Fullermoney

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

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

**Monday 25th February 2008**

The Week: Credit Markets Suggest Further Economic Weakness - My thanks to Rod Smyth, Bill Ryder and Ken Liu of Wachovia Securities for the latest and informative edition of The Week. Here is a brief sample:

We think the biggest risk to the Fed's forecast is inflation. The Fed clearly stated in the January FOMC minutes that it feels compelled to keep on lowering short-term interest rates as an insurance policy against the ill-effects of the widening credit crunch. Inflation remained a concern, but as long as growth risks take precedence the Fed appears willing to tolerate higher levels of inflation over the short run and they are going to get it in our view. Furthermore we think the Fed's insistence on targeting core inflation (ex food and energy), when food and energy are so obviously in secular up-trends, is very damaging to the Fed's credibility and desire for "well-anchored" inflation expectations. Investors who are puzzled by the strength of commodities at a time of slowing global growth take note. When monetary policy is set for the weakest link in the economic chain (the credit markets and housing) the strongest link in the chain (currently commodities and emerging economies) will generally benefit and potentially boom. Reflationary monetary policy, developing economies' strong demand, and constrained supply all help explain why gold and other commodities are at or near record highs and will likely remain in secular up-trends, especially while the Fed maintains its growth bias at the expense of inflation.

My view - Certainly there are inflationary risks, which are the inevitable consequence following many years of double-digit money supply expansion, as the Fed and other central banks fought deflationary pressures, real and imagined. However if the Fed were to add food and energy prices back into its CPI calculations, it could soon find itself with little choice but to raise short-term interest rates. This would have scant effect on food and energy prices but it would be devastating for an economy already reeling from a credit crunch, weak housing market and a contraction in consumer spending.

Note the "strongest link" comment above - a description that fits Fullermoney's long-term investment themes.

Email of the day (1) - On analysing and trading silver:

"My sincere thanks and appreciation for all the work you guys do. It is now a habit to start every day with your audio and a coffee... it's now daylight at 6am now in the south of England!

"A couple of times lately in your daily audio (which is way too short) you've mentioned the silver and gold prices and alluded to formulating an exit strategy prior to the inevitable correction.

"As I watch silver wind up for what may well be its biennial blow off I wonder, ponder and pore over the charts.

"My limited grasp of TA leads me to understand that the "pole" prior to a flag/triangle/pennant should be of the same length/value as the "pole" following the breakout. Looking at the silver chart, this leads me to conclude that the pole from September 2005 to May 2006 should dictate the size of the pole which started around September 2007.

"However, the pole from around April 2003 was at least $4, yet the pole Sept 05 to May 06 was at least $7. So how to extrapolate a target for the present pole which started Sept 07?

"Or perhaps I'm in error here, which is more likely. I've trawled through Schwager, Murphy and any other TA source I can find, but I'm at a loss on this one. But as I think about it, the charts never go in predictable steps dictated by poles and pennants anyway ... or do they? They're never so regular. I've tried phi price objectives and all sorts but to no avail.

"I'm up to the proverbials here in silver futures contracts, so you'll appreciate that it's a subject in the front of my mind and close to my heart. When the correction comes I have to assume the magnitude/percentage drop will be comparable to May/June 2006 and I have no desire whatsoever to repeat that one, so this time my exit strategy has to be at least half-baked.

"I'm not trying to pick a top here, but I'd like to at least land in the right airport, as it were. Any comments from yourselves or the Collective would be much appreciated.

"PS Eoin, I trust your good lady is as well as she can be and well on the way to full health."

My comment - Many thanks for your kind words and enthusiasm for the service. And well done for seizing your opportunities in silver!

Regarding Mrs Treacy, Eoin told me this morning that she feels well and is back at home. They are both looking forward to the birth of their second child next month.

Regarding price chart analysis, you will know that at Fullermoney we favour a simple approach, believing that interpretation is an art rather than a science. So we look for trend consistency, to tell us whether or not all is well. In terms of the big picture, we also look for other forms of behavioural repetition and I commend you for recognising a degree of similarity in silver's medium-term cycles (weekly & monthly).

You will note that these have lasted approximately 26 months. If that cyclicality is maintained, and there is no certainty that it will be, we might expect a peak around mid-year. However cycles can quicken as more people recognise and participate in them. Therefore we can assume that quite a few silver traders will be looking for an important peak in the next few months.

It would be prudent, I suggest, to tell ourselves that silver's next peak could occur at any time, including last Friday which is the high to date. However the orderly step sequence of ranging price rises in recent weeks suggests that we could be lucky, in which case silver accelerates once again, prior to the next significant correction.

An important point for me is that the price action is still consistent. This suggests that the trend is still in motion. In other words, it probably has further to run because nothing has occurred to prompt a widespread reassessment among silver traders, including ourselves.

Meanwhile, we certainly do not want to see the current sequence of higher reaction lows taken out. The last one was at $17. As for the upside, I regard price targets as guesswork - often no more than wish lists - so do not attach much significance to them. However if we ask anyone in silver the theoretical question: where might the next psychological resistance level be, I suggest most would say $20. Trends often pause near round numbers, as you know, because they are widely anticipated targets which can also cause them to become reassessment points.

Regarding the "poles" that you mention, these semi-log charts (weekly & monthly) indicate that the two previous advances were of a similar percentage. It the sequence is repeated, silver would easily reach $20. However it would be foolish to count on this. You and I can only deal with what the market provides. In a strong uptrend, our focus should be on running the trend, while it is consistent but with trailing stops that will take us out relatively quickly when something goes wrong, as it surely will at some point. Upside acceleration would make our task easier.

Last but not least, keep an eye on platinum (weekly & daily) as it so often leads. Currently it shows some loss of momentum but not much selling pressure to date.

U.S. Backs Plan for IMF to Sell Some Gold Reserves - This item from Bloomberg explains the latest development. Here is the opening:

The U.S. Treasury, in a policy reversal, backed an International Monetary Fund plan to sell some of the lender's $98 billion in gold reserves to help make up for a decline in revenue.

``The United States will help ensure that the IMF has adequate resources to fulfil its vital global mission by seeking authority from Congress for a limited sale of IMF gold,'' David McCormick, the Treasury's undersecretary for international affairs, said in a speech at the Peterson Institute for International Economics in Washington.

The Bush administration supports sales of as much as 12.9 million ounces recommended by an advisory group headed by Andrew Crockett, former head of the Bank of International Settlements, to set up a fund to cover anticipated losses at the IMF, McCormick told reporters. Such an endowment ``will provide a basis for sound and sustainable IMF finances,'' McCormick said.

The price of gold fell after the announcement that the U.S., the largest IMF shareholder, will go along with plans by IMF Managing Director Dominique Strauss-Kahn. Strauss-Kahn has also proposed eliminating 15 percent of its 2,600 staff and saving $100 million of its $922.3 billion budget to offset dwindling revenue from lending.

My view - This announcement caught the gold market by surprise, causing the price (weekly & daily) to ease from its highs. What impact might it have beyond an initial knee-jerk reaction?

A strong market rises on both good and bad news. If gold has yet to complete its current medium-term uptrend, as I suspect, it will soon move higher despite the IMF news.

You will find more comment on the IMF announcement via this additional Bloomberg link.

Please note: This story was not discussed in Monday's Audio as I was not aware of it at the time.

Email of the day (2) - On credit conditions:

"Enclosed please find my questions based on a recent Doug Noland article.

"I hope you can address some or all of them. This is an issue of major concern and I welcome your thoughts.

"Thanks for all your wonderful work and your ever more creatively supportive website!"

My comment - Thank you for your thoughtful comments and inspirational enthusiasm for the Fullermoney site.

Thanks also for this information from Doug Noland and your accompanying questions, certain to be of interest and concern to many readers.

Regarding "minimizing" the credit crunch, we certainly do not intend to do so, but to ask some questions of my own, how do we evaluate it in a practical manner, especially when there is so much uncertainty?

Do we feel "comfortable" about the situation, as you ask? Certainly not, but other than acknowledging a serious problem, who is qualified to conduct a lengthy discourse on this subject, in terms of how it will affect markets? I see plenty of commentary, lots of extrapolations among forecasters, and often emotion labelled as analysis.

I hasten to add that I do not classify either you or Doug Noland in this latter category. You probably know more about the credit problems than I do and that is certainly true of Doug Noland, who I regard as a superb credit analyst.

However my job is to relate any situation back to the markets. Veteran subscribers know that I have described the US as a high-risk economy since well before the credit crisis became so apparent. That is why I have invested elsewhere, an occasional trade excepted.

A pertinent question which I ask myself daily: has the credit situation either been fully discounted by markets, or at least to a point where other factors are more than compensating for current and undisclosed risk? I will give the latter the benefit of the doubt, as you know, provided the lows of January 22nd continue to hold. Unlike some, Eoin and I will not tell the markets what to do.

In what I regard as an overly US-centric analytical community, I also ask myself if the credit problems, where they exist, will torpedo Fullermoney's secular investment themes of emerging Asia, resources and global infrastructure development? With markets there are no grounds for complacency but I find the evidence in favour of Fullermoney investment themes encouraging.

In specific response to your questions by section: (1) Some corporate balance sheets are undoubtedly overinflated. (2) I suspect many companies are unable to raise new financing, a situation that will favour the strong if it persists. Yes, the US economy has been in serious trouble for some time. Yes, the strength of precious metals indicates a distrust of fiat money. (3) I believe some credit spreads are widening while others are narrowing. (4) Risk is certainly being repriced, including by "technical hedging" and speculative shorting. (5) Fannie Mae and Freddie Mac have long been accidents waiting to happen, which is why they may have to be nationalised. Their results on Thursday will be interesting.

Your questions accent the problems, about which we should be under no illusions. We also have reason to believe that the US government will use every resource available to prevent a further meltdown. I would not underestimate those efforts but markets will continue to provide the verdicts which count for investors.

My personal portfolio: Gold and silver long trades increased; Nikkei futures longs closed - Having edged stops higher, I increased my gold and silver longs this afternoon, although I bought too soon to take full advantage of a reaction that occurred. I paid $943.35 for another equal-sized position in April gold, increasing my long position by 25%. I increased my silver holding by a third, paying $18.18 for another May position.

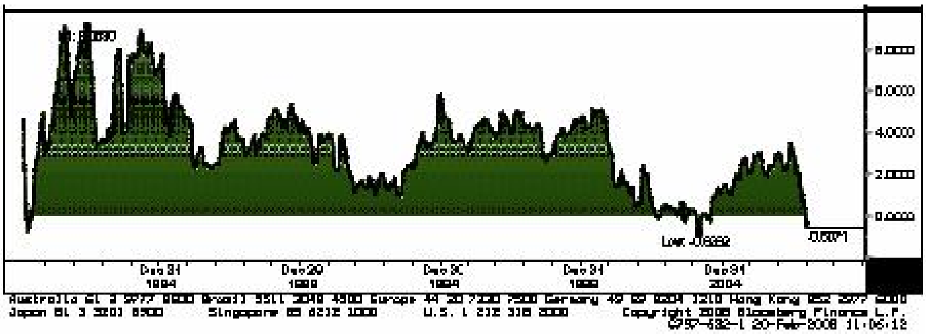
When Wall Street's initial rally, following Standard & Poor's announcement that the bond insurer MBIA would not lose its AAA credit rating, I decided to take the latest profits in my Nikkei trading. Having bought them on weakness in ranging markets, I was content to book gain rather than hold on in hope that a sustainable uptrend is soon established. I sold March Nikkei at 13923 and 13920, against purchases at 13435 and 13455, both on 20th February. Short-term uncertainties aside, I continue to regard Japan's stock market as a bona fide medium to longer-term recovery candidate.

Prices above include spread-bet dealing costs.

