

# Fullermoney

Global Strategy and Investment Trends by David Fuller

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

## Monday 14th April 2008

Higher Food Prices May Be Here to Stay - [This is a sobering article from the front page of today's Wall Street Journal Europe, written by Patrick Barta and Wilawan Watcharasakwet. Here is the opening:](#)

For all the economists and consumers who hope high food prices are temporary, here's one reason why they probably won't be: Farm costs are skyrocketing, making permanently higher prices essential for farmers to keep expanding production.

Inflation is biting farmers world-wide. In New Zealand, farm wages are up as much as 20% this year, and the average price of a dairy cow has jumped to more than \$1,900 -- almost double last year's average of about \$1,000. In Thailand and Indonesia, farmers are complaining about sharp increases in the price of fertilizer and diesel fuel.

In the American Midwest, land prices have jumped, along with the cost of energy and chemicals. The price of diammonium phosphate, a common fertilizer, is about \$1,200 a ton in the U.S., up from about \$450 a ton a year ago.

"Diesel, fertilizer, insecticide, grass-killing chemicals, they're all going up -- just like a shadow," says Samear Ruengrit, a 57-year-old farmer who grows rice about 45 minutes north of Bangkok. His average costs are now about 50% higher than last season, he says.

Farming costs are climbing for several reasons. Higher fuel prices make it more expensive to run tractors and other equipment, while pricier natural gas -- needed to make some fertilizers -- has also played a role. Equipment prices are rising because of strong demand for farm machinery in China and other developing countries, along with rising costs for raw materials like steel.

Wages are up in some parts of the world because many farms are expanding to meet higher demand, putting pressure on labor supplies, especially in countries like Australia where many workers are already occupied in commodity-based trades like mining.

Cost pressures have intensified over the past six months. Many farm suppliers and equipment dealers held back on price increases in 2006 and 2007,

despite their own higher energy and labor costs. Now, after a year or more of strong markets for corn and other crops, those suppliers are deciding farmers can afford to pay more -- and they are passing costs along.

Many farmers were able to postpone cost increases through hedging or by buying fertilizer, chemicals and other supplies in bulk in 2006 or 2007, when they were cheaper. Now those strategies are hitting their limit as the stockpiles run down.

My view - Food price inflation is a serious concern for governments and central banks but remains largely beyond the influence of central banks. A monetary squeeze, for instance, would not increase crop yields and people still have to eat. Today's runaway food prices are further evidence of the commodity supercycle, frequently discussed on this site for a number of years.

This secular bull trend is likely to persist for decades, albeit punctuated by periodic corrections, despite what is clearly a US recession at least in terms of consumer spending, and somewhat slower global GDP growth. Even a global recession, which the IMF now rates it as a 1 in 4 possibility, but seems highly unlikely to us due to strong growth rates in many developing economies, would not have a lasting effect on food price inflation.

What are the investment implications?

This is an unsettled time for investments generally, to put it mildly. Nevertheless agricultural and resources stocks with pricing power, due to near monopoly positions in terms of supply, have continued to outperform.

Fertilizer companies such as [Potash](#), previously mentioned on this site, have been outstanding performers. However they are not cheap and POT has pulled well away from its 200-day MA recently. No matter how promising the outlook, the risk of mean reversion suggests that newcomers should regard runaway uptrends as speculative, and only consider purchases following setbacks within the trend defined by the MA, and provided there is no clear evidence of top formation development.

Seed providers such as [Monsanto](#), also previously mentioned, are no longer cheap and should also be regarded as somewhat speculative. Nevertheless this share bounced off its MA following the last reaction. Provided it can continue to do so, the primary uptrend will remain intact.

Interestingly, Monsanto's chart pattern is somewhat similar to leading miners, represented here by [Rio Tinto](#)\* which touched a new all-time high last week, albeit only in sterling terms. Miners have underperformed most food shares recently, due to what I regard as exaggerated concern over the impact on demand caused by the US-led economic slowdown. Consequently they have lower valuations. I suspect relative performance will strengthen if / when [copper](#) sustains an upward break.

Meanwhile, all of these shares would most likely experience pullbacks if the S&P 500 Index ([weekly](#) & [daily](#)) retests its January / March lows following Friday's downward dynamic, confirming additional resistance near the February highs. However they should bounce back quickly if the US Index's lows hold.

Agricultural commodities remain more speculative following this year's earlier upward accelerations. Also, they are more susceptible to downward corrections in the event of higher crop yields, which will certainly occur from time to time.

\* Note: Rio Tinto is the fifth largest position by weighting in my personal long-term investment account.

Email of the day (1) - On the bank liquidity problem:

"Attached please find an article published by Wall Street Journal about the creative way Lehman is tapping the new Fed facilities. I suspect it means the liquidity problem faced by the U.S. banks has ended. What do you think?"

