percent yesterday, paced by Cathay and Fubon Financial Holding Co. Both jumped by their daily limit yesterday and today. A measure of 36 financial stocks surged 6.7 percent today, the biggest gain among the 28 industry groups in the broader index and the steepest rise since before Chen took office in 2000. Financial stocks advanced 5.6 percent yesterday.

Cathay, the biggest Taiwanese insurer, climbed NT\$5, or 6.9 percent, to NT\$77.10. Fubon, the island's biggest property insurer, added NT\$2.25, or 7 percent, to NT\$34.55. Both surged by their exchange-imposed daily limit. There were unfilled buy orders for 189 million shares of Cathay and 31 million Fubon shares.

Banks Barred

“Positive sentiment towards financial shares” will continue, Tess Wang, an analyst at Yuanta Securities Co., said in a note to clients today.

Fubon also climbed after Yuanta raised its share-price forecast and earnings estimates for the company. Wang raised her share-price forecast for Fubon to NT\$40 from NT\$34.

Taiwanese lenders are banned from buying stakes in Chinese banks, one of many investment restrictions Chen's government imposed. Chen has argued that Taiwanese investments in China are already too high and that greater integration threatens the island's sovereignty. China, which considers Taiwan part of its territory, has said it won't tolerate a formal separation.

China Airlines, the island's largest carrier, rose NT\$1.10, or 6.8 percent, to NT\$17.20. EVA Airways Corp., the second largest, climbed NT\$1.05, or 6.7 percent, to NT\$16.65.

Taiwan has restricted direct shipping, air and postal links with the mainland since the KMT retreated to Taiwan in 1949 after losing China's civil war to the Communist Party. Taiwanese going to the mainland are forced to travel via other ports such as Hong Kong or Macau. The KMT has pledged to allow direct transportation links with the mainland and to seek a peace agreement with China.

My view - Taiwanese have been some of the most enthusiastic investors in mainland China but have been curtailed by an unfriendly environment at home. For an economy which has succeeded by being mercantile this situation was unlikely to be allowed to endure and we see the electorate voting in their economic interest by supporting Ma's party. Voters must be thinking, why should Taiwan not benefit from China's resurgence when it has close cultural, linguistic, economic and familial ties with the mainland and everyone else seems to be getting in on the act. Also see Comment of the Day on [January 25th 2007](#).

[Taiwan](#) has been a laggard for much of the last decade because technology shares which make up a large percentage of the market have not performed and its potential as a gateway to China has been curtailed. The latter may be

about to change and could potentially spark a rerating of the island's stock market potential.

Bank and Insurance shares led today's surge on the TAIEX and the upside can be given the benefit of the doubt as long as they can hold the move above 900. The wider index also rallied from the bottom of the range and it would need to sustain a move below 8000 to question potential for additional upside.

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

"Thank you for the new overlay feature in the Chart Library. To my Knowledge your chart library is the most comprehensive collection of charts available on the Web.

"For future enhancements may I suggest two simple enhancements:

"1. In the "comparison" option a second chart appears below the main chart. Is it possible to make this second chart the same height on the x axis as the main chart? Could we also have an option to place this second chart on a log scale like we can do with the primary chart? These two simple features will allow a visual comparison of two instruments over a long time scale.

"2. Could we perhaps have a feature to do multiple overlays of spread charts? For example if we create a spread chart between the 2yr EU note and 2yr US Treasury and then overlay the Euro-USD cross rate chart over it, we might see that the Euro-USD is correlated with the interest rate differential.

"Please do not get me wrong. I think that your chart library alone is worth the cost of the subscription. I love scrolling through it every evening. The above were just some suggestions that would probably be easy for the IT department to implement.

"Thank you very much,

"PS. Are you aware of any ETFs than an American investor could use to Invest in the countries of the GCC (Dubai etc.)?"

My comment - Thank you for this thoughtful email. We are delighted you are enjoying the Chart Library and I will add you requests to our list of developments. At present it is not possible to create a chart with more than two instruments so we cannot post multiple spread charts. Apparently this is not a trivial change but it is something we will look into at some point in the future.

We are presently beta-testing the first iteration of our new filtering system and you should have it shortly. Personally, I am already finding that it is supplying me with interesting data and I look forward to when we can release it to subscribers who will be able to apply it in many more interesting ways.

Regarding the Gulf Cooperation Council (GCC) countries, I don't know of an US listed ETF investing in this area, but I would be happy to add such an instrument to the Chart Library, if it exists.

Email of the day (2) - on access to Middle Eastern and North African markets:

"A question for the Fullermoney brain trust:

"Is anyone aware of an exchange-traded investment vehicle that an individual investor could utilize to get exposure to the Middle East and North African markets? The markets of greatest interest at this juncture are Abu Dhabi, Dubai, Jordan, Saudi Arabia, Egypt, Tunisia, and the like. My broker doesn't trade those countries, so I'm looking for alternatives.

"(Unfortunately, the US-listed ETF "SPDR S&P Emerging Middle East & Africa" is very heavily weighted to South Africa, with just a little bit in Israel and Egypt.) I'd be grateful for any guidance. Thanks!"

My comment - Thank you for this email which I'm sure is also of interest to other subscribers. Most of the funds investing in this area are listed in the Middle East so they may be quite difficult for retail investors to access. A number of funds are listed outside of this region and can be found in the Emerging Europe, Middle East and Africa section of the Chart Library.

The [Saudi Arabia Investment Fund](#) is domiciled in Guernsey, denominated in US Dollars and according to Bloomberg has a management fee of 1.75%. I could not find details of any performance fees or opening charges via the web. It has tracked the performance of the Tadawul index reasonably well since inception. Also see Comment of the Day on [December 11th 2007](#).

The [FIM Sahara Fund](#), listed in Finland, invests in South Africa (38%), UAE (19%), Egypt (10%), Kuwait (6%) and Qatar (5%) and charges a 2% hurdle, 3% management fee and 2% redemption fee. It remains in an overall [uptrend](#) from inception more than a year ago and would need to sustain a move below 13.50 to question the integrity of the move. Also see Comment of the day on [February 21st 2007](#)

The [Mango Capital Fund](#) is listed in the Netherlands and invests in 24 different countries but the top five as of December were Egypt, UAE, Pan Africa, Nigeria and Qatar. This fund invests right across the African continent as well as the Middle East, so it may be outside the remit you were referring to, but I include it because of its performance. It is up [60%](#) since August. It charges a redemption fee of 1.5% after 12 months, 10% before that time a management fee of 2% and a performance fee of 20%.

As with any fund mentioned in Fullermoney, investors should do their own due diligence before investing.

Email of the day (3) - on ETF Securities:

"Re investing in precious metal bullion via ETCs: do you understand the difference between ETFS Silver (SLVA) and ETFS Physical Silver (PHAG)? (There's a similar parallel for gold.) I wonder whether, in our future world of dubious paper where hard commodities are king, there might be something to be said for ETCs which have actual allocated holdings of physical commodities held in storage, rather than just trading contracts via some exchange (could NYMEX ever go bust?) but I don't know whether that's what the difference consists in.

"Also, while on the subject of the ETCs run by ETF Securities, do you know what the point is of investing in (e.g.) ETFS Forward Grains (GRAF) compared to ETFS Grains (AIGG)? Thanks for any input on this."

My comment - The difference between SLVA and PHAG is that they track different benchmarks and one is backed by physical silver. All of this information is on the ETFS [website](#), but following a phone call they confirm that ETFS Silver is backed by futures so the contango is factored into the price. ETFS Physical Silver is backed by physical silver in their vault, so the contango is not a factor.

Forward contracts allow investors to speculate on a different part of the curve. Generally 3-month forwards are on the second available month and may not be as prone to short-term swings in sentiment, although this is not always the case.

Email of the day (4) - on yield curves and spreads:

"Please excuse my ignorance. Please could you explain to me the meaning of the following?

"1 steepening of yield curve. Does this mean that the expectation is that interest rates are going down?

2 What should the ideal difference between 2 yr yield and 10 yr yield be?

"Does this relationship indicate anything re: direction of future interest rates?

"These things are not mentioned in any books on Bonds. But I am sure Fullermoney is the best place to ask."

My comment - Thank you for these questions which may also be of interest to other subscribers. Using 'Steepening yield curve' as a search parameter I came up with this piece from [November 21s 2007](#) which may be of interest.

As to your second question, there is no ideal spread between the 2-yr and the 10-yr or indeed any other rate. There is simply what it is and what it was. These charts of [US](#), [UK](#) and [EU](#) spreads show us that spreads generally contracted between late 2003 and 2006. This was a symptom of [short-term](#) yields rising and [longer-term](#) yields remaining relatively static throughout this period, as investors priced stable growth and higher rates into the market.