Email of the day (3) - On the S&P following negative rates:

"Given your short position in bonds here I thought you might like the attached. Very quickly from Bloomberg I looked at what the performance of the SPX was following other periods when 2 year treasuries (USGG2YR) minus inflation (GDPCPCEC) became negative. The results aren't accurate to the nth degree but they are interesting. A similar pattern occurred in 1977 but my Bloomberg data doesn't capture the entire period. The table shows SPX performance following the move into negative territory - they were done very quickly though. Here's hoping......."

My comment - Thanks for this useful and informative research, contributed in the spirit of Empowerment Through Knowledge.




Since both the graph and table may be difficult for some of you to read, I'll elaborate briefly. The graph from your fellow subscriber shows the current and two previous instances in 1980 and 2003 when US rates became negative: "2-year Treasuries (USGG2YR) minus inflation (GDPCPCEC)."

| Date Real Yield Hit Low | Performance after: 3mths | 6mths | 9mths | 12mths |
|---|---|---|---|---|
| 30.05.1980 | 17% | 25% | 25% | 29% |
| 31.03.2003 | 15% | 17% | 31% | 31% |

Following 30/05/80, the S&P performed as follows: 3mths +17%, 6mths +25%, 9mths +25% and 12mths +29%.

Following 31/03/03, the S&P performed as follows: 3mths +15%, 6mths +17%, 9mths +31% and 12mths +31%.

Sceptics will say: It's much worse this time! They are probably right, at least in terms of the US and UK economies. If we lived in a fundamentally mono-themed world of the credit crunch alone, many of us would have already jumped off a high building. Fortunately, there are other factors. The markets will distil them and deliver the all important verdict for investors.

Additional Commentary by Eoin Treacy

Citi Commodity Heap: Copper Coming Alive - Thanks to a subscriber for this interesting chartbook by Alan Heap and Alex Tonks, which this week covers the prospects for copper. Here is a section:

Moving On - Overcoming US recession fears copper has jumped 25% since the start of the year. Driven by production disruptions, Chinese buying and a sharp short covering rally.

Forwards & Future Implications - 3-month forwards shifted from contango late last year to backwardation at the start of the year. However the backwardation has not steepened substantially during this latest rally (Figure 32). The active forward buying may signal speculative activity.

Stocks Drop - Overall exchange stocks have declined (Figure 13), particularly in the Asian LME warehouses (Figure 14). Total LME inventories are down ~20% over the month, and 40kt from the December 183kt high. SFE stocks have ticked up slightly, but from a low level (Figure 13).

Imports resurging - Chinese cathode imports are up 60% on a net basis since October (Figure 30).

Production disruptions -Smelter output in China has been disrupted by the New year storm. As much as 40,000 tonnes of production may have been lost. Power disruptions in Africa have also affected output.

My view - Copper rallied impressively over last month to test the top of the year-long range and the 2006 highs near $4, but is looking a bit overextended in the short term. Some ranging around current levels would not be unexpected as this overbought condition is unwound and we can continue to give the upside the benefit of the doubt as long as it sustains the move above $3.50. (Also see Comment of the Day on February 19th.)

Astaire Research: The India Report - Thanks to Deepak Lalwani for his ever-interesting report. Here is a section on the possibility of an Indian Sovereign Wealth Fund:

The Economic Times, a leading Indian business daily, quoting unnamed source reported that India was considering a sovereign wealth fund similar to Singapore's Temasek Holdings, with an initial fund of $5 bn. A decision could be taken after the budget (due February 29) and the fund, if set up, will invest in overseas oil, gas and coal assets. India's foreign reserves stood at $291 bn at February 8, up 57% from a year earlier. The rationale to set up a fund is that returns on investments in U.S. Treasury bills and other sovereign securities are low and there is a case to set aside a small proportion to earn higher returns. The Central bank has previously expressed reluctance at using forex reserves to set up an investment fund as it felt that the rise in reserves should be judiciously held so as to insulate the economy from any shocks of short notice reversal of the huge capital inflows from investors in the last few years.

My view - Sovereign Wealth Funds have become a popular vehicle as the yield from Treasuries is close to historic lows and faith in the Dollar is weak. Countries increasingly see the benefits of diversifying at least part of their often extensive reserves into more 'risky' assets and the size of such funds is set to grow substantially in coming decades.

It also makes sense for developing countries to form strategic alliances with technology and resources companies as globalisation's competitive forces continue to intensify. The growing trend toward these types of funds is likely to continue for as long as they are not seen to infringe the national sovereignty of other nations.

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

"Could you please add to chart library:

"Invesco Perpetual Latin America
Scottish Widows Latin America
Threadneedle Latin America

"Thank you"

My comment - Thank you for these interesting suggestions which have all been added to the Chart Library. The Invesco Perpetual and Scottish Widows funds have investment fees of 5% and management fees of 1.5% while the Threadneedle fund has an investment fee of 3.75% and management fee of 1.5%.

All three funds are benchmarked against the MSCI Latin America Index and are performing more or less in line with it. The MSCI Latin America Index remains in an overall uptrend with an unbroken progression of rising major reaction lows. The Index recovered impressively from the August lows and found support in January significantly above that level. It has since rallied impressively once more and is now testing the highs above 4500. While the Index may encounter temporary resistance around current levels, a sustained break of the higher lows would be needed to question scope for an upward break and reassertion of the uptrend.

Email of the day (2) - on fertiliser companies listed in Hong Kong and Australia:

"In line with one of your long term commodity theme (agricultural), please, I would appreciate if you would know and advise me of any good/reputable fertiliser companies (because they have the pricing power!) listed on the Sydney and Hong Kong stock exchange."

My comment - Thank you for this interesting email. The soft commodity sector remains in form and we can be sure that farmers will be planting every available acre in the coming year, so demand for fertilizers is likely to remain high.

In Australia, I only found one company currently listed in the agricultural chemicals sector. Incitec Pivot (P/E 36.2 and dividend yield 2.52%) IPOed in 2003 and performed reasonably in what now looks like a base formation. It broke upwards in late 2007 and remains in a truly impressive uptrend. Unquestionably, the share is looking overextended at today levels but a downward dynamic would be needed to question scope for some further upside. Over the medium-term a break of the progression of rising lows would be needed to damage the integrity of the overall uptrend. As with so many shares in this sector, it is probably best bought following reactions. .

In Hong Kong, Sinochem Hong Kong (P/E 48.25 and dividend yield 0.31%) remains in an overall uptrend with an unbroken progression of rising major reaction lows. A sustained move below 6 would be needed to question scope for further upside.

Ko Yo Ecological Agrotech Group (P/E 10.78 and dividend yield 1.4%) broke upwards impressively in early 2006 and has been consolidating the move since. It needs to sustain a move above 0.15 ¢ to reaffirm the bullish bias.

If there are other companies which subscribers feel are worthy of mention please let me know.

Email of the day (3) - on Canadian gold junior miners:

"I have been trawling through the archives using the search functionality, looking for 'Gold Juniors' information. I do seem to remember a kind subscriber listing a few of the better looking Canadian Gold Juniors a few months back, but just can't track this down. If anyone out there has information on achieving exposure to the juniors (directly or via a fund), I would be very grateful for this.

"Many Thanks for this fantastic service."

My comment - Thank you for this interesting email. I'm afraid I don't remember the posting you mention and was unable to find it using parameters such as gold miner, junior, Canadian miner, etc. However, the Collective may have some input on reputable Canadian junior miners. If there are any of these shares we do not have in the Chart Library, I would be happy to add them.

Email of the day (4) - on a data error:

"Hi Gentlefolk - the S&P500 Trucking Index (North American Indices) looks a little wonky."

My comment - Thank you for alerting us to a chart which was not updating. This has now been corrected.

Today's interesting charts - The charting tool allows subscribers to customise p&f charts amongst a range of other options.

Japan (Nikkei-225) - breaking upwards from the short-term range, having found support near 13,000 in January. However it needs to sustain a move above 14,000 to indicate that the bulls are regaining the upper hand.

Switzerland - looking increasingly likely that the Index has successfully found support above the January lows and would need to sustain a move below 7000 to question scope for some further upside.

China (Shanghai A-Shares) - breaking down from the short-term range, following the national holiday and needs to sharply rally back above 4500 to question scope for some additional downside.

Eoin's personal portfolio: wheat long opened - I opened a long today in May wheat at 1125.5¢, following the impressive action. This is a speculative move and I have placed a stop to protect the trade against a limit down move.

However, given the relative strength of the sector I feel a long position is justified. All prices quoted include spread-bet dealing costs.

Last week's signups for the Free (Abbreviated) Comment of the Day - For the week of February 17th new signups, including subscribers and pre-subscribers, live in the following countries or regions: Australia, Canada, France, Germany, Guernsey, Hong Kong, India, Ireland, Portugal, South Africa, the UK and the USA - 12 in total. In descending order, which topped the list in terms of the last week's new signups? It was India, the UK 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 26th February 2008**

Tim Price: Farmageddon - Here is the latest, interesting report from Tim Price, published by PFP Wealth Management. Here is a brief section:

Scarcity is where the action is. It was previously assumed, for example, that investment banks - by dint of competitive remuneration moats - possessed some rare access to a mother lode of "alpha? generation that could be tapped, at a price, by paying clients. We now know, from the baneful evidence of a list of market participants too numerous to mention, that investment banks have been trapped by their own hubristic sophistication, and that their "alpha? generation was built on a sandbank of broken financial modelling and leverage.

My view - Scarcity is embodied in the first half of an important Fullermoney investment theme over the last six years: Supply Inelasticity Meets Rising Demand. Investors are now well aware of the scarcity of most resources from aluminium to wheat.

However America's tribulation and contagion raises legitimate questions over the Demand component mentioned above.

I suspect that demand for both foods and industrial resources will dip slightly in the USA. However food has defensive qualities in that people will still eat. Presumably they will not drive their cars quite so much and may build fewer houses, for a while, but I suspect that overhauling America's aging infrastructure will be one of the next big public sector efforts to assist the economy.

More significantly, demand is a numbers and prosperity game, and America has a population of approximately 300 million people. Compare that to a global population of 6.7 billion and rising. Meanwhile, due to capitalism, globalisation, and technological advances, economic growth remains unprecedently strong in most of the countries with very large populations.

Consequently, demand is rising faster than supply, far more often than not. This is unlikely to change significantly.

Email of the day (1) - On funds for a 10-month old daughter:

"I first want to tell you I'm very excited about the May Seminar in which my cousin and I will be attending all the way from Alabama, USA. With this being our first time to London and new sights and experiences, there will be another first with Eoin hosting his "Inaugural Fullermoney Chart Seminar", we'll all be excited and ready to dig into the 40 years of chart knowledge somehow in 2 days. My grandfather (a long time subscriber of yours) is our version of what you do and he, along with many other family members, we trust and believe in your strategy for market profits and reading charts.

"This leads me to why I wrote, we want to buy my 10 month old daughter a mutual fund that is secure and profitable for her custodial account we have for her. We have already bought TGLDX and SCGDX for her and have done well, but want one more mutual fund for her for long term investments, I think she needs more energy since the other two hold so much metals, which are good, but I've come to a stand still to find the perfect mutual fund to complete her portfolio in the manner we would like. Could you provide a selection of energy and maybe just some long time profitable favorites of yours so I may research to complete her portfolio. Many thanks from the whole family for your consistent work and we'll see you in May!"

My comment - Thank you for this lovely email - three generations of subscribers and now four generations of investors, due to your munificence on behalf of your daughter. She is a fortunate child. Please give my very best wishes to your family, not least your grandfather. I look forward to meeting you and your cousin at the reception following TCS on the second day.