My comment - Thanks for an informative [article](#). I think the banks' problems extend beyond liquidity or insolvency issues, so my short answer is no, although what the WSJ details is part of the solution.

Many subscribers know more about this subject than I do, but I suspect we will see further write-downs before we eventually see some write-ups for the dicey loan issues. Also, there are other worrying uncertainties including litigation, viable business models, regulation and the sources of future earnings.

Have we seen the worst of the banking crisis? Almost certainly but price charts for bank indices ([p&f](#), [monthly](#), [weekly](#) & [daily](#)) have yet to confirm floors, although they are near prior support. Also, I have always maintained that the period of convalescence would be lengthy before we saw significant recoveries.

Email of the day (2) - On distinguishing between a medium-term commodity correction and a bear:

"Everyday that goes by I appreciate your service even more. I was amazed by how accurate you were in your call for the medium-term correction in the commodities sector. Speaking of which, how or when do we figure out from the charts that the medium-term correction has broken on the downside and we are dealing with a pure bear market?"

"I am really looking forward to participating in the May TCS seminar and meeting you and Eoin in person. Would you recommend a play or opera that will be on at the time of the seminar as to seize the opportunity coming to England?"

"Thanks ever more for the everyday inspiration and motivation you provide in the markets and general stance in life."

My comment - Thank you so much for your thoughtful comments and enthusiastic participation in the Fullermoney service. I look forward to meeting you and other TCS delegates at the post seminar reception on Friday 16th May. This will be after I have completed Comment of the Day and the Audio for all the other subscribers who are not attending our 2-day workshop conducted by Eoin, which I am pleased to say is another sell-out.

I'll answer the easier of your two questions first. By coincidence, I have long had bookings for two cultural events: the Royal Opera's performance of [Tosca](#) on 15th May and the London Philharmonic Orchestra's [concert](#) on the 16th. I know less about the theatre but if that is your preference, you can research the many possibilities on the web with these [two sites](#) and others that you will readily find.

Your first question regarding distinguishing between corrections and bear markets for commodities or any other asset class is much more difficult. Needless to say, if the answer was easy, before it eventually became obvious after the event, every investor would be fabulously successful.

The best we can hope for is to make an educated guess. People attempt this in different ways.

For instance, some technicians will rely on chart patterns, moving averages, or percentage declines to provide the answer. These are extremely useful; particularly the first two, but they do not necessarily answer your question.

For this reason, Eoin and I will often refer to upside trend acceleration as an ending of unspecified duration. However, common sense and experience tell us that the bigger accelerations, accompanied by extremes of crowd euphoria, are much more likely to be followed by serious corrections, if not bear markets.

Fundamental filters can help considerably but they are the most subjective in my view, easily leading to excesses of emotion. For instance, someone who missed the upside move, or sold too soon, or perhaps saw their preferred asset class jeopardised by it, is likely to be more bearish than someone who participated in the run. Either can be right or wrong, but those in the latter position are more likely to hold on when the trend deteriorates.

A Fullermoney view for at least the last six years is that we are in a once-in-a-lifetime commodity supercycle, due to a dramatic increase in demand from prospering emerging (progressing) markets, many of which have extremely large populations. Supply has struggled to keep up, not least because of the prior secular bear market for resources, which reduced production capacity.

We have also said that these markets were notoriously volatile, and prone to corrections lasting for several months to a couple of years and occasionally

longer. The bigger corrections will certainly feel like bear markets, even if they occur within long-term upward trends.

For these reasons, we have stated our preference for buying following setbacks and tight stops following trend acceleration. And to quote two splendid adages which subscribers probably saw in Iain Little's and Bruce Albrecht's splendid Global Thematic Investors report posted by Eoin last Monday: "If you must panic, panic early." Also: "Be a fast sheep but don't ever be a slow one."

Email of the day (3) - On publishing a DVD version of TCS:

"I was wondering if Fullermoney money would consider publishing a DVD version of the chart seminar. I understand the issues of pirating etc so perhaps you could offer modules to be viewed only and not downloadable (for a fee of course) by subscribers via your website.

"I have been a huge fan of both yourself and Eoin for many years. When I follow your advice I generally make money. When I get too big for my boots and don't listen as I should, I generally lose money. I truly believe that I have now gained (thanks to your service) a solid understanding of global investment themes and have committed myself to continual education with regard to such matters. The chink in my armour is that I have not attended the Chart Seminar.

"I understand the AUD/GBP has made huge gains in the last few years however:

1. Tickets to London are still a few bob for your poor Aussie cousins.
2. It's an absolute shocker of a flight for two days and
3. I feel confident that such a service would ensure the Australian Cricket team would be far more charitable to England when next we meet.