This is no longer the case. Short-term yields have falling aggressively over the last 6-months as investors bet on further rate cuts and continue to seek a safe haven in the short end of the curve.

The spread charts would need to fall back into their bases to question scope for further upside.

Email of the day (5) - on China's underperformance:

"We have seen the Chinese market (MSCI China) underperform against the MSCI Asia in euro terms as well as in USD terms lately. Since the beginning of November this underperformance has been about 13 percentage points. From your point of view what could be a trigger to end this underperformance?"

My comment - The Chinese stock market is currently consolidating the impressive gains of earlier last year and this may be a lengthy affair as it continues to revert to its mean. One of the factors, which have slowed the enthusiasm for stocks in China, has been the somewhat aggressive tightening of the central bank as it attempts to slow an overheating economy and contain inflation. When the central bank starts to ease once more, a headwind will have been removed. However this is only one aspect to what is an intricate market and I will continue to put the greatest emphasis on the chart pattern.

Today's interesting charts - The spreads and overlays section of the Chart Library has a large number of credit spreads, but subscribers can create their own using the Charting tool in the Chart Library.

Ted Spread - has contracted considerably from the November high and would need to break the progression of lower highs to signal a return to greater risk aversion.

Dow Jones Europe STOXX 600 - breaks down below 350, which has been an area of prior support over the last year and needs to sustain a move above that level to limit scope for further downside.

Dow Jones Euro STOXX 600 - testing support at 385 which has been a cushion over the last year, but it needs to bounce from here to limit potential for further downside.

US Dollar per 1 Euro - testing the high near \$1.50 and would need to sustain a move below \$1.43 to question potential for further upside.

Oil - continues to consolidation below \$100 and would need to sustain a move above that level to reaffirm the overall uptrend.

Wednesday 16th January 2008

Citigroup's Fundamental Focus - [My thanks to a subscriber for this interesting report](#), mainly covering the commodity markets. Here is a brief sample on the Fed:

Fed now expected to cut rates by 150 basis points

Downside risks to the U.S. economy have increased with tightening credit conditions providing additional pressure to an economy already facing considerable slowing in the housing sector. In comments made last week, Fed Chairman Bernanke signalled the Fed's willingness to respond with substantive further action to counter any "adverse dynamics that might threaten economic or financial stability." Interest rate futures markets are now expecting the Fed to cut rates by 50 basis points at, or possibly before, this month's policy meeting and very likely several times again as the year progresses.

My view - Yes, but I maintain that the Fed has been well behind the curve of events throughout this crisis. As a consequence, both the US economy and the stock market have been hit harder than would have been the case if the Fed had moved more quickly and decisively.

Unfortunately, central banks are usually reactive rather than anticipatory in their actions. However I expect the Fed to catch up, eventually, and more.

For an update on current prospects for markets, please listen to Eoin's Audio this evening.

Email of the day (1) - [On sub-prime](#):

"Re. Are the sub-prime losses big? Would you agree that there is an important distinction to be made between sub-prime losses in the primary sense of real people defaulting on real mortgages in respect of real homes and in the synthetic / derivatives markets. I have seen upside estimates of say \$250bn net for the former but this can rise to \$400bn or more when losses on synthetic positions are added in. The important point is that the additional losses in the synthetic markets are always zero sum because for every bet, there is a winner as well as a loser. Sub-prime only gets scarier if the fundamental \$250bn estimate is rising. The bears are getting too much mileage out of the fuzzy merging of fundamental losses with synthetic losses and we all need to be careful of this."

My comment - Thanks for what is a very insightful and interesting observation. In the real market, we know that not all of the people who bought houses with sub-prime mortgages will default. Also, some of the default candidates will be assisted, albeit somewhat contentiously, with an extension of preferential terms.

We also know that new management teams in the most troubled banks have every incentive to write-down everything but the kitchen sink, blaming the loss

provisions on their predecessors. The final write-downs will eventually be followed by some write-ups, as I have mentioned previously.

We also know that some financial institutions have been short sub-prime debt and have presumably made very good profits.

Email of the day (2) - On English banks:

"The last time RBS had a close this low (392) was in September 2002! OK, so RBS is an extreme example amongst the English banks, but surely the sub-prime thing has been overdone regarding English banks?"

"For the moment I'm still sticking with the Fullermoney themes for my investment portfolio but stocks like RBS are getting awfully tempting."

My comment - I like your thinking but timing is important, so here is some price history with which you may be familiar ([p&f](#), [monthly](#) semi-log, [weekly](#) arithmetic and also [daily](#)).

It has certainly been a big fall, as you say. We also see some loss of downtrend consistency, evidenced by the more choppy and wider ranging activity since November, when RBS accelerated downwards in a somewhat climactic move. My guess is that this is at least a penultimate low but we would need to see some more upside dynamics to provide clearer evidence of base formation development.

If one bought today, I suspect that the position would show a decent profit in a year or two. However I personally am content to watch for a while longer. Meanwhile, some of the important fundamental questions concern the extent of future write downs, their effect on profits and the security of the dividend. I defer to banking analysts on these points.

My personal portfolio: Two stops triggered in gold; previous silver position reopened - First, some old business regarding [silver](#), left over from yesterday. I mentioned that I had complained about a fill at \$16.15 in the March contract against a stop at \$16.24 in one of my trading accounts, especially as another firm had no trouble filling the same stop for a larger order at the latter price. This morning I was told that, yes, a dealer had been slow in processing the stop and that my account would be credited with the difference.

Today, a third of my [gold](#) has been stopped out at \$882 and \$878 for the February contract, against purchases at \$880.5 and \$876.5 on 9th January.

Living somewhat dangerously in a jittery market, I bought back the rest of the silver sold yesterday, paying \$16.145, \$16.105, \$16.09, \$15.965 and \$15.83. If the market is munificent and provides a quick bounce, I would probably take profits on at least some of these positions, suspecting that we could see choppy conditions for a while.

Additional Commentary by Eoin Treacy

Fed's Communications Effort Blew Up in Its Face - [This article](#) by John Berry for Bloomberg has an interesting timeline of announcements from the Fed throughout the course of the credit crisis. Here is a section:

Two and a half months ago Federal Reserve officials overhauled their strategy for communicating with the public, and it promptly blew up in their face.

That's why Chairman Ben S. Bernanke was uncharacteristically blunt in his speech on Jan. 10 in which he all but promised a large interest rate cut at the end of this month. It was an attempt to make clear where monetary policy is headed.

Based on how the Federal Open Market Committee evaluates the latest economic data, Bernanke said that "we stand ready to take substantive additional action as needed to support growth and to provide adequate insurance against downside risks."

The outlook for the U.S. economy has worsened and those "risks to growth have become more pronounced," he said.

With all the talk about a U.S. recession, that means a 50 basis-point cut in the FOMC's 4.25 percent target for the overnight lending rate when the committee meets Jan. 30-31.

It doesn't mean that Fed officials or the Fed Board staff is predicting a recession. They aren't.

Enough data is available about the fourth quarter to be sure that the gross domestic product continued to grow, probably at an annual rate of 1.5 percent to 2 percent. And several forecasters, including those at Deutsche Bank Securities, predict growth this quarter at a similar pace or only slightly lower.

As Bernanke stressed, additional rate cuts on top of the 100 basis-point reduction put in place over the past four months are a matter of insurance.

Bernanke's Bluntness

It's the first time Bernanke has made such a strong public commitment since he became Fed chairman two years ago. And it's not the sort of commitment he and the other FOMC participants expected would be part of their new communications strategy.

That strategy was laid out at the Oct. 30-31 FOMC meeting and the details were disclosed in a Bernanke speech on Nov. 14. The new approach includes economic forecasts four times a year -- with detailed explanations -- covering the next three years from all the Fed Board members and the 12 regional Fed bank presidents.

The first round of such forecasts was released on Nov. 20 as part of the minutes of the October committee meeting.

The idea was that the depth of information in the forecasts would help the public -- and especially those in financial markets -- understand Fed officials' thinking about where the economy was headed a year or so ahead. The officials' goals for inflation and economic growth also could be seen in the longer-term forecasts.

My comment - The Fed under Ben Bernanke has failed to understand that crowds are emotional. Crowds can be euphoric, but when sentiment changes they can also be aggressive and predatory and investors can panic. This makes a strategy of telling markets how you think things will turn out in a couple of years of little value, because investors want to know what you are going to do for them now.

There is a widespread and justified feeling that central banks in the UK and USA have fallen behind the curve of events and have not done enough to support markets. This makes whatever they have planned for the coming months an uphill battle. Even following Mr. Bernanke's speech on January 10th, markets have not rallied at the prospect of an imminent 50 basis point cut. This is perhaps because they had already priced that move in. What is needed for stock markets is for central bankers to improve their bedside manner. They need to tell investors the truth, that they understand the situation, and will readily take whatever prudent measures are necessary to mitigate the risk of recession.