As for your daughter's portfolio, you are to be congratulated on the gold fund investments. I note your interest in energy. We like the sector but have reservations due to expropriation problems. Therefore I would go for the Canadian Oil Sands Trust (COS-U) or the equivalent.

However you are putting all your daughter's eggs in the resources basket. In doing so, you currently have momentum on your side. However for long-term growth, I would be thinking about diversifying into the BRICs, favouring India and China, plus Brazil if you want a more diversified coverage of resources. *See also additional comments below.*

My personal portfolio: Leverage reduced as some trailing stops are triggered for gold and corn- My most recent tactics have already proved to be too cautious but my overall strategy is to limit leveraged risk at a mature stage of gold's medium-term upside move. The tradeoff is that this almost inevitably reduces opportunities for profits. Interestingly but not illogically, volatile silver has remained rock steady to date as the IMF's announcement of gold sales triggered a small reaction in the yellow metal, quickly reversed this afternoon and evening.

An increase in supply can only be a psychological headwind for the gold price, albeit much less so in an uptrend. In contrast, we saw the headwind's impact during central bank sales from the 1980s until early this century. Thereafter European CB sales were limited to fixed amounts, currently 500 tonnes a year. As I understand it, IMF gold would not be sold in the spot market, judging from their last divestiture of bullion in 1999 and 2000. I believe this was done via a transfer to another central bank.

The key variable for gold is investment demand, which has been strong in recent years. This is unlikely to change while bullion's price remains in a long-term upward trend. However, silver could be the main beneficiary following the IMF announcement, encountering increased investment demand relative to gold.

For those of us who invest in gold, the best case outcome following the IMF's announcement of sales would be if the bullion was snapped up by a central bank or SWF in a country with a strong current account surplus, such as China or Russia. A more problematic environment for gold would occur if another major and needy source decided to sell some of its gold. For instance, the USA to fund public sector programmes in the next few years.

Returning to gold trading results, my too tight stops took me out of three-fifths of my futures long position. In one account April gold was sold at $935 and $931 this morning, against purchases at $934.2 and $930.7 on 1st February and 29th January, respectively. In another account an April long was sold at $930 against the purchase at $917.65 on 12th February. I should have bought these back.

My corn long was also stopped out, resulting in a sale of the May position at $5.35 against my purchase at $5.2335 on 15th February.

Early this morning I sold my Singapore Blue Chip long at 381.9 against my purchase at 377.7 on 1st February. I think Singapore's stock market recovery will continue but the limited trading hours and monthly contracts do not suit me. I prefer the NKY and HSI, which also trade during European and USA hours. That said, I will probably allow a recently purchased China H-Shares long position to be rolled forward tomorrow. My US T-Bond short will be rolled forward at the close of today's trading although I will not know the prices until tomorrow.

Prices above include all spread-bet dealing costs.

Email of the day (2) - On copper and gold:

"Good morning ! First of all, I wanted to congratulate you on your call on the copper price a few months ago. I recall that you maintained a bullish stance on copper despite a global slowdown and the real estate crash in the US. I am personally stunned to see copper at 3.75$ in this environment. Eoin also did a great "long term big picture" audio last Friday. Regarding gold, I know that you expect a serious correction sooner rather than later but in my opinion the next correction will prove to be much shorter both in duration and magnitude than the last one in 2006. In 2006, we had low inflation, rising rates, hawkish central banks and very strong global growth. Today, we have negative interest rates and going lower, surging food prices and a serious inflation problem down the road. Therefore, I believe a repeat of the 2006 correction in precious metals is unlikely. Thank you very much."

My comment - Thank you for your kind words.

I would like to emphasise once again that I remain a long-term bull of gold but I do think we are now in the latter stages of this medium-term upward cycle. That is the most profitable phase but it is usually followed by sharp corrections.

You make some very good points concerning "negative interest rates, surging food prices and a serious inflation problem down the road." Those are the "known knowns", as Donald Rumsfeld said in a different context. High among the "known unknowns" is the extent to which gold investors and speculators will discount these problems during the next few weeks and possibly months. However I believe we will soon find out. Meanwhile, markets are manic / depressive and therefore have a habit of overreacting in both directions. Lastly, among the "unknown unknowns" are the future actions of central banks to inflation related events.

In conclusion, you could be right. However the higher markets go in the short term, the more they are likely to decline once the bandwagon runs out of steam. At least that has been the lesson of countless market cycles, including gold on two previous occasions within this overall uptrend.

Atlantis China Fortune Fund report - This fund is the 2nd largest position in my personal long-term investment portfolio. Most people are terrified of China today, which makes it interesting in my view, as one can buy following a significant setback. And valuations for shares in the Fund are nothing like the hefty A-Share Index PER which has fallen from a yearend high of 58.8 to 35.8 today.

How do we know that China's markets won't go lower? We don't, but for me that is the wrong question. If I ask myself, which countries will outpace China in terms of GDP growth over the next 10 to 20 years? My answer is not many.

Meanwhile, my worst case scenario is that China becomes an even better buy and undergoes a lengthy bottoming out process, before moving much higher. In this case I will console myself by bottom fishing. My best case scenario is that China's stock markets commence the next upside move sooner rather than later. Don't miss Eoin's item below, on Chinese authorities announcing that they will now limit secondary share sales. This worked in 2006 and the government is targeting the stock market once again.

The Atlantis report above has a very interesting Investment Comment, ending with the question: "So where is the trigger?" The answer, I believe, which Atlantis did not know as the January report was completed, is the item mentioned immediately above.

*Disclaimer: neither I nor Fullermoney nor Stockcube has any financial incentive whatsoever in mentioning this or any other fund.*

Email of the day (3) - On BRIC funds:

"Hello David, thanks for your excellent work. I am new to the site, but I know in the past you have published a list of BRIC funds that you invest in or would recommend. Would be grateful if you could republish the list or recommend how I can find them using your search facility."

My comment - Welcome to Fullermoney and thank you for your kind words.

Funds are listed in the Chart Library - just click on the dropdown menu and you will see the link for funds beneath each geographic (in the case of stock markets) or other specific category.

We certainly like the BRICs for their outstanding long-term growth potential. For timing we often mention that these and any other volatile instruments are generally best purchased following setbacks.

China certainly qualifies, and the fund I have invested in is Atlantis China Fortune (see monthly report above) but there are also others in the Library - See Asia & Asia Pacific Funds, ITs and ETFs. You should do your own due diligence on these, in terms of fees, minimum investment, currency of denomination, etc - further information is available on the www for any of these vehicles - and select what is appropriate for you. This may be influenced by where you live.

ETFs and iShares are very competitive and that is what I would choose for Brazil, although it is currently testing its high so the buy-on-the-latest-reaction opportunity has been missed. I also like investment trusts, provided the are trading at discounts to NAV when purchased, and have invested in one for India (see top-10 holdings), but you will find a wide choice in the Library, including Atlantis India Opportunities. I tend to feel that India, and certainly China with its specialist categories of shares and restrictions, require specialist knowledge. This link to the Library will show you some Russian funds

Today's interesting charts - Charts show us what the markets are actually doing, which is often different from what people think they should be doing.

UK (FTSE 350 Banks) - This Index is fanning up out of the downtrends in a bigger rally than we have seen previously, which has also exceeded the early-February high. A break of this month's reaction low would now be required to offset current scope for additional sideways to higher ranging.

UK (FTSE 100) - Same as above and also pushing up into overhead trading. A sustained move above 6000 would confirm a downside failure from the top area.

USA (Dow) - Approaching test of early-February high and a break of the last reaction low would be required to indicate major resistance here rather than current scope for sideways to higher ranging.

USA (Gold Bugs) - This ranging uptrend appears well supported by extensive underlying trading; a close beneath 415 would be required to question current scope for higher levels.

Silver - Uptrend steepening but still well supported by extensive underlying trading; a significant downward dynamic and / or a lower reaction low (see daily chart for this) would be required to check momentum beyond a brief pause.

Additional Commentary by Eoin Treacy

Nasdaq shares: a technical health check - I last reviewed a number of Nasdaq shares on October 11th and 12th when the Index was breaking upwards against the S&P 500. Since then the Nasdaq 100 has fallen back into its base against the S&P and needs to rally above 1.3 to reaffirm its potential to outperform.

The Nasdaq has succumbed to similar selling pressures as other global indices, commencing with the fall on November 8th which broke the medium-term uptrend. The break below 2000 in January signalled the onset of another bout of selling, climaxing on the 22nd. In the last three weeks, the downtrend has lost momentum and has posted three higher lows. It would need to sustain a move below 1700 to question scope for some further higher to lateral ranging.

Index heavyweights such as Google, Apple and Microsoft together make up more than 20% of the Nasdaq-100. (Nvidia also shares a similar chart pattern.) These shares along with a small number of other technology shares led on the upside and are underperforming during the correction. None have rallied meaningfully this month and while they look overextended, there are a number of conditions they would have to meet before looking like they were about to reassume their previous bullish mantle.

The first pre-condition, is these shares will have to find support and hold above it. Since they have undergone some quite severe technical damage, it looks unlikely that they will be able to push back up to their highs directly, but will require some base building before a more orderly trend emerges. A period of convalescence, which could be potentially lengthy, is likely to ensue. Ideally, this would produce a progression of incrementally rising lows to indicate that demand is returning at progressively higher levels.

At present, global infrastructure plays such as Steel Dynamics, Joy Global and Foster Wheeler as well as Pharmaceutical companies such as Teva Pharmaceutical and Sigma Aldrich are leading the Nasdaq. However, considering these sectors are relatively small, they are unlikely to have a major impact on the overall Index. There is no denying that many technology companies are considerably cheaper now than they were three months ago, but they need to perform considerably better than of late to encourage investors back into the market.

Given the general re-pricing of risk globally, there is the distinct possibility that investors will be more attracted to yield rather than growth for the coming months as some of these beaten up shares move into base building phases.

Ping An, Pudong Bank Gain in Shanghai on Regulator's Statement - This article by Josephine Lau for Bloomberg covers today's initiative by the Chinese authorities to limit secondary share sales. Here is a section:

Ping An Insurance (Group) Co. and Shanghai Pudong Development Bank Co., which plan additional share sales, rose in Shanghai trading after the securities regulator said it will scrutinize such offerings.

Ping An, the nation's second-largest insurer, added 3.6 percent to 67.70 yuan at 1:05 p.m., advancing for the first time in six days. Pudong Bank, part-owned by Citigroup Inc., gained 3.8 percent to 40.49 yuan. The stock climbed for the first time in five days on expectations that the bank may delay or cut the size of a sale of 1 billion shares.

China's securities watchdog said on its Web site late yesterday that it will ``strictly'' scrutinize applications from listed companies seeking to sell more stocks after investor concerns that rising supply will dilute existing holdings fuelled a 15 percent plunge in the CSI 300 Index this year.

``Investors are reassured that Chinese authorities aren't going to let too many stocks flow onto the market and assert pressure,'' said Gabriel Gondard, who helps manage the equivalent of $10 billion at Fortune SGAM Fund Management Co. in Shanghai. The Societe Generale venture owns 9.7 million Ping An shares. ``But it's too soon to assess whether this will actually change the companies' issuance plans.''

My view - The Shanghai A-Shares Index remains weak and needs to sustain a move above 5000 to indicate that the bulls have regained the upper hand. However, this story may be an indication that the central government is turning its attention towards stabilising the stock market which in the medium-term could be a powerful support.

The last time government actively supported the stock market was in 2005 when the Index's underperformance was a political embarrassment. The creation of a supportive fund stemmed the tide of redemptions and over the subsequent months, sparked the impressive 2006/2007 advance. If the authorities are mulling something similar on this occasion, it may take time but they are likely to be successful, eventually.

Email of the day (1) - on Canadian miners

"Natural Resources Canada federal department website provides direct information on every gold producer in Canada plus intricate information on their current mining operations as to type. One can compliment this information with FM Chart Service for comparisons on each company."

My comment - Thank you for this interesting site. You are truly a mine of information and I would be happy to add stocks of interest from this list to the Chart Library.

Email of the day (2) - on access to Canadian Junior Gold mines:

"There is an ABN-Amro ETN called "Junior Gold Mines", ISIN NL0000707503.

"It comprises 20 holdings of which Canada was/is represented by:
New Gold
Novagold
Aurizon

"I have a small holding.

"Best wishes to you and Mrs. Treacy."

My comment - Thank you for this interesting suggestion which has now been added to the Chart Library. Mrs. Treacy was released from hospital a couple of days ago and is delighted to be home. She did not develop full blown pancreatitis on this occasion but remains at high risk, although she feels as comfortable as is possible when heavily pregnant. We never knew what triglycerides were before the birth of our first daughter, but when one's cholesterol gets up to 30 and with a lipid count of 80 one can't but worry. We would like to thank all of the subscribers who graciously sent in their good wishes over the last couple of week; they were greatly appreciated. We can't wait for the birth of our new baby in only a couple of weeks.

Email of the day (3) - on oil relative to natural gas:

"The gap may last for longer than we are solvent but it makes no sense: at some time either oil has to come down or gas has to go up or both."

My comment - Natural gas remains cheap relative to oil and is probably due a reversionary move towards the mean, which on this chart would be a decline towards 7units of oil per 1 of natural gas. The ratio has already contracted from an even more overextended area, even while oil has been setting new highs. This is because natural gas has broken upwards from its two-year base and is looking set to advance further. Natural Gas' advance from $7.50 has been quite consistent and a break of the rising lows would be needed to question scope for further upside.

Eoin's personal portfolio: wheat long stopped out a profit, gold stop removed - On seeing May wheat above $12 this morning, I raised my stop to $11.75 where it was triggered mid-morning.

Last night I also removed my gold stop because I was unwilling to be shaken out in what I suspected might be a short-term move.

Email of the day (4) - on an addition to the Chart Library.

"Thanks for your daily insightful comments

"Please add this new etf to your chart library - WisdomTree India Earnings Fund - EPI Expense Ratio 0.88%

"Holdings
Name Weight
1. Reliance Industries Ltd 12.91%
2. Oil & Natural Gas Corp Ltd 6.00%
3. Infosys Technologies Ltd 5.34%
4. Bharti Airtel Ltd 4.53%
5. ICICI Bank Ltd 3.92%
6. Housing Development Finance Co 2.83% 7. Steel Authority Of India Ltd 2.42% 8. Reliance Communications Ltd 2.39% 9. Sterlite Industries India Ltd 2.33% 10. Hindalco Industries Ltd 1.88%

My comment - thank you for this suggestion which I'm sure will be of interest to other subscribers and has been added to the Chart Library.

Email of the day (5) - on the colour of listings in the Favourites section:

"Why are some Favourites highlighted in blue?"

My comment - Any share chosen from the International Equity Library will appear in the Favourites as blue. This is a relic of the fact that the Chart Library accesses a number of different databases when searching for equities.

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.

Canadian Dollar per 1 US Dollar - The greenback is breaking down from the short-term range and would need to rally back above parity to question scope for further weakness.

Cotton - breaking upwards from the 6-month range. A downward dynamic would be needed to check momentum beyond a brief pause.

Canada - continues to rally having found support above the January lows earlier this month but is approaching previous highs which may slow upward progress, but a sustained move below 13,000 would be needed to check recovery potential.

Brazil - testing the highs near 65,000 and while a pause is likely in this region, it would need to sustain a move below 57,500 to question potential for an eventual upward break.

South Africa - continues to rally towards the October highs where it may encounter a degree of resistance but a move below 28000 would be needed to question scope for an eventual upward break.

**Wednesday 27th February 2008**

Industrial Metals Review - How many times over the last six years have you heard that the industrial commodity cycle, or "bubble" as it has so often been called, was over? Was it a few times, a dozen perhaps or many? I have certainly been inundated with reports and comments concluding that there was no supercycle; speculation was responsible for the strong gains, and prices had reverted to a bear trend once again, due to either increasing supply, substitution or slower economic growth.

In fairness to these pundits, when industrial metal prices accelerated dramatically, they subsequently fell back sharply. And thus it always was. Markets that generate considerable interest are often volatile, not least commodities. Market prices are driven by emotional crowds, with sentiment swinging in pendulum fashion between the extremes of manic and depressive.

As for supercycles, the 21-year bear market for most metals until 2001 surely qualified, as it pushed prices for many to all-time (inflation adjusted) lows. And don't the biggest bull markets spring from the ashes of severe bear trends? After all, the 1980s and 1990s pushed the mining industry into survival mode. Consequently key personnel drifted away, plant decayed and there was little exploration or development of known ore bodies.

Uniquely, just as this mining slowdown reached its apex, demand rose to unprecedented levels in only a few years. In the last commodity boom of the 1970s, demand for metals came mainly from the USA, Europe, Japan and a few of Asia's 'little tiger' economies. Today's unprecedented demand for metals is led by China but also comes from burgeoning global infrastructure development. Yes, the USA is experiencing a decline in metals usage but China is a much bigger source of demand for these commodities which remain in scarce supply.

What can we conclude from the charts of futures traded metals and which offer the best prospects? I've reviewed them in alphabetical order:

Aluminium - This has exploded upwards in the last six weeks (monthly, weekly, daily & inventories), following a very lengthy trading range which is most likely a medium-term consolidation. Ostensibly, South Africa's power outages and China's harsh winter sparked the move which also indicates a scramble of short covering. Some resistance is likely near the 2006 peak - watch for a downward dynamic and / or loss of momentum to signal the onset of a consolidation. Thereafter, if most of the recent gains are held during this process, the platform of trading evident above $2400 should support an extension of the long-term uptrend. This will occur sooner rather than later if the inventories, which show some loss of upside momentum, commence a downtrend.

Copper - Here also we have seen a surge of short covering recently (monthly, weekly, daily & inventories) and there is also consumer demand evidenced by the downturn in inventories. If gains are now consolidated near or above the 2007 rally highs, we will have further evidence that this whole range is a lengthy medium-term consolidation in its latter stages, prior to a resumption of the long-term uptrend.

Lead - These charts (monthly, weekly, daily & inventories) similarly show evidence of both short covering, and user demand as inventories are declining. While former resistance evident above $3500 is likely to make upside progress more laboured as it is tested, the daily chart shows a consistent staircase uptrend. When this loses momentum, I would assume that lead has commenced a reaction and consolidation of gains, prior to an eventual push to new highs.

Nickel - This is intriguing because it is one of the biggest movers - we have already seen what some of the other metals are doing, and nickel shows evidence of base formation development (monthly, weekly, daily & inventories). It commenced support building following last August's low but then fell back to extend the pattern. This is an occupational hazard with bases - one never knows how long they will range before sustaining the next upward trend. However what we describe as "Commonality" at TCS helps - rallies by other metals tell us that the sector is in demand once again. The key for nickel will be a decline in inventories and they have lost upside momentum recently. A surge in price should only be a matter of time.

Tin - Here we have a further example of what metal prices can do when inventories turn down (monthly, weekly, daily & inventories). Interestingly, tin saw only a brief reaction when inventories rose from May to August last year. Perhaps because they were low to begin with and this is probably a reason why tin is the first metal to hit a new high in 2008. Tin has already seen a big move so arguably has less upside potential than the others. Nevertheless the trend is reasonably consistent and higher reaction lows are the key feature. A break in this sequence, best seen on the weekly chart with the last reaction low slightly beneath $16,000, would be required to negate higher scope. Clear upside acceleration within this trend would also indicate an approaching peak.

Zinc - This is also intriguing because of the big fall from an accelerated peak and small base from which we have seen an upward break today (monthly, weekly, daily & inventories). Given the considerably firmer tone for industrial metals recently, this pattern appears to have launched a short covering rally towards $3000. However the risk, as we saw with nickel is that tin then falls back to extend the base. The key factor as to whether zinc has commenced a sustainable uptrend or requires more support building, will be inventories which are still rising but at a slower rate.

Tomorrow, I will take a look at backwardation / contango charts for these metals, aiming to draw some further conclusions in terms of both potential and timing.

*See also Eoin's earlier review on 1st February.*

My personal portfolio: Profits taken on a silver long, later replaced; T-bond short rolled forward; China H-Shares long rolled forward; a hedge short in DAX reopened; natural gas long stopped out - Last night, when raising stops on gold and silver long positions, I also placed an optimistic offer to sell one of my May silver units at $19.50. This was triggered this morning, giving me that price against my purchase at $18.025 on 21st February. This sale reduced my silver longs by 25%. I bought the position back this afternoon at 19.225, put in a breakeven stop when it rallied, and this was triggered at $19.23. I later reopened the long once again at $19.045 and used a bounce to place another breakeven stop. Expecting further volatility, I then sold this position at $19.35.

My March 30-year T-bond futures expired this morning at 116.04, against my short sales at 118.85 (two-thirds of the position) and 117.37, on 30th January and 21st February, respectively. Simultaneously, shorts were opened in the June contract at 114.886.

My expiring China H-Shares Index long was sold at 13905 for the February contract this morning against my purchases at 13879 and 13860 on 19th February, and I simultaneously purchased March positions at 13913.

Lastly, concerned that the euro's strength might weigh on European stock markets, I opened a hedge short in the German DAX Index which was encountering resistance near its range highs. I sold this too soon, at 6932 for the March contract, as it subsequently rallied with Wall Street. I also regard this as a risky trade since the last really important stock market event was the selling climax on 22nd January.

Disappointingly, my natural gas long was stopped out late this afternoon at a much reduced profit. My April position was sold at $9.069 against my purchase at $8.969. I may buy it back if it extends the reaction in what I suspect will be no more than a consolidation.

Prices above include all spread-bet dealing costs.

Email of the day - On accessing my top-10 personal long-term investment portfolio:

"Q. How do I access David's personal portfolio, can I expect to see a list in one place, perhaps in order of importance (to David), in the daily comment David often refers to his top ten? Ditto Eoin's portfolio. Thank you for your help. New boy lost!"

My comment - Welcome to Fullermoney and don't worry - you will soon feel like a veteran in accessing a huge amount of information on the site. For a list of my personal top-10 (by weighting) long-term investment portfolio, go to the "Search" facility upper left, type in "top-10" and then hit the Search button. We are not Google so if you use any other combination, such as top or top ten, you won't find it.

You can find up-to-date charts for this portfolio in the Library, using its separate Search facility. If you are really interested in monitoring this portfolio, you can replicate it in your Favourites section. For instructions on how to do this, enter the Library and check the "Help" pages upper right.

To monitor my many trades (I manage my money in the manner of a hedge fund, although without the '2 and 20') search the Archive for "My personal". "Eoin's personal" will take you to his trades.

Today's interesting charts - So many are interesting but here is a potentially significant development:

US Dollar Index - This is a new all-time low within this long downward trend. While slightly overextended in the short term, a rally back above 76 would be required to confirm a downside failure and negate lower scope.

Additional Commentary by Eoin Treacy

Hong Kong Stocks Rise to Three-Week High, Led by Chinese Banks - Thanks to a subscriber for this article by Hanny Wan for Bloomberg which looks at today's tax cuts in Hong Kong as well as the upgrading of Chinese bank shares by a number of analysts. Here is a section:

China Merchants Bank Co., the fifth-biggest Hong Kong-listed Chinese bank by market value, climbed 7.9 percent to HK$27.30, its biggest jump since Jan. 25. China Construction Bank Corp., the No. 2, advanced 5.9 percent to HK$5.95, its biggest jump since Feb. 4.