The measures which have already been put in place have started to succeed in restoring liquidity to the credit markets. We can see this from the [US Dollar](#), [Euro](#) and [British Pound](#) Libor spreads. These had expanded to extreme levels and by mid-December were looking decidedly overextended. (See Comment of the Day on [December 14th](#)). Since then they have contracted considerably, indicating that a measure of trust has returned to the interbank market and banks are reducing the rates at which they are willing to lend to each other. This is a positive factor which has so far been lost amongst the cacophony of bearish sentiment. It also shows that the measures implemented to get liquidity moving are working. Sentiment remains bearish and will take time to recover. Central bankers play a key role in massaging perceptions of economic data and have so far paid the price of neglecting this aspect of their jobs. I know they don't need another person telling them what to do but a little emotional intelligence at this juncture would go a long way.

Email of the day (1) - on investing in the Middle East for US investors:

"I can offer one US based mutual fund investing in the Middle East: the T. Rowe Price Middle East and Africa fund (TRAMX). As of 11.30.07 it was invested in Egypt, UAE, Qatar, Oman, and S. Africa (only 10%)."

My comment - The pooled knowledge of the Collective never ceases to amaze me. The [T. Rowe Price Middle East and Africa fund](#) is listed in the

USA, has a [management fee](#) of 1.06% and an early withdrawal fee of 2%. The top countries by weight are Egypt (23.5%), UAE (22.8%), Qatar (14.6%), Oman (10.5%), South Africa (10.1%), Nigeria (3%), Bahrain (2.9%), Jordan (2.7%) and Lebanon (1.5%). It has only been in existence since September but remains in a consistent uptrend with a progression of rising major reaction lows.

Email of the day (2) - [more on investing in the Middle East for US investors:](#)

"Re e-mail 2 of 15 January, I understand there is an African, Middle East and Emerging Europe Fund launched by Fidelity in second half of 2007."

My comment - Thank you for suggesting this avenue of inquiry but the only Fidelity funds I can find are Emerging Europe, Middle East and Africa (EMEA) funds. These are generally heavily weighted to Russia and South Africa. If there is a more specific Fidelity offering, available to US investors, please let me know.

Email of the day (3) - [on using the Preset function in the Chart Library:](#)

"Since the recent (very welcome) upgradation of the charts' options, I have been having some problems; perhaps I am not doing some thing right!

"1. Earlier, the various technical analysis options such as RSI etc. that I would have selected, remained on the charts undisturbed until I changed them. Now, I find that quite often, when I revisit the chart, they have disappeared and I have to again input them. Pressing the 'save' sign also does not help.

"2. Earlier, if I selected say RSI on the daily chart, it would appear automatically on the weekly chart. This does not happen now.

"I shall be grateful if you could point out what I need to do in the new system."

My comment - Thank you for alerting us to your difficulties as I'm sure you are not alone. The reason for the change is that we had to make some decisions about how the Chart Library would function when we introduced the Presets functions to ensure it worked logically.

Your preset functions can be accessed from the drop down menu in the light grey bar at the top of the page. The default settings in this menu are P&F, Candlestick 1-yr daily, Candlestick 5-yr weekly, Candlestick 10-yr monthly and Candlestick 20-yr monthly.

To add you own preset functions to this list. Choose any chart you wish, customise it however you want using the various options in the Charting tool. (The Charting tool is located in the charcoal bar above every chart.)

Before hitting Apply, hit the Save button at the top of the pop-up window, give the preset a name and hit OK. Now hit Apply and refresh the page. You will see that this preset has been added to the dropdown at the top of the page.

For the example you mention, I would suggest setting up one Preset for daily charts with a RSI and another for Weekly charts with an RSI. You'll only have to do this once and you'll always be able to apply them to every chart subsequently.

When you select either one of the default presets or one of your own customised presets, it will override whatever you have been looking at previously. This is why the RSI disappeared when you clicked on the weekly option.

Email of the day (4) - on ethanol and corn:

"Could either of you comment on ethanol? In 2007, ethanol manufactures saw their stock price plunge, followed by a year end rally. Now, these securities have weakened again. From a long-term perspective, there is a little doubt that American motorists will use more and more ethanol as a substitute for gasoline, let it be E10 or E85. The recent congress mandate is another evidence that the US government is relying on ethanol as one of the means to reduce our dependence on foreign oil.

"Since cellulosic ethanol is years away from industrial scale production, the lion share of ethanol production in the US is from corn. While ethanol price have recovered since 10/07, so has the continuation of corn's march to the new highs (Both charts are in the chart library). Is recent corn price action an indication of short-to-medium term climax or a start of new round of march to higher grounds?

"The last time we saw the surge in corn price was during the first half of 1996. Corn was in a huge backwardation (see the corn backwardation-contango chart in the chart library). Why not this time? What are your advices for people out there who own ethanol manufactures' shares?"

My comment - You are correct in saying that demand for ethanol is increasing dramatically as it becomes an increasingly important additive for gasoline in the USA. However making money from producing ethanol is a different matter. If you're a farmer who produces corn and has a stake in an ethanol refinery you're probably well hedged, but as an investor in ethanol producers, the cost of corn is likely to be a concern right now.

Pacific Ethanol and other producers soared in early 2006, along with the price of ethanol, but pulled back sharply later in the year and remain under pressure now. Ethanol production has increased markedly in the last year and is due to increase even further in coming years as demand increases from refineries. With corn at all time highs, margins are compressing in this industry and this is likely to continue to be a concern as long as corn prices stay high.

As we can see from this overlay of the [1996](#) backwardation and the corn price, all of the demand went into the front month as investors surged into a short-term weather related trade. On this occasion, corn and grains generally have rallied more on a demand driven move rather than a supply problem. This is probably the first time in modern history this has occurred. This means that investors are spreading their positions across the curve of maturities rather than competing for the front month and may help to explain why corn has reached significant new highs with a large backwardation.

[Corn](#) is looking overextended in the short-term but has so far held the gain above [\\$5](#) quite well. In view of the fact that international markets are being roiled by uncertainty and precious metals are consolidating their recent gains, I wonder how much further the grains will advance before succumbing to a larger consolidation than seen over the last 6-months. However for the moment there is no evidence for serious reversionary pressure and a downward dynamic would be needed to check potential for some further upside. Over the longer-term, while grains are likely to remain volatile, they appear to have embarked on a secular uptrend so we will have to get used to higher food prices.

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.

Japan (Topix 2nd Section) - [fallen](#) over 48% from the 2006 peak and is now accelerating, which is a developing ending characteristic of unspecified duration. A upward dynamic is needed to check momentum beyond a brief pause, while it needs to break the progression of lower highs to eventually confirm that the bulls have returned in force to this market.

Hong Kong - breaks [down](#) from the medium-term [range](#) and needs to sustain a move above 28,000 to reaffirm bullish potential.

Dollar Index - The [Dollar](#) rallies from support near the November [lows](#) and would need to sustain a move below 75 to question scope for some further lateral to higher ranging.

White Sugar - breaks [upwards](#) from the short-term consolidation and would now need to sustain a move below \$325 to question scope for further [upside](#).

Thursday 17th January 2008

Browning Newsletter: Covering Climate, Behavior, and Commodities - My thanks to Alex Seagle for the January [issue](#) of this fascinating report, now in its 32nd year, written by Evelyn Browning Garriss and published by Fraser Management. Here is the opening of a section on North America:

Millions of them are crossing over our border from Mexico and they are flooding the Southern economy!

I'm talking about volcanic aerosols, the ash, dust and chemicals from the recent December and January eruptions of Colima and Popocatepetl. Moisture coalesces around the particles forming microdroplets. The particles are like sponge in the atmosphere absorbing moisture until they have enough to form drops heavy enough to fall. Clouds drift for hundreds, even thousands of miles, gathering moisture until they finally precipitate out in the form of unusually heavy rain or snowstorms.

The dust of Mexico has become the rain for the rest of North America.

[And another on Australia:](#)

Be careful what you wish for! Eastern Australia has suffered one of the worst droughts in national history in 2006 and 2007. Now the La Niña is bringing rain. Typically the La Niña encourages the nation's Northwest monsoon to be unusually heavy, penetrating as far inland as New South Wales and Queensland. This year, the monsoon started late because the Indian Ocean was unusually cool. Drought stricken Australians complained. Now the monsoon is making up for lost time and eastern provinces are being flooded. Queensland and portions of New South Wales are experiencing some of the worst floods in over 50 years. As a result, mosquitoes have reached plague proportions around Sydney and are spreading deadly encephalitis among chicken flocks in western NSW.