ICBC, China Merchants

JPMorgan recommended buying Chinese bank stocks because revenue momentum at these companies remains strong, Samuel Chen and Sunil Garg, analysts at the brokerage, wrote in a research report released today. ``ICBC remains the safest exposure to the sector,'' the report said. ``We would start to buy back CMB when its price is 10 percent lower.''

Credit Suisse raised its rating on China Merchants Bank to ``outperform'' from ``neutral.'' Macquarie Bank Ltd. Initiated coverage on China Merchants Bank with an ``outperform'' recommendation.

Credit Suisse raised its recommendation on Bank of Communications to ``neutral'' from ``underperform.''

Standard Chartered Plc, a U.K. bank, climbed 7.1 percent to HK$257.80, its largest jump since Jan. 23. The company said yesterday second-half profit increased 23 percent to $1.44 billion, above the $1.36 billion median estimate of 10 analysts surveyed by Bloomberg.

My view - China does not have a significant subprime related problem although some banks undeniably have exposure to this sector. However, this is unlikely to be an issue of the same magnitude for Chinese banks as for their US and European compatriots.

A whole raft of measures by the central government, forcing banks to tighten lending criteria and hold more in reserve has crimped the ability of Chinese banks to grow aggressively over the last year, but the fact remains that they have privileged access to one of the fastest growing economies in the world and continue to have significant room to appreciate over the long term.

Email of the day (1) - on the currency peg used by many GCC countries:

"Could you please post a chart of the Dubai Currency (Dirham) against the USD? I believe the exchange rate is 3.75 but because of the weakness of the dollar I keep hearing that the currency peg will be broken soon and many of the currencies of the GCC will move upwards. Could you kindly comment on this?"

My comment - The weakness of the Dollar puts pressure on economies which are growing strongly because USA's current interest rate policy doesn't provide the ideal fit for a rapidly expanding economy. While the Dollar peg provides stability, it also applies an expansionary monetary policy to countries which might be thinking of tightening as the threat of economic overheating increases. Inflationary problems also become more pressing. However, the fact remains that oil is priced in Dollars and having a Dollar peg is convenient when oil is a state's number one asset.

A weakening Dollar is already pressuring the profit margins of oil producing states, but if their currencies were allowed to appreciate significantly they would be getting much less of their domestic currency per barrel of oil, and other exports would lose competitiveness. I agree that pressure has been mounting on the currencies of the GCC to appreciate, but I have not seen any commentary originating with the leaders of these countries, indicating that they are about to change policy.

As we have seen in Asia, countries can successfully hold down the value of their currencies for long periods of time and grudgingly give up this competitive advantage for their exporters. I see no reason why the GCC would be any different.

In the meantime, stock markets in the Gulf are some of the best performing in the world. Egypt, Oman, Bahrain and Kuwait are all breaking upwards to new high ground, as liquidity continues to flow into the region. While, I would consider these markets to be high risk, considering their historic governance, there is no question that they are also high growth and benefitting from the influx of increasingly large amounts of petrodollars.

Email of the day (2) - on cattle and hogs:

"Once again, firstly, I thank you for your wonderful service; it's a joy to get the audio and text each morning.

"I have a question in relation to livestock, e.g. hogs and cattle. Now I know this is not everyone's cup of tea and some avoid certain of these commodities and instruments associated with them. However, although new to commodities, I am certain that these, call them, if you like, ethical, reasons, cannot be the reason they are lagging other mainstream commodities by so much.

"Hoping you can maybe shed some (any) light on the above.

"Thanks in advance and kind regards."

My comment - I'm no expert on how the cattle and hogs markets trade, but I am almost certain that vegetarianism has little to do with the price of meat related commodities. Live hogs, live cattle, pork bellies and feeder cattle are all cyclical markets because certain times of the year are earmarked for slaughter, so they move in and out of contango in a relatively predictable fashion. This is best illustrated with the backwardation / contango charts above.

Grains are the staple food for most of these animals, so accelerating feed costs makes the case for bringing animals to slaughter faster more pressing.

Sooner or later higher feed and energy costs will need to be passed on and meat prices are well off their historic lows.

It is probably not correct to expect meat prices to perform in the same way as grain prices because, while they are related, they are fundamentally different markets. In considering these markets, I believe it is most useful to look at longer-term charts.

Live Cattle remain at elevated levels and continue in a highly volatile uptrend. The contract changes make the chart action difficult to absorb but we can certainly discern that the market has been consolidating beneath $100 for much of the last year and needs to sustain a move above that area to reaffirm the overall uptrend.

Feeder Cattle broke upwards from its long-term base in 2004 and continues to consolidate above $100. It is currently rallying from the lower side of its range but needs to sustain a move above $120 to reaffirm the overall uptrend.

Pork Bellies continue to range in a fashion similar to what they have been doing for much of the last two decades. Over the last 10-years the lows have been incrementally rising but the commodity has so far been unable to sustain a move above $100. A sustained break above this level is needed to complete this long base.

Live Hogs is also in a range and needs to sustain a move above $90 to complete its base.

Also see Comment of the Day on January 29th.

Email of the day (3) - on an addition to the Chart Library:

"Couldn't find a listing for Sime Darby in the Chart Section. Can you please add-thanks. Have attached a recent summary of their merger (from The Business)-thought might be interesting to follow them given the recent strength in palm oil."

My comment - Thank you for alerting us to the interesting palm oil producer which became a public company once again only recently and is now the largest share on the exchange. Subscribers might also be interested in this story from The Star, dated December 1st. I have added Sime Darby to the Chart Library.

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

"Could you please add the following funds to the Chart Library? Thanks very much.

"Janus Global Life Sciences Fund
Wellington Global Health Care Equity Portfolio (Class B)

AWF Framlington Health Fund
Invesco Global Health Care Fund"

My comment - Thank you for these interesting suggestions, which have now all been added to the Chart Library.

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

"Good to hear that it is going better with your wife.

"Re the chart library something has gone wrong with Gazprom chart, could you also add the following equity to the library

"Varyag Resources, SE 0001733890"

My comment - Thank you for your kind words and for alerting us to the Gazprom chart. I contacted Bloomberg regarding Gazprom because they have reverted to showing closing prices rather than open, high, low, close. When they have corrected this situation, I will amend the Chart Library accordingly. In the meantime, the Russian listing is correct. I have added Varyag Resources to the Chart Library.

Eoin's personal portfolio: HSI long rolled forward at a profit and gold long stopped out at a profit - I saw on my account that my long in February Hang Seng was expiring today so seeing it briefly in profit this morning I closed the position at 24,324 against my purchase on February 1st at 24,239 and opened a long in March Hang Seng slightly later at 24372.

On seeing gold up $15 this morning, I introduced a stop at $957 which was hit in the early afternoon. This was against equal sized purchase on January 28th and February 1st at $928 and $935.45 respectively. These prices include spread-bet dealing costs.

Today's interesting charts - We are currently in the final testing stage of the Chart Library Filtering system and hope to be able to launch it at the end of the week.

US Dollar per 1 Euro - the Euro breaks above $1.50 and would need to sustain a move back below that level to question scope for some further strength.

Ireland - continues to range above 6000 in a base building phase. A sustained move above 7000 would indicate that the bulls have regained the upper hand.

Wheat - continues to be enormously volatile since the limits were removed which is an inconsistency, when its past performance is considered. However, a sustained move below $10 would be needed to question upside potential.

**Thursday 28th February 2008**

The Ethanol Bust - My thanks to a subscriber for this interesting and informative article by Jon Birger for Fortune, also supplied in PDF in case the magazine's online link is temporary. Here is the opening:

Cargill announces it's scrapping plans for a $200 million ethanol plant near Topeka, Kan. A judge approves the bankruptcy sale of an unfinished ethanol plant in Canton, Ill.. And that was just Tuesday.

Indeed, plans for as many as 50 new ethanol plants have been shelved in recent months, as Wall Street pulls back from the sector, says Paul Ho, a Credit Suisse investment banker specializing in alternative energy. Financing for new ethanol plants, Ho says, "has been shut down."

How can the ethanol industry be slumping only two months after Congress passed an energy bill most experts consider a biofuels boon? The answer is runaway corn prices.

Spurred by an ethanol plant construction binge, corn prices have gone stratospheric, soaring from below $2 a bushel in 2006 to over $5.25 a bushel today. As a result, it's become difficult for ethanol plants to make a healthy profit, even with oil at $100 a barrel.

My view - Not so long ago the US government was still subsidising farmers, while oil import costs continued to soar. Consequently, for bureaucrats who did not see the commodity supercycle coming, corn based ethanol seemed like a marriage made in heaven, despite its inefficiencies and corrosive qualities.

The risk with alternative fuels and sources of energy is that we do not know what will eventually replace fossil fuels. Nuclear fusion has long seemed like the best solution but no one knows when it will become commercially viable, although we are probably thinking in terms of decades rather than years.

Meanwhile, there are lots of competing technologies that can augment rather than replace fossil fuels, including bio-fuels, solar, wave and wind. The USA's experience with ethanol demonstrates once again that while governments can help by facilitating research, they should let scientists and ultimately the markets determine what works best. It is probably too much to hope that governments will resist lobbyists.

In the light of this latest news on ethanol, reported by Jon Birger, what about the outlook for corn prices plus other grains and beans? By coincidence, I received an informed assessment from the Collective today.

I am grateful to this subscriber for his latest thoughts, contributed in the spirit of Empowerment Through Knowledge. I summarise briefly:

Apparently, US seed dealers are mostly out of stock for soybeans but the demand for corn seed is down 7 to 8 percent from last year. Despite the rise in corn prices, it has been overshadowed by gains for soybeans and wheat.

An unprecedented and dangerous level of speculation is contributing to price rises and also volatility, often to the detriment of the industry.

Of the big three crops, wheat has somewhat less favourable fundamentals, due to increased planting globally and favourable weather to date. Soybean prices have also benefited from scarcity but this could change later in the year for the same reasons.

For 2008, our colleague favours corn but expects volatility to make trading difficult. Consequently, he favours a spread - long Dec '08 and short 'Dec 09.

To me, this makes sense for people who are experienced in such transactions. Corn prices could be squeezed higher later this year, leading to increased planting for 2009. Being a simple soul, I do not engage in spread trades, not least because I could not do it via a spread-bet firm.

Meanwhile, here is the latest disaster from the gambling den, plus more on wheat and another item on soybeans, all reported by Bloomberg.

Metal futures backwardations or contangos - In yesterday's feature on futures-traded industrial metals, I mentioned that I would complete the appraisal with a look at the backwardation / contango charts.

For those new to this terminology, commodities normally trade at a contango, meaning that the spot price for immediate delivery will be lower than prices for forward contracts, reflecting US interest rates (the carry cost) for these mainly $-denominated commodities.

Conversely, if there is a shortage of supply relative to demand for immediate delivery, the commodity will trade at a backwardation, meaning that the spot price will be higher than the forward contracts.

This matters because the biggest short to medium-term upside moves in commodities will often occur against the background of a persistent backwardation, indicating a scramble for available supplies.

So, in addition to yesterday's assessment of potential, what else can we conclude from the current backwardations or contangos?

I am using weekly graphs for this review but of course subscribers can see more historic data on monthly charts, available in the Library.

Aluminium - The contango has narrowed in line with the decline in US short-term interest rates but shows no evidence of a supply squeeze similar to what proceeded last year's price spike. Consequently short covering is likely to be an important factor behind recent strength for aluminium prices while renewed consumer demand and speculative hording have yet to cause a shortage.

Copper - While the spread between Comex 1st and 2nd month copper is flat at present, LME copper shows an increasing backwardation. This confirms that short covering has been followed by a surge in consumer demand and possibly also speculative hoarding, which has overwhelmed immediate supplies, making it all the more likely that new highs will be seen before long.