My comment - [I find the Browning Newsletter fascinating, not least because of an interest in agricultural commodities, currently shared by a number of subscribers.](#)

Email of the day (1) - [On unease regarding Bernanke and Paulson:](#)

"David, this is a splendid analysis from Lowenstein after 3 interviews with BB. It makes me feel very uneasy about him. You say he is learning on the job. The problem is not the learning but the unlearning which is sooo much harder.

"As Herbert Hoover was such a great engineer, drilled in straight logic, he became a horrible president. Now we have an a nice guy and great academic as Fed Chief steering markets, some of which he did not know to exist a few months ago, let alone understanding them.

"Furthermore, the other guy from GS, Hank Paulson, not as nice, makes me think too. His former company is shorting the hell out of the ABX - he proclaims everything "contained". Next comes this bungled from the beginning "Rescue of Citibank" and now the "Mortgage Farce". When he became Secretary of Treasury, supplanting poor-looking John Snow, one might have assumed he is one in the know, anticipating the future course of financial events. Now this looks to be monopolized by the GS trading book with the

Administration being front-run as always..... Going back in history the parallels to the last months of the Nixon days become apparent.

"I know, the market is a mob, and the mob may get 75 points on Jan 30 and run with it. But later they might reflect why they get this 75 or maybe even 100 points ("down the elevator"). They will have got it because the Administration panicked after Christmas - take a look at Fed Fund Futures since then - this is insider buying if I ever saw one.....

"Sorry for the long mail David, but you and I think confidence is so important. Looking at what is coming down the line in the US credit markets, the Bush - Paulson - Bernanke Team does not make me very confident at this stage."

My comment - Thanks for an interesting and relevant email, addressing concerns that many of us share.

However regarding Hank Paulson, call me naïve but I do not think that his statements and decisions as Treasury Secretary are influenced by Goldman Sachs' trading book.

I have a degree of sympathy for Ben Bernanke, who may feel that he seized the short straw in accepting chairmanship of the Federal Reserve. Nevertheless I have been critical of his leadership, or lack of a reassuringly firm hand. Some of the points that I have made over a number of months were also mentioned in the excellent, balanced New York Times [article](#) that you kindly forwarded. I commend it to all who are interested in what is certainly an important subject. The back history is also highly informative.

I will not review all of my criticisms and concerns about the Fed under Bernanke's chairmanship, as they are in earlier Comments and especially Audios, also referred to in Comment. However I will repeat a couple of what I regard as key points, which were not mentioned in the article.

In addition to remaining behind the curve of events, Bernanke and Co do not really appear to understand market psychology, at least when designing policy as a committee. Consequently investors have lost some confidence in the Fed, as your email and Wall Street's actions have reflected. The unsettling conclusion is that the Fed is dithering and following events, rather than anticipating or at least understanding and reacting quickly to them.

It was this situation that prompted me to previously paraphrase Oscar Wilde's memorable quote from *The Importance of Being Earnest*: To lose one market (housing) Mr Bernanke, may be regarded as a misfortune; to lose both (meaning the stock market as well) looks like carelessness.

Unfortunately, the Fed either forgot or ignored one of the oldest and best adages: "Raise interest rates like an escalator and cut them like an elevator." The logic of this should be obvious to any student of market psychology.

Since the so-called credit crisis emanating from the US became a headline news item, I have occasionally mentioned my own discomfort in making some

forecasts on the assumption that the Fed would respond quickly and decisively. It has not and I am convinced that stock markets have suffered additionally and unnecessarily as a consequence.

However the Fed will catch up with events, hopefully in the next several weeks. There will also be a welcome bipartisan fiscal stimulus. Meanwhile, the US remains the epicentre of global risk and most stock markets are being pulled down by the Wall Street leash-effect.

There is currently no technical evidence that the current sell-off is over but some of the action is becoming climactic once again. This is stressful for those who are riding out the storm, even if they are invested in themes far removed from the US financial crisis. It is also an increasingly interesting time for those who are looking for buying opportunities.

Confident statement from the Atlantis China Fortune Fund, which may be of interest to some subscribers - This remains the second largest position, by weighting, in my personal long-term investment portfolio. [ACFE](#) is not immune to the global retreat by stock markets but it is creating another buying [opportunity](#) for investors who are interested in a well managed fund in what I have often described as the king of emerging markets.

Email of the day (2) - On "when do we get over with this bear":

"Good morning! Well, to me it's pretty clear we are in a bear market for most major markets. In my opinion, 2008 will prove to be a challenging year for stock markets due to surging inflation, lagging central banks and economic slowdown. This has the potential to be quite a severe bear market for US shares over the next year or two. I think the question now is when do we get over with this bear.

"Thank you very much."

My comment - Thank you for raising the question on everyone's mind. No one knows but the charts should show us. Meanwhile, we should remember that sentiment, including our own, is a contrary indicator.

What should we look for in the charts to show us when the selling is ending or over?

Hopefully, there will be many clues in the form of upward dynamics, breaks of downtrends and rising lows. However I have long believed that what is good for the banks is good for the rest of the market, and vice versa. Veteran subscribers will recall that banks remain an important lead indicator. Unfortunately for the US and most European stock markets, banks remain the problem. Until they show evidence of base formation development, the broader indices will have limited upside.

Currently, [US](#) and [European](#) banks remain in downtrends. I believe we have seen the worst of this decline, by far, but there is still no evidence that they have bottomed. Moreover, further declines would almost certainly weigh on the broader indices.

Stock markets with strong banking sectors are not immune to the Wall Street lease-effect but they should bounce back quickly, as we have seen in the past. Before investing in any stock market, it would be prudent to check on the technical health of its banking sector. Not all emerging markets have bank indices but they will certainly have bank shares, many of which can be found in the Chart Library.

My personal portfolio: A new trade opened in Rio Tinto; platinum increased; DAX short closed - The bad news during a significant market correction is that it erodes the performance of one's long-term investment portfolio. Does Warren Buffett lose sleep over that? He says no, and I believe him. Speaking for myself, I would only worry about my long-term portfolio if I felt that both the fundamental and technical outlook for it had significantly deteriorated.

Inevitably this assessment is somewhat subjective and I don't wish to look through rose tinted spectacles and indulge in Panglossian fantasies. For instance, had I owned a portfolio of Western bank shares in 2006, and ridden out the subsequent declines to date, I would I would be feeling sick as John Cleese's parrot from the wonderful Monty Python series.

Fortunately, I remain hopeful regarding the potential for my long-term portfolio, which does not cause me sleepless nights. However the bad news is that whatever the merits of an equity portfolio, there is seldom immunity from contagion selling when the Wall Street leash-effect remains negative over the medium term. In a market fright, many investors sell good investments in addition to bad ones, if only because they can.

The good news is that this creates buying opportunities. I have repeatedly said that positions in my long-term investment portfolio, or any other portfolio for that matter, were best purchased following setbacks. Accordingly, I bought some Rio Tinto ([RIO LN](#)) today, not in my long-term investment portfolio which is entirely in pension and ISA accounts, because I am not adding cash to these holdings, preferring to keep it on deposit.

The next exception will be on April 6th, when I will be eligible to top up the family's tax-efficient ISA accounts, but that will represent a very small percentage change. Therefore I bought the additional Rio in my spread-bet trading account, paying £45.218 for a March position. I emphasise that this is a trade, which I will sell in the event of a rally. However I have no intention of selling any of my core long-term investment in Rio.

I increased my small [platinum](#) position by 50%, paying \$1569.3 for another April position. I temporarily closed my [DAX](#) short, repurchasing the March contract at 7506 against my short sale at 7707 on 15th January. I was trying to be too clever and should have just protected it with a trailing stop.

Additional Commentary by Eoin Treacy

Alliance for American Manufacturing: Shedding Light on Energy Subsidies in China: An Analysis of China's Steel Industry from 2000 - 2007 - [Thanks to a subscriber for this interesting, although not quite unbiased report, which looks at Chinese steel production. Here is a section:](#)

Based on the above assumptions, it can be estimated that steel demand will rise to 512 million tons and 592 million tons in 2007 and 2008, respectively, or demonstrate a 15.7 percent year on year increase. Applying a 15 percent growth rate, China could reach steel consumption per capita of 853 pounds and 981 pounds in 2007 and 2008, respectively. In contrast, the more industrialised countries consume between 550 and 1320 pounds of steel per capita.

Although demand has been increasing in China, supply surges from China pose the biggest concern for the global steel industry. The NDRC's estimate of crude steel capacity increases in 2007 range from 10 percent to 15 percent year on year. However, independent research shows that total crude steel capacity in China could reach 499 million tons in 2007, up 19.3 percent year on year.