Lead - As with copper, prices have moved into backwardation recently. Lead should at least challenge last year's highs if the backwardation persists and widens.

Nickel - The developing base formation is inviting but a backwardation is probably required for nickel to fulfil its big upside potential sooner rather than later.

Tin - The only futures traded industrial metal currently at a new high for the last few years, tin's strength is surprising since a contango persists. Consequently recent strength may be due mainly to short covering, following a lengthy pause causing speculators to conclude that a major top was forming. However inventories are low so perhaps someone (China?) is also buying while it can.

Zinc - As with nickel, evidence of a base formation is inviting. However a backwardation is required for zinc to overwhelm potential overhead resistance sooner rather than later.

Conclusion - Shorting any of these metals in the current environment would probably be hazardous to your wealth. Upside commonality (all are now strengthening simultaneously) has returned. This clearly favours the bulls, who are spoiled for choice. In other words, I suspect all of these metals will move higher, but some more than others.

In deciding which have the most potential, one has to weigh the various technical / fundamental factors, indicated by chart patterns, inventory data and the backwardation / contango status. Personally, I would give an equal weighting to the price chart action and inventory trend, and expect the backwardation / contango position eventually to fall in line.

Of course there are also the known unknows, to quote Donald Rumsfeld in a different context, mainly concerning supply disruptions, although the strength or weakness of the global economy and China in particular will be an important factor. I consider supply scares to be inevitable but have no idea where, when or for which metals. I am reasonably confident regarding the global infrastructure boom, despite a weak US economy. I also expect consumption to increase in progressing rather than regressing economies (developing and developed are outdated classifications for countries).

Working with the known knows, including factors mentioned and illustrated yesterday, aluminium and tin are my least favourites, in that order. I'm rating lead somewhat higher because of its backwardation. I rate copper higher still because of its falling inventories, clear backwardation and broad platform of trading. A sustained break above this level would look very bullish. However, zinc and nickel have catch-up potential because they are barely out of the starting blocks for this current upside move. Inevitably there are reasons for this recent underperformance, to cast doubts on my preference for these two. Nickel is my favourite despite the risk of a delay before it really performs. However as nickel inventories start to trend down, and they have lost upside momentum, the rally should be explosive.

I currently hold ETFS for June copper, nickel and zinc in my trading account, but I bought too soon and have been surprised that this renewed strength for industrial metals has taken so long. I will probably increase at least some of these positions.

My personal investment account is heavily long the miners. These are no longer the steals that they were in late January (I prefer to buy them following shakeouts) but consider their profit potential at today's prices for aluminium, copper, lead and tin, plus the catch-up scope for nickel and zinc. Costs are also rising but certainly not at the recent rate for metal prices. Consequently miners are now in a position to make considerably more money without increasing production.

My personal portfolio: stops triggered on rollover T-bond short; DAX hedge short closed - This feeling may not last long but having had a reasonable run recently, particularly in precious metals, I'm inclined to reduce trading leverage somewhat further. Stops contributed to this process as my rollover 30-year T-bond short was covered at 116.21 for the June contract today, against yesterday's sale at 114.886, reducing my recent profits on T-bond trades in the process. Today's upward dynamic means that I will hope for a further rally before considering another short. I am also mindful that the Fed needs to help banks recapitalise by borrowing at low short-term rates and leveraging that money up in higher-yielding, long-dated Treasuries. This may help keep prices for bond futures firmer than the weak dollar and accompanying inflationary pressures would otherwise suggest.

I also covered my German DAX short because I did not time it well when I sold the March contract at 6932 yesterday. I bought it back at 6917 today.

Prices above include all spread-bet dealing costs.

My biggest remaining trading positions are in silver and gold (albeit reduced) and lumber. Silver has performed best and I raised stops again today, although they are still loose, albeit less than a 1$ below the high to date. I also have linked targets for taking profits at higher levels. This way the trades are on automatic pilot and I am less tempted to watch the screen - occasionally dramatic theatre but generally a waste of time.

Atlantis China Fund report - This is also managed by Yang Liu, whom I have mentioned on many occasions. It is obviously very similar to the Atlantis China Fortune Fund, albeit with a slightly higher beta. Also, charges are lower than with the Fortune Fund.

I was asked at a meeting today: "Why not buy the higher beta fund as China's stock markets are well off their highs?" Good point. I happen to have invested in the Fortune Fund, shortly after its launch but if adding today, which might not be a bad idea, I would be just as likely to opt for the China Fund.

As always, I have no financial interest, either directly or indirectly, in mentioning any other firm's funds or other financial products.

Additional Commentary by Eoin Treacy

Australian Dollar Rises to Highest Since 1984 on Rate Advantage - This article by Chris Young and Lilian Karunungan for Bloomberg covers today's new highs in the Australian Dollar. Here is a section:

The Australian dollar rose to its highest level in almost 24 years on speculation the nation's interest-rate advantage over the U.S. will keep widening.

The currency advanced for a sixth day, the longest winning streak since August, as Federal Reserve Chairman Ben S. Bernanke signaled the U.S. central bank is prepared to cut its 3 percent interest rate to shore up a faltering economy. Australia's dollar was buoyed as investors bought the nation's higher- yielding assets in anticipation the central bank will raise its 7 percent benchmark rate again next week to slow inflation.

``It's clearly a one-way street higher for the Aussie,'' said Clifford Bennett, chief economist at Sonray Capital Markets Ltd. in Sydney. Bernanke's comments are ``the latest catalyst points overlaying what is still a very strong investment argument for the Australian dollar, consisting of high yields likely to go higher.''

The Australian dollar touched 94.57 U.S. cents, the most since March 1984, before trading at 94.12 cents as of 5:01 p.m. in Sydney, from 93.81 cents late in Asian trading yesterday. The currency also climbed to its highest since May 1997 against the pound, reaching 47.67 pence.

Australia's currency extended its advance after a government report showed business investment rebounded last quarter as mining companies expanded their operations to meet overseas demand.

Capital spending gained 5.1 percent from the previous three months when it fell a revised 6.2 percent, the Bureau of Statistics said in Sydney today. Economists forecast a 3.1 percent gain, according to a Bloomberg News survey.

My view - Interest rates in Australia are on an upward trajectory in an environment where the economy is running surpluses and where the stance on inflation is cautionary. Given the interest rate differentials with the USA and other countries, the Australian Dollar is becoming increasingly strong and has broken upwards from its long base against the greenback. Parity is a natural area of psychological resistance and I would expect the Australian Dollar to test this level in the medium-term. A sustained move below 0.92¢ would be needed to question scope for further upside.

Rising interest rates and a stronger currency are headwinds for the stock market, but are not insurmountable given strong growth and the commodity bull market. On the surface, the ASX 200 looks like it is lagging countries such as Canada, South Africa and Brazil but its performance is being weighed on the by the financial sector with National Australia Bank, Commonwealth Bank of Australia, Westpac Banking Corp and ANZ all underperforming the market. These shares all outperformed their global peers throughout 2007 and only broke their uptrends at the beginning of this year. Given the speed with which they have fallen, they will have to go through a support building phase before they can support a meaningful rally. In their favour, they have yields of 8.55%, 8.5%, 7.86% and 8.56% respectively, which will be a source of comfort for longer-term investors.

On the other hand, the ASX 300 Resources Index much better approximates the performance of international resources indices. While it may encounter some resistance near the January high, it would need to sustain a move below 5500 to question scope for an upward break. (Also see Comment of the day on February 19th.)

Eoin's personal portfolio: commodity long opened - Right now, bargains are rare in the commodities sector, but over the last couple of days we have seen interest return to industrial metals with zinc breaking upwards from a medium-term base yesterday and nickel today. I decided to open a long position in LME zinc this morning, paying $2725 for the 3-month position. This price includes spread-bet dealing costs.

FT.com: Water fears lead Saudis to end grain output - This article by Andrew England in Cairo and Javier Blas in London for the Financial Times covers interesting developments in the Middle East relating to water and global demand for grain. Here is the story in full:

Saudi Arabia plans to halt wheat production by 2016 because of concerns about the desert kingdom's scarce water resources, according to a US government agency.

The Saudi Arabian government has not publicly given details of the move, which comes as global cereal prices surge, driven by strong demand and lagging supply. Top-quality wheat prices for baking bread hit a high this week of $25 a bushel and have more than doubled since January.

Saudi Arabia will begin reducing production annually by 12.5 per cent from next year and will use imports to bridge the domestic consumption gap, the US Department of Agriculture - which collects information on global supply and demand for agricultural commodities - said in a report about the Saudi plan.

It estimates that Saudi Arabia's wheat imports will reach 3.4m tons by 2016, which could place the Gulf state in the top 15 largest importers of the cereal. The country at present imports a negligible amount of wheat, while producing about 2.5m tons annually.

The forecasted increase in demand from Saudi Arabia, in addition to already high consumption in the region - Egypt is the world's second largest wheat importer - would tighten global wheat supplies even further, analysts said.

The US report said that "the main reason for change in the local wheat production policy was concern over the depletion of fossil water since the crop is grown on 100 per cent central pivot irrigation".

The decision would represent a significant shift in policy for the Saudi administration, which launched an agricultural development programme in the 1970s, including the establishment of irrigation networks, to become self-sufficient for some food supplies.
From producing about 3,000 tons of wheat in 1970, Saudi Arabia became a net exporter and by 1991 production had reached 3.8m tons, according to government -figures.

However, water resource issues have previously led to reduced production of wheat and other grains. Demand for water is increasing rapidly in Saudi Arabia as the population has swelled from 7m in 1974 to about 24m, and the economy expanded during the oil boom, with the government seeking to boost industry.

The country has no permanent rivers or lakes and very little rainfall, and the government has relied on dams to trap seasonal floods, tens of thousands of deep wells and 27 desalination plants.

"Water will always be a critical issue in the kingdom, a country that relies on desalinated water for drinking and other uses will always be under pressure," said Said Alshaikh, chief economist at National Commercial Bank.

"It is so expensive to produce water in Saudi Arabia."

My view - Water is an increasingly valuable commodity and represents a further iteration of the Supply Inelasticity Meets Rising Demand theme. This story is intriguing from the standpoint that Saudi Arabia appears to be willing to forego the security of producing its own food in order to supply water to its growing population.

Saudi Arabia is a unique case, but many other regions of the world, particularly in China are experiencing similar problems with growing populations and the encroachment of deserts on previously arable land. I am not suggesting for a moment that other countries are about to follow this route, but competition for water is likely to continue to be a concern for the foreseeable future, particularly in some of the world's most densely populated regions.

International Herald Tribune: Companies race to open new uranium enrichment facilities in U.S. - Thanks to colleague, Jackson Wong, for this interesting story by John Miller covering the growth in US based uranium enrichment. Here is a section:

Companies are racing to provide radioactive fuel for a nuclear power renaissance, especially in the United States, and are powering debate along the way.

Two U.S. companies, General Electric and United States Enrichment Corp., or USEC, along with their European rivals, Urenco and Areva, are pushing billions worth of new U.S. enrichment plants or technology so they do not miss the new uranium boom.

Opponents including the Union of Concerned Scientists fear that investment sends the wrong message to countries like Iran, which is under international pressure to halt its own uranium enrichment efforts. The scientists' group argues that it is unclear the United States really needs new facilities, when it could just import nuclear fuel from elsewhere.

Still, shipments from Russia, which now supplies about 40 percent of enriched uranium for U.S. commercial reactors, are due to be cut roughly in half by 2013. And an aging U.S. enrichment facility in Paducah, Kentucky, is scheduled to be closed. That means U.S. power plants will have to fill the vacuum from other sources, including from new domestic suppliers.