Extensive anecdotal evidence supports the provincial drive behind excess capacity in Chinese steel. Every steel mill wants to increase its size in order to survive. Aside from the cost efficiencies and economies of scale, local governments support these expansions for their own benefit: large scale steel operations can translate to higher employment and tax revenues for local authorities. As a result, while the NDRC's Steel Policy encourages consolidation by phasing out furnaces smaller than 300 cubic meters by 2007 (translating to crude steel capacity of 357,000 tons per annum) a different trend is emerging. Instead of mergers among the steel companies to form larger entities, each small mill is defending its position through organic growth by increasing output. The stated need for central government's approval does not hinder creeping excess capacity from de-bottlenecking, and this additional capacity can amount to as much as 20 percent of current capacity. In 2007, some small steel producers have suggested that they are adding one to two million tons of crude steel which does not require approval from the central government. The NDRC has extended the deadline for the closure of small plants to 2010.

My view - [This report highlights what many people already suspected; that steel production is growing in China despite government attempts to consolidate the industry. The steel market is highly competitive but, let's not forget, steel is a finished product not a raw material. If global steel production is growing, then so is demand for iron-ore. The iron-ore market is dominated by a very small number of producers.](#)

Negotiations for a new iron-ore price are nearing completion and it remains to be seen whether that new price will be in line with what the market expects. [BHP Billiton](#), [Rio Tinto](#) and [CVRD](#) are negotiating from a position of strength but this has been a long process and the stakes are high, so it is hard to predict the outcome.

What we can say with confidence is that these companies share a similar chart pattern. They all accelerated to their Q4 highs, ranged in the region of the high and have recently broken down. While their longer-term uptrends remain intact; this sector has been subject to a degree of profit taking associated with the assumption that global growth will slow and has also suffered contagion selling from the wider market. They have been hard hit but are returning to interesting levels and we should remember that over the last 6-years, these shares have been best bought following reactions and there is little reason to believe that situation has changed.

[BHP Billiton](#) needs to break the progression of lower highs and sustain a move above 1600p to forestall further reversionary risk. [Rio Tinto](#) needs to sustain a move above 5000p to offset scope for further downside and [CVRD](#) needs to break the progression of lower highs and sustain a move above BRL60 to indicate a return to a more bullish environment. Underlying trading should cushion downward risk before long

Martin Spring's On Target: Britain's Good Times Come to an End - [Thanks to Martin Spring for his ever interesting report](#) which this month focuses on the UK. Here is a section:

Britain has a strong competitive position in service industries such as finance, private education, media and entertainment, with an openness to foreigners and a vigorous cultural life that makes London the world's leading truly international city, where the mega-rich want to play, shop and own a holiday home.

Socially and politically, the country is stable and safe. Notwithstanding recent scandals over political funding (for relatively trifling amounts), there is little corruption.

Investment markets are very large, diverse and sophisticated, with high standards of accounting, transparency and regulation.

London remains ahead of New York as the leading centre for international business, its stock exchange increasingly listing companies operating in China, Russia and other emerging economies. More than half the profits of all the companies listed in London are earned outside the UK.

Because of its foreign trade deficit, Britain will need to keep its interest rates relatively high to attract foreign capital and prevent a currency collapse and an explosion of inflation. That suggests sterling will weaken somewhat this year, but isn't likely to collapse. It is not a carry-trade currency, being neither particularly cheap to borrow nor particularly high-yielding to invest in.

Overall, things are going to be tough for the Brits, whose lifestyle quality has already deteriorated for reasons unconnected with the economy - bossy but often incompetent bureaucrats, regulatory and red-tape mania, extensive social breakdown in many areas of major cities, poor public services and a bloated welfare system riddled with fraud.

But investors, whether based in the UK or outside it, can evade most of those problems if they are carefully selective. As the world's second largest stock market, London is sufficiently diverse to offer investment opportunities.

My view - The UK economy is going through a tough time and it could potentially get tougher as the housing ATM stops paying out. However the UK market is flush with companies which derive a large part of their earnings from high growth areas of the world, allowing investors to diversify away from their domestic market without taking on too much currency risk.

The Economic Times: Sugar futures rise on high demand, lower domestic output - [This article](#) covers some of the fundamental news which may be behind the recent bullish activity in sugar. Here is a section:

With the spur in the demand for Indian sugar in the global market along with lower production than the initial projection, have pushed the sugar prices over Rs 1,550-per quintal level at NCDEX counter on Monday.

"The rising demand from neighbouring countries like Bangladesh and Sri Lanka has led the price rally. As a result, stockists are increasingly buying from the physical market," Commodity brokerage firm Karvy Comtrade analyst Veeresh Hiremath said.

Also, the sugar industry has lowered its production estimate for the current season (2007-08) from 33-34 million tonnes to 30-31 million tonnes.

"While the output is expected to be higher than 28 million tonnes in last season, it could be lower than the initial projection of 33-34 million tonnes owing to crushing delay and lower yields in certain parts caused by adverse weather conditions, said P Rama Babu, the outgoing President of Indian Sugar Mills Association (ISMA).

My view - Sugar ([p&f](#), [monthly](#), [weekly](#), [daily](#)) set a new all time high in early 2006 in what was a classic Type-1 acceleration ending, as taught at the Chart Seminar. It had risen for 6 straight months, and the first downward dynamics were a signal that the acceleration was coming to an end. Sugar fell almost 50% in the following 18-months before finding support at the top of the 2000-2005 base. It is rallying once more and is approaching an area of potential resistance at \$350. In the short-term it continues in a consistent uptrend with a sequence of consolidations, one above another. It would need to break the progression of rising lows to question potential for further upside.

Email of the day (1) - [a cautionary note for US investors on choosing foreign domiciled funds](#):

"Thanks for information on T. Rowe Price Africa/Middle East Fund (FEMKX) available in the U.S. T Rowe have a deep bench and this looks to be an excellent choice for US investors. I searched the Morningstar Advisor Workstation US open end fund database and Fidelity for another US offering without success.

"With more Americans having access to foreign offerings via US brokerages it is important to be aware of getting snared in the IRS Passive Foreign Investment Company (PFIC) rules. Basically, equities are OK but foreign based mutuals funds will be something you will definitely regret at tax time...check with you accountant before getting into foreign based funds.

"Hopefully the rules will be relaxed soon to afford US residents access to foreign funds without draconian tax consequences."

My comment - [Thank you for this thoughtful note which US investors should be aware of. Also see Comment of the Day on January 3rd.](#)

Email of the day (2) - [on moving averages](#):

"My question for Eoin is that when you show weekly charts posted in comment of day that 200 day ma should that not be modified to 40 for a weekly charts at least that is the way I was taught?

"Thanks for all your hard work!!"

My comment - [Thank you for this email and yes it would be preferable to have a 40-week moving average on a weekly chart. However a 200 day average is mathematically almost exactly the same and while it is on our list of enhancements it is not a priority compared with the filtering system we are testing at present and a number of other important developments in the pipeline.](#)

Email of the day (3) - [on additions to the Chart Library](#):

"Exciting times and optimist as I am about my key areas of my long term investment portfolio (water, agriculture, base metals, infrastructure related shares in Brazil, India and China) I keep on adding stocks, a bit worried and scarred for the sort term but confident for the long term.

"Could you be so kind to add the following companies to the chart library [HK 1818 Zhaojin](#) and [HK 8199 Shandong Weigao](#)."

My comment - [Thank you for this thoughtful email. It is hard not to succumb to anxiety in the current environment. Since we met at the Chart Seminar a](#)

couple of years back, I know that your optimism for the investments you mention knows few bounds and I share your confidence that Fullermoney's long-term themes will continue to perform once this general market nervousness is behind us. Both of these stocks have been added to the Chart Library.

Email of the day (4) - on additions to the Chart Library:

"Could you add the FT Emerging Arabia Fund ISIN LU0269579586 to your chart library? This fund is invested at least with 75 % in the GCC region (UAE, Qatar, Bahrain, Kuwait, Saudi Arabia, and Oman)."

My comment - Thank you for this suggestion. I have added the [FT Emerging Arabia Fund](#); it has front end load of 5% and a management fee of 1.75%. The ISIN you provided refers to the [Meridio Arab World Fund](#) which has a Front End Load of 5%, a management fee of 1.5% and a Performance fee of 15%. Both are listed in Luxembourg and can now be found in the Chart library.

Email of the day (5) - on spreads over Libor:

"I would like to thank you and the Fullermoney Collective for finding me an investment vehicle for Dubai & the GCC. I greatly appreciate it.

"I very much liked the spread charts between LIBOR and treasury rates that you published today. Could you please look into the data that you get for the 3 month EU yield (GTDEM3M)? I think that there is some error in the data because the spread chart: eurolibor - 3 month German yields (EU0003M - GTDEM3M) is not coming out right.

"Thank you very much,"

My comment - Thank you for alerting me to this data problem, I had a look this morning and saw what you meant about the GTDEM3M not updating properly. I have substituted the generic European 3-month which gives a similar [chart](#) but should not have the updating problems you so graciously highlighted.