"Even if the nuclear renaissance didn't happen, the U.S. will need more enrichment services to respond to their existing domestic needs," said Laurence Pernot, a spokeswoman for Areva in Bethesda, Maryland.

Promoters tout nuclear power as an antidote to coal-fired plants that contribute to global warming. The U.S. Nuclear Regulatory Commission accepted applications to build seven nuclear reactors in 2007, with 25 more licensing requests expected through 2009.

Officials from Areva, which is headquartered in France, have been studying the lava and sagebrush plains of eastern Idaho since last year, near the 850-square-mile, or 2,200 square kilometer, Idaho National Laboratory site, where U.S. scientists have done nuclear research since 1949. Now, the company is trying to coax the state legislature into providing tax breaks to make building in Idaho more attractive.

My view - We have long said that uranium is the best of the long-term energy plays; given the number of new reactors in the planning and construction stages as well as the fact that supply has been falling for a number of decades.

The uranium price accelerated to a high near $140 in June, before experiencing its first downward move in a number of years, which signaled the onset of a medium-term correction. Since then the price has almost halved but found support in October at $75 and has so far held above that level. It needs to sustain a move above $100 to suggest that investors are returning in numbers to this market. The fate of the uranium miners is very much tied to the price of their commodity and they should do well once uranium begins to reassert its uptrend. (Also see Comment of the Day on July 9th.)

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

"On Monday 25th one of the 'collective' requested information on agricultural chemical companies. Another is Nufarm (NUF) who manufactures and exports the herbicide glyphosate.

(May I suggest you attach the Nufarm press release dated: 15/02/2008)

"Could you please add two funds to the chart library: Storm Financial's Australian Resources Indexed Trust, ARSN 108 934 569 & Macquarie's CSL Active Commodities Fund, ARSN 117 859 140.

"Many thanks for your continuing 'insights' into the challenges of investing.

My comment - Thank you for your kind words and suggestions for the chart Library. The Storm Financial fund is already in the Chart Library and I'm afraid I cannot locate the Macquarie fund on Bloomberg, if you know of any other identifiers for the fund, I can search again.

Nufarm remains in an overall uptrend and would need to sustain a move below AU$14 to question scope for some further upside.

Email of the day (2) - on a Hong Kong listed fertiliser company:

"Thank you for posting the Australian and HK fertiliser stocks in your "comment of the day" . You may want to advise our subscriber family of Sinofert Holdings - HK:297- which has an interesting chart ( the only fertiliser stock I knew so far ! )

"You and Eoin are providing a great and unique empowerment service to all subscribers, it's a really a blessing."

My comment - Thank you for the inspiring compliment and for alerting us to Sinofert. Our service would be much diminished without invaluable input from the CollectiveThe share remains in an uptrend, although it is becoming increasingly volatile, which is an inconsistency. However, it would need to sustain a move below HK$6 to question scope for further upside.

**Friday 29th February 2008**

Uranium Market Outlook - My thanks to a subscriber for this impressive report from UXC. Here is the first half of the conclusion:

The following slide looks at some potential market scenarios for the spot price. The current trend in price indicated by the blue line shows further weakness following a short recovery off its low of $75. The question is whether the recent recovery was what is known as "dead cat" bounce, where price makes an abortive recovery following a sharp fall, or whether price will eventually recover to even higher levels than it previously attained. We label this second scenario a "rhinoceros market" given the shape of the initial price spike (the horn) and the subsequent more sustained increase (the rhino's head), as shown by the green line. In the former case, price can be seen as being bid up in a speculative frenzy which was unsustainable, resulting in price now falling back to earth. From here, it could level off or perhaps fall further, as the market is currently under downward pressure. In the latter case, the initial price run-up can be seen as a situation where the market just got ahead of itself, suggesting that price will return to these levels and go higher.

My view - Most analysts understandably assess the price outlook for uranium or any other commodity on the basis of production and consumption estimates over the next year or more. Since they are peering into the unknown, in other words making guesses, it is not surprising that opinions will vary widely.

I respectfully suggest that there is another way to assess the price outlook, which is far less subjective and based on facts rather than estimates, of production and consumption, which are likely to be only part of the story in any event.

I am not about to declare that the answers concerning future price trends are contained in this chart, although it provides a practical grounding. For instance, it did not take a genius to conclude that once uranium's parabolic trend stopped moving higher, the price would fall.

Instead, I am going to talk about Commonality - my term for an analytical approach that I have used for more than 40 years.

Commonality is the study of related instruments, in this instance, markets that are in a similar category to uranium and therfore may be experiencing overlapping price cycles. For instance, if there are twenty other similar or related instruments (there may be more or less), the odds are only 1 in 20 that uranium is actually leading the cycle. Crucially, some may have already commenced their next trending moves. If a number are heading in the same direction, the odds that uranium, which is currently ranging, will follow their lead.

I rate Commonality as a more useful analytical approach than what people are subjectively saying about future supply and demand, which may or may not be right. I also rate Commonality much more highly than the often subjective interpretations of an individual chart pattern, which people may interpret differently, depending on their methodology.

For instance, the Fullermoney approach to chart interpretation, developed through observation and with the help of The Chart Seminar since 1970, is factual / behavioural. Applied to uranium, we can see that it trended gently and consistently upwards; people then chased the price higher in an increasingly speculative and therefore unsustainable acceleration; it fell back sharply and is now in a range, creating additional uncertainty.

Those are technical facts, useful at inflection points indicated by a clear loss of trend consistency, which causes participants to reassess. Widespread reassessment will halt and even reverse the trend. For instance, 'oh dear; not only is it no longer going up, it is weakening. Profit erosion! We better get out.' Or, 'it has stopped falling; cover shorts and go long. Wait - it's ranging; I'm confused.'

It is time to consider Commonality, commencing with the question: what does uranium have in common with other commodities? Well, it is a metal, and it is also energy.

So, have any other metals and energy commodities shown steady uptrends eventually culminating in acceleration? Yes, actually, they have all done that at one stage or another during this cycle dating back six or seven years.

When the acceleration stopped did they all fall back quickly and sharply? Yes, actually, although a few ranged near their highs before heading lower.

When they stopped falling did they then go into short-term ranging patterns for a few weeks, or lengthy medium-term ranges lasting anywhere from several months to a little more than two years? Most ranged for quite a while, as I recall.

Good! Well recalled and if you were not sure you could easily check it out by looking at the charts - it is usually time well spent. Now for the crunch question: when they stopped ranging sideways, what happened? They ranged higher. All of them ranged higher? Yes.

Did the higher ranging have any other characteristics? Yes, the trends steepened, gradually at first, before accelerating higher once again.

When they stopped accelerating higher, what happened? Some ranged for a while; others fell more quickly but eventually they all fell back quite sharply.

Alright, this next question is particularly important: did they find support above their previous sharp reaction lows? Yes, I believe they did.

Did any of them then repeat the cycle of ranging for quite a few months before heading higher once again, reaching new highs within the overall upward trends? Yes, some several times.

OK, brace yourself - what is uranium going to do? I don't know. Don't give up after all that informative observation and recall - use Commonality. Oh, I get it

- uranium will probably range for at least a few months before trending to new all-time highs, and perhaps eventually accelerating to another peak.

I think you are right.

Then let me ask you a question for a change: are you certain? There is no certainty in markets or life, other than death and taxes. However you have identified the cycle, which is still in motion, so the odds are certainly in your favour.

But, but what about Bernanke or the banks? Don't lose your focus, unless you are moving on to analyse another asset class that has little to do with what we were just talking about.

Email of the day (1) - On giving something back:

"Firstly, thanks very much for your commentary - a service I enjoy very much. Hoping to use some of the gains I have had to pay for the yearly subscription!

"Secondly, I hope Mrs Treacy is well.

"Thirdly, knowing how much India features in your themes, you may be interested in a Radio 4 Analysis program aired this evening. You can find it at this link.

"One disturbing feature of India's growth (impressive and commendable though it is) is the loss of spirituality in the country. I don't think the new billionaires do much for the poor of the country and India is not learning from but repeating some mistakes made by the west during it's growth (such as environmental polution, psychological well being, etc). The cost of the clean up operation may even outweigh the benefits. Local Indian friends of mine have agreed with me on these points. I think we should all remember that it is very important to give something back - a lesson my mother kept hammering into my brother and I when we were kids. I would be most grateful if you remind your subscribers to remember to give some of their profits to genuine charities so we can make the world a better place."

My comment - Thank you for your thoughtful comments. Eoin confirms that Mrs Treacy is well; they are both looking forward to the birth of their second child next month. Thanks also for the link, although I have yet to locate the specific broadcast on India.

On subscriptions, yes, yearly is best because there is always a loyalty discount on continuous renewal. I know the initial payment can be a big overhead for some people, not least in the developing, or I should say more accurately, in the newly progressing rather than regressing nations. With India now being very much in the progressing category, I believe that you will see Fullermoney's sterling subscription rate range considerably lower against the rupee over the longer term. You can see this more recent trend favouring the rupee very clearly against the US dollar, where our Library has even more back history.

You make a very important point about spirituality, which of course can also be secular. The term I would use for what you describe is communitarian values. Unfortunately, wealth can bring out the worst in people, particularly if it is acquired too easily or without any effort. We are a clever but deeply flawed species, partly because we have choice. Albert Schweitzer (1875-1965), the great missionary, medical doctor, philosopher, and Nobel Peace Prize winner in 1952, whom I was fortunate to meet as a youth when he visited a school I attended, summarised it best: "Man is a clever animal who behaves like an imbecile."

However wealth or its pursuit need not desensitise or corrupt, as you know. I see hugely successful Indians taking the lead in developing your country. The motive may be largely driven by profit but this need not be exploitive. You will certainly get your polluters and others without the social conscious that your parents wisely helped you to develop. However your finest will give back more than they take, whatever their level of wealth.

The USA, for all its current problems, also has a strong tradition of charitable giving. Andrew Carnegie (1835-1919), the Scottish-born America industrialist, famously said: "The man who dies rich dies disgraced." He also said with some irony: "It is more difficult to give money away intelligently than to earn it in the first place", a sentiment apparently shared by Warren Buffett. He and Bill Gates commendably set the contemporary standard among Americans for charitable giving.

My personal portfolio: Three new highs in 2008 among the top-10 (by weighting) long-term investments - With stock markets often in thrall to credit fears, in what most westerners regard as a bear market, one has tempered expectations. Nevertheless Fullermoney's secular bull themes have been well represented among the robust performers. Consequently several of the top-10 have been vying for the role of performance leader in 2008, with all but one of these near its all-time high.

The JP Morgan Indian Investment Trust actually hit a new all-time high in early January but that gain was soon replaced by a sharp fall. I expect it to be volatile and have added to my holding following some of the bungee jump reactions, although not the latest as I was neither adding cash to these SIPP pensions and ISA accounts, nor contemplating a change in holdings.

More recent contenders for new all-time highs have included Rio Tinto which has been within a whisker of that goal, the Merrill Lynch World Mining Trust, Aberdeen New Dawn Investment Trust, and Lihir Gold as of today's jump. DRD Gold is having a good year but this is a highly speculative, recapitalised and deep, low-grade ore mine - realistically, a dog in the portfolio which I have been stubbornly holding onto in the belief that gold would rally sufficiently to stimulate some interest in marginal mines. In comparison, the much more important contender as performance leader, which reached a new all-time high yesterday, is the Merrill Lynch Gold and General Fund. In recalculating percentages, I discovered that it has leapfrogged above BHP Billiton and even Rio Tinto, moving into 4th place in my portfolio, in terms of weighting.

I am certainly not feeling complacent about any of the positions in my long-term investment portfolio. These are testing times, so I expect plenty of volatility, including some sharp drawdowns when Wall Street is weak. However I remain optimist regarding the portfolio's long-term potential, and I do not regret holding on to it.

Email of the day (2) - On the USA and economic decoupling:

"I subscribe to a business news portal where I saw this article today from the Tehran times - it supports your view rather nicely. This actually demonstrates how quickly global economies are decoupling from the U.S. economy. The U.S. has a $9 trillion National Debt and a net $3 trillion foreign debt, so obviously any crisis is going to hit indebted countries far harder than nations flush with cash (Russia, China, India, Japan, the "Tigers" and Western Europe). The U.S. is in deep fundamental, historical trouble."

My comment - Thanks for this which may be a first, since I do not recall posting any other articles from the Tehran Times, although I know Iran has a sophisticated press. I'm sure I have also seen other articles by the banker and economist, Hamid Varzi, in the western press.

It is a credible summary, with which I am in general agreement. In a global economy there can be no total decoupling by the USA's trade partners, but they can move along different trajectories. Too many western commentators do not understand this, maintaining that China etc have little going for them other than supplying the US consumer.

I believe our perspective and analysis improves if we stop thinking of the world in outdated terms of developing and developed. Instead, I prefer to classify nations and their economies as either progressing or regressing.

Countries will progress when governance improves at a root and branch level, or regress when governance deteriorates. They can also progress due to windfalls, such as today's commodity boom. However windfall gains will eventually be squandered if governance is inept. It is a harsh, competitive world, so in a Darwinian sense we either progress or regress. Fortunately it is a process that people can usually influence, collectively at a national level and also individually at a personal level, particularly if free and protected by progressive Rule of Law.

Stock markets are less able to uncouple from the Wall Street leash-effect, although they may appear to do so in terms of relative performance. However investors move like sheep, in possession of global communications. This is particularly true of institutional investors who are pressured by press, client and peer scrutiny to at least match their benchmark. Many are also momentum driven, not least hedge funds. The focus on monthly performance figures is not always conducive to the best results.

In contrast, private investors, individually unscrutinised by the press, are answerable to themselves and perhaps their immediate families. This gives them greater freedom to 'rush in like fools where angels fear to tread', often doing very well for themselves in the process.

However with progressing economies becoming less coupled to the USA, as the world evolves from unipolar to multipolar, the Wall Street leash-effect is also less dominant than it was in previous decades. When the DOW plunges, investors in other stock markets are still prone to panic, even if the fundamental backgrounds are quite different. However the fundamentally strong markets and sectors will usually bounce back more quickly, as we have seen with Fullermoney's secular themes of Asian progressing markets, resources and global infrastructure development.

Deepak Lalwani: Indian Budget - This latest informed assessment, published by Astair & Partners Limited, is posted without further comment.

Correction - Yesterday's introduction to the second half of my two-day review of futures-traded industrial metals contained an error, which I will attribute to late completion on a busy day, or perhaps senility. The website copy has been corrected and here is that passage as it was intended to read:

*Metal futures backwardations or contangos - In yesterday's feature on futures-traded industrial metals, I mentioned that I would complete the appraisal with a look at the backwardation / contango charts.*

*For those new to this terminology, commodities normally trade at a contango, meaning that the spot price for immediate delivery will be lower than prices for forward contracts, reflecting US interest rates (the carry cost) for these mainly $-denominated commodities.*

*Conversely, if there is a shortage of supply relative to demand for immediate delivery, the commodity will trade at a backwardation, meaning that the spot price will be higher than the forward contracts.*

*This matters because the biggest short to medium-term upside moves in commodities will often occur against the background of a persistent backwardation, indicating a scramble for available supplies.*

My personal portfolio: Another profit taken in runaway silver uptrend - Silver has followed platinum and palladium's lead in accelerating higher. One of my limits for taking profits was attained early this morning, resulting in the sale of a May position at $19.98, against my purchase at $18.18 on 25th February, including all spread-bet dealing costs. I seriously considered buying it back when I saw it trading 50 cents lower in late morning. It would have been a good idea but I am content to reduce leveraged exposure, not least to give myself a rest.

Quote of the week - On surprise and shock:

"Surprise and shock are endemic to the financial system, and people should always arrange their affairs so that they will survive such events. They will end up richer that way than focussing, all the time, on getting rich."
Peter Bernstein, courtesy of Pradeep

Additional Commentary by Eoin Treacy

Chart Library Filter Live! - You can access the Filter System screencast tutorial via this link. The tutorial is also accessible from the Filter main page via a link in the top right 'Help on Filtering'

You will also notice the scroll bar at the bottom of the page and a box in the bottom right of the tutorial window, with pages numbered 1-10. By clicking on this box you can skip ahead in the tutorial if you so wish.

Please Note: You can view the charts by clicking on the name of the instrument. Hitting the back button take you back to the filter results.

Sorting by 1-month % returns will always give you the biggest movers. So for example in this search of the Nikkei sorted by 1-month percentage change in descending order, Toyo Zinc is the biggest upside mover this month.

In the UK FTSE-100, if you sort this filter , it shows us that British Airways, the forth worst performer this month, remains in a consistent downtrend.

This filter of the Commodity Indices, Funds, ITs & ETFs section, redenominating all the funds to US Dollars shows us that Ecofin Water and Power Opportunities Fund has moved up the rankings fastest between the last 1 and 3 months. In absolute terms, it is being outperformed in absolute terms by the Merrill Lynch World Mining Trust warrant which has moved up the rankings almost as quickly. Geiger Counter Ltd, in third place, is rallying from depressed levels.

Interestingly, when one sorts the Commodity Indices Filter above, by Rank Change between 1 & 3 months, in ascending order, it shows funds which were close to the best performers three months ago but have slipped down the relative performance rankings considerably in the last month. The Central Fund of Canada, Powershares DB agriculture Fund and Dow Jones-AIG Corn are the top three on this list. While they remain in consistent uptrends, and continue to post impressive gains, they are becoming overextended and are worth watching for any sign of inconsistency, as an indication that this very good uptrend may be ending.

The filter can also be used to vet your favourites for a customised list of instruments in a variety of different base currencies.

Our IT people will be working over the weekend on a print facility which we hope to have with you shortly. Today's release is just the first version of what we hope will be an invaluable tool for searching long lists of instruments. Further down the road we intend to develop more customisable filters which will have more technical options.

(Also see Comment of the Day on January 22nd for further details)

The Times: Bear market: This is the latest buying opportunity - Thanks to a subscriber for this excellently argued editorial by Anatole Kaletsky for The Times. Here is a section:

Why, then, are so many experts describing the present credit crunch as the worst financial crisis in living memory? A typical view is this comment last week by David Rosenberg, the chief economist of Merrill Lynch: "We confess that we have been in the business for 25 years and have never - and repeat never - seen a cycle like this one." Looking back over my own 30 years of experience of financial markets, it strikes me how often I have heard almost identical statements in past financial crises, usually emanating from the finest brains in the business: Alan Greenspan, who described LTCM in 1998 as the worst crisis in his 60-year working lifetime; Robert Rubin, who was not joking when he described his rescue of the Mexican peso as The Committee to Save the World; and George Soros, who reacted to Black Monday in 1987 with a single chilling sentence: "This is 1929."

Such extreme reactions might, of course, have been justified. Maybe each successive crisis really was worse than the one before - in which case, this crescendo of chaos may, indeed, be approaching its apocalyptic climax. On reflection, however, two less sinister explanations for the mounting sense of panic seem more likely. The first is that 25 or 30 years, the typical career for even the most experienced investors and bankers, mark a fairly brief period in economic history, covering only two or, at most, three economic cycles. It is hardly surprising, therefore, that people are constantly amazed by each new cycle that comes along - and find it difficult to see it in historic proportion.

Secondly, and more interestingly, when we look back through history - or think about the underlying economics of business cycles - we realise that every financial crisis and bear market in the past has been a buying opportunity because we can see, with hindsight, that the world never did come to an end. Yet if everyone in the market knew that previous financial crises and bear markets always created buying opportunities, then a new bear market could never occur, unless large numbers of investors believed that the latest financial crisis was somehow different - and worse - than any that had gone before. If people believed that this was just an average sort of crisis, they would now be buying instead of selling, and there would be no crisis.

My view - We have repeated a number of times that the last important development in stock markets was the selling climax on January 22nd. Since then some of Fullermoney's favourite themes have performed very well, but Wall Street and many European bourses as well as Japan have been slow to improve upon their initial performance during the short-covering rally which immediately followed the 22nd.

The jury is still out on whether the January low was THE low for this correction or whether we are in another step downwards. On the bullish side we have many more markets are rallying to test their all time highs, or indeed making new highs, than have made new lows. The bears have the weight of credit problems to support their argument, but the technical action is more balanced, with the last important signal being the selling climax. However the charts also suggest that the convalescence following this correction is likely to be lengthy and while select markets may continue to outperform, Western stock markets may be slow to push upwards in a meaningful way.

Anatole Kaletsky's piece above highlights an important emotional tendency we are all tempted to employ. We have a tendency to become more bearish the further something drops. However, common sense would dictate that the cheaper an instrument becomes, the closer we are to an important bottom and consequently, the next good buying opportunity. No one knows for certain whether the January lows will be taken out on a sustained basis. However, the longer indices hold above those levels, the greater the pressure on bears to reassess. .

Taiwan's Dollar Completes Best Month Since 1998; Bonds Decline - This article by Yu-huay Sun for Bloomberg cover the advance of the Taiwan Dollar over the last month. Here is section:

Taiwan's dollar had the best month in almost a decade as growth attracts overseas investors to the island's assets. Bonds fell.
The local currency rose to the highest level in almost three years as the U.S. dollar slumped to a record low against the euro. A report yesterday showed U.S. growth slowed in the fourth quarter, lagging behind forecasts. Taiwan's economy expanded 6.9 percent in the quarter fueled by exports to China.

``Pessimism in the U.S. triggered another wave of Taiwan dollar appreciation,'' said Yang Kung-yi, a currency trader at Shanghai Commercial & Savings Bank in Taipei. ``Companies' Taiwan dollar purchases haven't ended yet.''

The local dollar climbed 4 percent this month, the most since October 1998, to NT$30.95 at the 4 p.m. close in Taiwan, according to Taipei Forex Inc. It touched NT$30.677 today, the strongest since March 2005.

Taiwan's dollar, the best performer among Asia's 10 most- active currencies this month, may extend its advance to more than a seven-year high of NT$30.26 against the U.S. currency, Kevin Edgeley, a technical analyst at Goldman Sachs Group Inc., said in a report yesterday.

My view - The recent strength of the Taiwan Dollar is at least in part due to increased interest in the country following the successful election result for the opposition Kuomintang. This story from DPA, covers how presidential candidate Ma Ting-jeou aims to improve cross strait ties, if he is successful in his election bid. Here is a section:

Taiwan's opposition presidential candidate Ma Ying-jeou Friday promised to operate cross-strait charter flights during weekends before July and daily flights by the end of the year if he is elected president.

The opposition Nationalist Party, or Kuomintang (KMT), candidate also said he would approve the arrival of 3,000 Chinese tourists per day before July 1 in the first year and up to 10,000 tourists per day by 2011.

Investors have long speculated about the potential for growth in Taiwan, if cross strait ties improve. If Ma wins in May, this could begin to come to fruition. The stock market has rallied well having found support in late January and is now testing the December and January highs. It would need to sustain a move below 7500 to question potential for higher to lateral ranging.

The Taiwan dollar accelerated against the US Dollar over the last month and is approaching an area of prior support for the greenback at TW$30. It is looking quite overextended at these levels and the prospects for a short covering rally in favour of the greenback have risen considerably. However it would need to sustain a move back above TW$32 to question scope for further weakness over the medium to longer term.