Email of the day (6) - on overlay charts:

"Happy New Year.

"And many thanks for a superb service.

"Overlay charts are great. Just did a quick one of HO and RBOB and came across an anomaly / bug and thought you may be interested and able to resolve - it traced the green RBOB line across the top (see attached printout)."

My comment - Thank you for this [chart](#) and your thoughtful email. I'm sure

other subscribers may have been wondering the same thing. However the reason you don't have very much back history for the Reformulated Gasoline future is because it hasn't been around for very long and only dates from when ethanol replaced MBTEs in the gasoline mix.

Today's interesting charts - On a p&f chart it is possible to zoom in and out without changing the box size. Simply choose your magnification from the Zoom dropdown menu at the top right of the page. For example here is Rio Tinto at [20%](#), [40%](#), [60%](#) and [80%](#) magnification. Our default is 60%.

British Pound per 1 Euro - followed [through](#) on Tuesday's key day reversal and would need to sustain a move above .76p to question scope for some further downside.

Platinum - encountered [short-term](#) resistance at the round \$1600 and has so far experienced a shallow reaction. It needs to sustain a move to new high ground to reaffirm the medium-term uptrend.

Soybeans - remains firm in the [region](#) of 1300¢ and would need to sustain a move below 1250c to question the integrity of the overall uptrend.

Friday 18th January 2008

WSJ: Default Fears Unnerve Markets - This is a highly informative [article](#) by Susan Pulliam and Serena Ng for The Wall Street Journal. Here is the opening:

The turmoil on Wall Street is beginning to rock a foundation of the financial system: the ability of institutions to make good on their many trades with one another.

Today, a struggling bond insurer, ACA Financial Guaranty Corp., will ask its trading partners for more time as it scrambles to unwind more than \$60 billion of insurance contracts it sold to financial firms but can't fully pay off, according to people familiar with the matter. The contracts were intended to protect Wall Street firms from losses on mortgage securities and other debt they own.

The problem is that the insurer itself is teetering -- with repercussions across the financial world. Some of its trading partners, called counterparties, already are writing off billions of dollars because of its inability to pay.

Yesterday Merrill Lynch & Co. wrote down \$3.1 billion on debt securities it had tried to hedge through ACA insurance contracts, as part of a larger Merrill write-down. Earlier this week, Citigroup Inc. set aside reserves of \$935 million to cover the likelihood that trading partners won't make good on trades in this market. Such risk helped pummel the stock market yesterday as well.

At the center of these concerns is a vast, barely regulated market in which banks, hedge funds and others trade insurance against debt defaults. This isn't like life insurance or homeowners' insurance, which states regulate

closely. It consists of financial contracts called credit-default swaps, in which one party, for a price, assumes the risk that a bond or loan will go bad. This market is vast: about \$45 trillion, a number comparable to all of the deposits in banks around the world.

Not everyone who buys one of these contracts has bonds to insure; because the value of an insurance contract rises or falls with perceptions of risk, some players buy them just to speculate. In much the way gamblers make side bets on football games, a financial institution, hedge fund or other player can make unlimited bets on whether corporate loans or mortgage-backed securities will either strengthen or go sour.

If they default, everyone is supposed to settle up with each other, the way gamblers settle up with their bookies after a game. Even if there isn't a default, if the market value of the debt changes, parties in a swap may be required to make large payments to each other.

This being Wall Street, the investors often use heavy borrowing to magnify their wagers.

My view - Talk about uncertainty! Dip into this Sargasso and you will see that no one really understands what is going on, although all who participated have the feeling of being fleeced in a sidewalk shell [game](#).

How could so many supposedly financially astute people have participated in complex financial derivatives that nobody really understood? Perhaps it felt like a cool thing to do, for some reason. It could not have happened without poor governance and lots of glib financial salesmen, incentivised with golden crumbs gained by enticing punters to have a flutter with someone else's money.

When all this is over, I hope Mike Nichols directs the movie.

Email of the day (1) - On what does it take for the markets to turn:

"We have come down a long way and we do see some value; what does it take for the markets to turn? If past history is any clue, the seat of the pants feel tells me that there are too many hopefuls around still. When everyone gives up, that's the time to buy; but I will have given up as well, won't I?"

My comment - Thanks for making some relevant observations, and with self-deprecatory charm. It shows us that you are able to recognise the difference between your analytical brain and your emotions, which is crucial but not that easy for any of us to do, except after the event.

Regarding your questions, on what does it take for the markets to turn, I partially covered this yesterday - for instance, bank shares need to stop falling. However we should also think about a catalyst for positive change. It could be that Bernanke and a US fiscal stimulus package unexpectedly leap

from behind to in front of the curve, in Hollywood fashion, but few of us would predict that from this cast.

Arguably, markets are already somewhat oversold but perhaps not sufficiently to support more than a technical rally. Consequently we could see more climactic action, measured in part by the VIX Index ([monthly](#), [weekly](#) & [daily](#)) pushing above 30. The higher it goes - this is usually in the form of a brief spike - the more climactic and therefore sustainable the stock market's reaction low at that point would be.

As for "when everyone gives up", we have recently seen the strongest of the Asian growth / resources markets wobble, confirming additional capitulation. This is a time to remember that emotionally, we are our own best contrary indicator. It is usually not too good an idea to sell when we start to see blood in the street.

Meanwhile, some forced selling by funds is occurring due to redemptions. There are also leveraged shorts in the markets, promoting their cause with bearish comments. They will be the most aggressive buyers on the turn.

My personal portfolio: A long trade opened in MLW, which is also a core investment position; a Baby Steps profit taken in a volatile silver trade; gold longs increased - Following on from yesterday's long trade in Rio, now protected with a breakeven stop, I opened a trading long this morning in the Merrill Lynch World Mining Trust ([MLW LN](#)), a core holding best purchased following setbacks. We have certainly seen plenty of those recently, creating at least the potential for short-term technical rallies.

A rally in [silver](#) enabled me to resume my Baby Steps buy-low-sell-high, long positions only, range trading strategy intended to harvest some of the volatility and defray contango costs. I sold an equal-sized unit of March silver at \$16.35, against my most expensive recent purchase, opened at \$16.19 on 15th January. This reduced my longs by 16.66%. On a pullback I increased my [gold](#) longs by 25%, paying \$885.9 for my first April position.

Prices above include all spread-bet dealing costs.

Email of the day (2) - [On comparing funds](#):

"I continue to enjoy and benefit from Fullermoney: I was delighted to continue my subscription when it came up for its first renewal. Thanks for the loyalty discount, though I felt a little guilty taking it considering that I've had a good year thanks to the good ideas flowing on the Fullermoney wire. Unfortunately, I still hold on to Japan and my holdings in GBP (on the LSE) still dog me relative to my home currency in CAD.

"Considering that there may be a buying opportunity coming up regarding China, I've been trying to compare the Atlanta China Fortune Fund to the Excel China Fund. I first did an overlay study. This showed a very close

correlation, but I then realized that the two vertical scales were not in synch regarding % differences, so the apparent correlation was somewhat misleading. I then did a ratio study. This showed that the Atlanta fund was outperforming the Excel fund. I then realized that the Atlanta was in USD and therefore had to be de-rated relative to the Excel fund which was in CAD. Again misleading. I would appreciate if you could show me the relative performance of these two funds using a common currency?

My comment - Thank you for your thoughtful feedback, and well done for seizing some good opportunities. And you would not be human (nor would we) if there were not the "unfortunately" positions, hopefully in the minority, and some missed opportunities. We should let them inspire our incentive to improve, while recognising that we can only deal with what the markets provide.

Japan has been a big disappointment for investors over the last year but has the potential to reverse that performance, as you will see from another email below. Signals pointing to a significant improvement would include upside leadership from the banks, and relative strength by Japan's broader indices against a global index. Meanwhile, if these upside key day reversals by [Topix](#) and the [Nikkei](#) do not mark the beginning of an important recovery, they probably signal a late stage in the decline.

I would not worry about GBP on the LSE, or any currency, if you are talking about international companies, or funds that invest outside that currency region.

As for the two China funds mentioned, I am unable to show them in a single currency as we do not yet have that function in the Library. However having had a quick look at the charts, I honestly don't think there is much in it. Of the managers, I know and like Yang Liu of Atlantis. I do not know Nina Wu and Warren Wang of Excel China, but you could probably find out more about them locally, as part of your own due dilligence.

The big question is: Do I want to establish a medium to longer-term investment position in this market, at this time? If yes, the actual vehicle for participation is a secondary consideration, assuming that there is not an obviously negative disparity, which could indicate a management problem. Given your currency comments above, and since you presumable eat in CAD, perhaps you would feel more comfortable with Excel China.

Economist Cover: "The End of Cheap Food" - To be fair, our emotions (often mistaken for an analytical reaction) cause us to be our own best contrary indictors. However The Economist does have a reputation for producing some memorable contrary signals with its covers, some of which have been cited in these pages. Have they done it again with this one announcing, "The End of Cheap Food"?



Not quite, at least not yet, as this cover appeared a month ago and food prices have subsequently moved higher. However, this chart of the S&P GSCI Agriculture Official Close [Index](#) shows that prices have accelerated in the last few months. One sees the same in this chart of the unweighted Continuous Commodity [Index](#) (Old CRB), where foods will have made most of the recent running.

What are the implications?

The message, I believe, is that agricultural commodities have become a very crowded trade recently. Practically everyone is bullish and they have been the in-form momentum trade for several months, easily outperforming everything else. Consequently, as a sector, agricultural commodities are becoming susceptible to some mean reversion in terms of the moving averages shown above. However I maintain that the long-term outlook is still bullish, for all the reasons of supply inelasticity and particularly rising demand, previously mentioned.

Email of the day (3) - On Japan:

"Thought you might be interested in the following comment on Japan. I have been watching the equity yield vs the bond yield since early December 07. Believing it was becoming very interesting, then yesterday I received attached from John O'Donnell in Pali International in London:

Re: Strong Dividend Yield Support For Japanese Market.

1) As of yesterday shown by the blue line on the first [chart](#) attached, Topix dividend yield reached 1.79% on March 2008 forecast basis while the ten year JGB yield as shown by the orange line on the same chart stood at 1.387%. Looking back over the last 10 years from 1997 to the end of 2007 this has only happened three times and we have now entered the fourth time and each time it has happened we have had a strong rally. To demonstrate this please see the second [chart](#) attached as item two. The last time this happened was in June 2005 shortly before the market had a 60% jump. The situation is very different today and it is difficult to say how much the market should rebound given the problems overseas particularly in the US and the fact that Japan is currently slowing down. We have however expected interest rate cuts in the US to look forward to and the possibility of some fiscal stimulus in the US. For Japan at least we know that we have interest rate support so we should currently have a base for some rebound.

2) The risk to this dividend yield support is that Japanese corporates reduce dividends for fiscal year ending March 2008. This however should not happen as corporates are worried about their stock price level and the risk from M&A. For this reason they should be very slow to reduce the amount of dividends. We also know that Japanese corporations have been accumulating internal reserves and paying back debt rather than borrowing as evidenced by the bank lending figures. As a deterrent against unfriendly take overs and to reward existing shareholders, given stock price performance, dividends should not be cut and could even rise. One big risk is the Bank of Japan making any statements about the raising of interest rates. However this should not be a problem as money market rates are currently suggesting that Japanese interest rates should not rise before December 2009 and it could be argued that they are actually expecting a cut by June of this year. In addition with the Yen expected to be on a strengthening trend they may be more inclined to cut because of the risk of downward revision by Japanese exporters next year. Thus there is a good possibility that the spread between dividend yields and interest rates could even widen further to support the market.

There are also two domestic catalysts that should support a rebound if they were to happen and they are:

a) An announcement by the Bank of Japan that they will leave rates unchanged for the time being and

b) The possibility for a general election this year in Japan as the Government is having great difficulty in getting any meaningful legislation through as it does not have a majority in the Upper House. If an election was announced

the market would expect new measures to support the market or at least an election should result in a better cabinet.

"When considering the domestic economy here, there is absolutely no reason for Japanese bond rates to rise, the only possible caveat being what happens in the international markets! But even there, I would have thought we will see many months of ranging. Therefore to correct this historic anomaly, if dividend rates are maintained, we should at some stage see a rather large 50 to 60% rally in the Japanese equity market!

"Looking at today's intra day market reversal, I also wonder if the hand of god has drawn a line under 1300 on the Topix, i.e. is this the max official pain threshold.

"For the Arithmeticians amongst us, 1300 is a 50% retrenchment of the rally from 770 (03) to 1820 (07), i.e. plus 1050.....minus 525. Or put another way, was the rally from 2003 to 2007 the 1st leg of a major, generational bull market that began in '03 after the 13 years of overcoming the 80's financial / property bubble?

"Here in Japan, reviewing all companies listed on Japanese stock markets, I can find so many companies selling at 10x PER or less, Book value or less, dividend yield's that are unrecognisable by Japanese historic standards.

"Like 2003, I am again reminded of the similarity in valuations in Japan now, and those in the US at the beginning of the Reagan revolution. Surely Japan's part in so many of the Fuller-Money growth themes, Chindia, Asia, Latin US, Middle East etc, etc must ultimately be recognised.

"We do not have the recent financial and property bubble that hinders the US, UK etc, I wonder if like 2005 Japan could re-establish it's developed country, financial leadership mantle?

"The smaller caps started the Japanese bull market, bottoming on Christmas eve 2002, or about 4 months before the Nikkei & Topix. The smaller caps peaked in early 2006, almost a year earlier than the Nikkei & Topix.

"Will they lead again? Or will all markets, driven by their extraordinary valuations move in tandem this time? If the newly super rich quasi gov investment orgs become involved in Japan's value, then this time, large & small caps could rise together!"

My comment - Thank you so much for this fascinating analysis. The impressive key day reversals for [Topix](#) and the [Nikkei](#) that you mentioned, certainly sparked Eoin's and my interest this morning.

Recently, we had been hoping that [Topix](#) might get to 1,200 and the [Nikkei](#) to 12,000, if only because those were such important launch pads and represent significant levels of potential support. They could still be reached, although after seeing today's keys I suspect this is now less likely, particularly if we see upside follow through next week.

More importantly, you and John O'Donnell make a very credible case for a significant recovery by Japan's stock market, quite possibly commencing this year. You also know that there are powerful headwinds coming from the US economy and Wall Street. There were different headwinds in March 2003 - the imminent invasion of Iraq to remove Saddam's regime. On seeing that military opposition from Iraq's army was minimal in the first few days of the war, stock markets took off.

Today, we lack a similarly dramatic catalyst, not to mention the base formations that launched the uptrends. However there are some bullish parallels - most central banks have stopped raising short-term interest rates and some are lowering them, notably the Fed. Central banks are pumping in massive amounts of liquidity and long-term government bond yields have fallen significantly.

Returning to Japan, the government needs a trump card, as you suggest. It triggered the 2003 bull run. It seems inconceivable to me that Japan's economy would remain a perpetual bystander on the fringe the Asian growth story, the durability of which is currently underrated due to the USA's economic problems.

In conclusion, Japan has reached a point where it should have considerably more upside potential than downside risk. Currently, the main risk, as I see it, is that Japan now drifts or ranges for a lengthy period. The [banking](#) sector has been steadier than the broader indices recently but evidence of a base formation remains tentative. The [2nd Section](#) of small-cap stocks led last time, as you point out, but it is still in a downtrend, albeit overextended following the latest acceleration. Interestingly, it also had an upside key day reversal [today](#) - the best by far of the few rally signals evident on this chart.

Best guess - there will be an opportunity to make a lot of money in Japan over the next few years, but we may have to remain patient for a while longer. I'm not investing yet, but I may consider a spread-bet trade if the Nikkei and Topix follow through on their keys.

Quote of the week - On credit derivatives:

But Mr Buffett argues that such highly complex financial instruments are time bombs and "financial weapons of mass destruction" that could harm not only their buyers and sellers, but the whole economic system.

Warren Buffett, [March 2003](#)

Additional Commentary by Eoin Treacy

Citi Metals and Mining Insights: The Mining M&A Frenzy - Hunter and Hunted 2 - Thanks to a subscriber for this interesting [report](#) by Craig Sainsbury and colleagues which looks at which companies are most likely to make acquisitions and which to be acquired in the coming year. Here is a section:

The increase in operational cash flow has equated to a pick-up in capex and capital returns. However, despite the fundamentally good outlook for metal prices over the next several years, companies have not matched their cash spend to their cash generation. Is this a sign of a more disciplined market? Possibly, but more than likely it is a sign that mining companies are lacking the growth projects to invest in and lack the acquisition targets to buy, leaving the sector with a cash hoard.

Despite capex more than quadrupling since 2001, capex as a percentage of operational cash flow has fallen from 70% to 44% in 2007E and we forecast it to drop even further to 38% in 2010E. Dividend spend has remained more constant, but has also slipped. The upshot of the falling capex and dividend ratios is an improvement in the companies' balance sheets and a build-up in cash stockpiles.

The cash generated by the miners in the four years of the super cycle to date has substantially improved their balance sheet strength. Even companies such as Xstrata and Vale as well as other diversified miners who have made significant acquisitions see their balance sheets moving to net cash positions by the end of 2008/2009. We see forecast that by 2010 the sector as a whole will be in a net cash position.

The important issue with the strong balance sheets is that the existing credit crunch is less likely to dilute the rate of deal flow. For instance Figure 2 indicates that between 2008 and 2010 the Citi mining universe will generate c\$149bn of surplus cash. That cash generation represents c18% of the market cap of these companies.

If we assume that the sector maintains normalised gearing of 30%, we estimate that it could borrow a cumulative \$150bn, implying a total potential cash pool for acquisitions of c\$300bn, or 36% of the sector size.

My view - Mining companies are flush with cash. This allows them to support their own shares with buybacks or to continue to buy competitors which have reserves in the ground in politically secure parts of the world.

No one in India or China doubts the extent of the demand for industrial resources going forwards because they know how much they have yet to build and per capita consumption of materials is still only a fraction of what it is in the West. Mining companies are aware of this situation and have been aggressively taking each other over for the last few years in a trend which shows little sign of stopping. Taking the longer-term outlook, many of these companies continue to have significant upside potential and are best bought following correction.

HSBC Launches Saudi Indexes, Funds - Thanks to a subscriber for this [report](#) which covers HSBC's new offerings covering the Saudi Arabian market. Here is a section:

Investors outside of the Gulf Cooperation Council (GCC) zone have a new route to access Saudi Arabia's domestic stock market, thanks to the launch of several new indexes, funds and access products by HSBC.

The Saudi market has been one of the most volatile in the world over the past three years. The Tadawul All Share Index (TASI) doubled during 2005, lost those gains in 2006, but has rebounded 24% so far this year.

The HSBC Saudi Equity Index (Saudi Index) has been devised to be a benchmark for the returns generated by the Saudi equity market. It will include the 25 companies listed in the TASI, plus another 11 liquid stocks representative of the market capitalization of the broad range of economic sectors in Saudi Arabia.

Alongside the market tracking Saudi Index, HSBC is also launching a tailored sector index, based on Saudi petrochemical stocks, to be called the HSBC Saudi Petrochemical Equity Index (Petrochemical Index). Both indexes will be reviewed quarterly.

Complementing these indexes, HSBC's Saudi Arabian unit has launched two new open-ended funds: the HSBC Saudi Equity Index Fund and the HSBC Saudi Petrochemical Equity Opportunities Fund. Both funds are passively managed and aimed at institutional investors and third party distributors.

It is possible that an emerging or Middle Eastern regional fund of hedge funds could use the new indexes to get exposure to the Saudi market. The attractiveness of this will increase the longer that oil prices remain buoyant.

My comment - Middle Eastern markets have moved to relative outperformance in a clear case of those that are last shall be first and vice versa. Many of these markets soared to incredible heights in 2005 led by Saudi Arabia and lost more than 50% of their value in the ensuing correction. Generally, markets such as Oman and Bahrain which were late to open stock markets participated less in the accelerated ending and are benefiting now by leading the region upwards. Many western investors who would never have thought of investing in this area are now considering it because of its relative performance. However while this is understandable, the region does not come without its own quite distinctive risks.

The Middle East has only opened stock markets comparatively recently and the region generally is hardly a paragon of either civil or financial governance. It has become a mantra at Fullermoney that governance is everything in markets; the West is no exception here. So I would urge investors to thoroughly undertake their own due diligence before considering such an investment. In the meantime these markets are performing, buoyed by firm oil prices and a willingness by the oligarchy to invest in badly needed infrastructure for burgeoning populations.

The [Saudi Arabian](#), [UAE](#), [Lebanon](#), [Jordan](#) and [Qatar](#) all share a similar pattern where they accelerated to highs in late 2005 and early 2006, fell precipitously and are now in varying stages of recovery below the prior high.

They would need to sustain moves back into their base building ranges to question potential for eventual tests of those highs.

Oman ranged between 2005 and mid-2007 but has been in an impressive uptrend since breaking upwards. This trend has been gathering pace recently. This is a warning signal that it is getting overextended in the short-term and is approaching the roundphobic 10,000 level. However it would need to break the progression of higher lows to indicate more than temporary resistance at that level.

The Egyptian market has been one of the regional leaders and was one of the first markets to recover its highs following an aggressive sell of in the first half of 2006. It remains in a consistent uptrend although it is approaching the roundphobic 100,000 level which may offer an area of resistance. However it would need to break the progression of higher lows to indicate more than temporary resistance at that level.

The Kuwaiti market broke upwards from its relatively shallow reaction in April 2007 and consolidated the move for most of the year. It broke upwards once more in early January and would need to sustain a move below 12,000 to question potential for further upside.

Email of the day (1) - on emerging market spreads:

"Please find below some credit market observations, as people have been talking how EM outperformed other credits over the last few weeks. Hope people will find it interesting...

"Just comparing the levels of where we are trading versus the main HY/HG indexes it makes an interesting comparison...(all using the old on the run indexes and 5yr cds.

	Current	Widest in Aug/OCT	Difference
X-over S7	419	500	-81
Europe S7	62	65	-3
EMBI	436	433	3
Turkey	209	275	-66
Russia	115	118	-3
Ukraine	277	265	12
Kazak	255	150	105
SOAF	120	72	48
Bulgaria	105	40	65

"Looking at EM credits Turkey is by far the massive outperformer...probably justified. Nearly all other credits are wider than the widest we saw last yr. Compared to the X-Over that is still a way off the widest.

"Personally I think it will be important this year to figure out how credit market conditions will impact equity markets. Last year global markets simply

shrugged it off. This year people started to pay attention. And you may argue that majority of retail investors still have no clue and are probably investing along last year themes and views that BRICS/Asia decoupled.

"I can see that in Russian market even within investment community. People are somewhat narrow in what they look at and still hardly understand what has been happening to western financial institutions and how it may impact local market here. They will learn better when cost of raising money will increase (already increasing). This will happen no matter how low Fed funds go. I can not see how easy credit market conditions can return in short term. Which will mean that everyone will be trying to pass over expense to customers to maintain margins ? Can they do it.....?"

"Thank you for your wonderful service."

My comment - Thank you for this extremely interesting email and for your conclusions, which I'm sure will be of interest to a large number of subscribers. I'm sure you would agree it would be more accurate to consider countries individually rather than as a homogenous group. Over the last couple of months, we generally have seen the idea take hold, that the US will fall into recession and that this will have a big knock-on effect for global growth. In my view this is a questionable assumption.

Since many of the sovereigns you mention above are also large commodity producers, their balance of payments have benefitted considerably from the commodity boom and this is unlikely to change for the foreseeable future; short-term concerns aside.

I agree that we have seen a considerable rerating of risk in the last year; or a return to normality as some would see it. Looking at [US Swap spreads](#) we see that they were quite narrow between 2003 and mid-2007 but broke upwards in the summer in what looks like a breakout from a base. Interestingly, the [VIX](#) has a similar profile, indicating that it is not only bond markets where risk profiles have been adjusted. If these spreads were to fall back into their bases on a sustained basis, it would indicate that the Fed has succeeded in restoring some semblance of credibility to the banking system. The next few months will be telling in this regard and swap spreads are well worth keeping an eye on as a gauge of how bank risk is being priced.

While lower interest rates from the Fed are likely to have a material effect on the health of the US banking system, I question whether there is a one-to-one comparison between Fed actions and how Emerging market sovereigns are priced. Please correct me if I'm wrong but it seems there are a large number of other considerations to take into account. Some of these are whether the commodity secular bull market will continue? Can the global economy continue to grow if the USA falls into recession? Will political stability and corporate governance improve in these countries going forward? Of course there will also be a host of country specific issues. I believe the answers to many of the questions I mentioned is a qualified yes, so I wonder how much further spreads will widen beyond the highs they reach during the current period of market anxiety, when we look at the many bullish factors out there.

Today's interesting charts - [The Chart Library](#) has a variety of sector indices for 31 different indices.

Nikkei Dividend Yield - [dividend yields](#) are higher today on the Nikkei than at any time since at least 1990 and would need to sustain a move below 1.2% to question potential for some further expansion.

Australian Banks and Financials - the Index had become overextended and today posted an upside key day [reversal](#). While it needs to follow through with some further bullish activity next week, the upside can probably be given the benefit of the doubt as long as it can hold above 6000.

Taiwan Banks - [continues](#) to hold the gain following the [impressive](#) move earlier in the week. It would need to sustain a move below 1000 to question potential for further upside.

Email of the day (2) - [on additions to the Chart Library](#):

"Could you please add 2 AIM listed stocks to the chart library - Alternative Networks ([AN.](#)) & Primary Health Properties ([PHP](#))

"Many thanks in advance"

My comment - [Both of these shares are already in the Chart Library. If you Search the International Equity Library, they will both turn up or you can select them from the menu of all AIM shares.](#)

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