"Again I must state I love the service and urge you to please consider educating us poor Australians in the finer points of your service."

My comment - Thank you for your kind words and charm regarding Australia's Cricket team, not normally known for its charity towards opponents, particularly when The Ashes are involved.

Thanks also for your understandable request. Due to several factors, mentioned from time to time over the years, we have no plans for a DVD of The Chart Seminar. However, I took TCS to Australia and other countries in the 1980s and early 1990s, and Eoin may tour with it in future, although not before 2010 at the earliest. Meanwhile, I hope our chart discussions on this site contribute to your understanding of behavioural technical analysis as developed at Fullermoney since 1970.

Thanks - Having mentioned on Friday 4th April that I would be away last week

because Mrs Fuller and I were flying to Manhattan the following day for family reasons, on return I have seen a number of thoughtful invitations from subscribers in NYC, for which I thank you. We were there because of the serious illness of a nephew, so made few other plans. When next in the Big Apple, hopefully due to less worrying circumstances, I would like to host a reception for subscribers in the region.

Additional Commentary by Eoin Treacy

Featured Articles updated - The Featured Articles section of Fullermoney.com highlights what we suspect are items of particular interest to subscribers and pre-subscribers. Articles are placed in this section, following a lag of four months and are available for anyone to peruse at their leisure. On this occasion I added sections which were posted between July 22nd and December 14th Here are some examples:

On stock markets

[July 31st](#) Technical health check of global stock markets

[August 16th](#) on accelerating downtrends

[August 17th](#) Fed Cuts Discount Rate to 5.75% to Ease Credit Crunch

On commodities

[August 2nd](#) on gold

[September 7th](#) on silver

[October 8th](#) on gold

[December 5th](#) on soft commodities

On David's personal investment portfolio

[August 8th](#) My personal investment portfolio review: "What, me worry?"

On foreign exchange and fixed income

[August 16th](#) climactic activity in carry trade currencies

[September 18th](#) Bernanke Reduces Federal Funds Rate by 50 Basis Points, to 4.75% in First Cut Since 2003

[October 8th](#) on the Debt Supercycle

[October 15th](#) Sovereign wealth funds: the most important influence on markets that we will see over at least the next decade

[November 23rd](#) US Dollar: A "Zimbabwe Situation" or Tomorrow's Phoenix?

General

[October 2nd](#) Shanghai trip report

[November 2nd](#) On key day reversal signals

[November 6th](#) on trading stops

[November 22nd](#) Jan Bylov on Stop Techniques

The China Post: Stocks surge on Rogers, missile withdrawal - Thanks to a subscriber for this interesting [article](#) which covers the thawing of relations between China and Taiwan. Here is a section:

Another stock-boosting piece of news circulating in brokerage houses yesterday was that Beijing will withdraw half of its some 1,400 missiles aimed at Taiwan to deter Taiwan independence as a goodwill gesture on Ma's inauguration on May 20. The reports also said that details of the missile withdrawal will be discussed during a meeting between Chinese president Hu Jintao and Taiwan's vice president-elect Vincent Siew in a meeting in Boao, China, that begins today.

A spokesperson of Siew said she couldn't comment on the reports, adding at this stage it's not even clear whether Siew and Hu will actually meet. Despite that, the report sent investors on a buying spree as they banked on the possibility that the TAIEX will rise to between 9,000 and 9,500 by the May 20 inauguration date. The rally was especially noticeable in hotel, asset, tourism and China-themed stocks.

Formosa International Hotels Corp., Taiwan's largest hotel owner, surged NT\$32, or 6.2 percent, to a record NT\$545 at the close of trade. Lefoo Development Co., a theme park builder and hotel operator, jumped by the maximum NT\$1.95, or 6.9 percent, to NT\$30.1, the highest since Feb. 21, 2000.

The tourism sector, which comprises six hotel stocks, rose 5.7 percent as the best-performing sub-index on the main board.

My view - A thaw in relations between China and Taiwan has been eagerly awaited by investors interested in the China story. Recent developments help to explain the market's relative outperformance.

The [Taiex](#) rallied to test the psychological 10,000 in July and November but was unable to hold the gain. However it found support in the region of 8000 twice in the last 6-months and would need to sustain a move below that level to offset scope for a further test of the highs. [10,000](#) has been a hurdle on a number of occasions since 1997 and a sustained move above that level would complete the long-term consolidation.

The [Construction](#) sector has been the best performer over the last 6 months. Having found support at the top of the previous range in December, the Index surged upwards and is currently looking somewhat overextended. However a sustained move below 360 would be needed to check momentum beyond a brief pause.

The [Tourism](#) sector is an obvious beneficiary of improved cross strait relations and is the second best performing sector this year. It also found support in December and remains in an accelerating uptrend. However a break of the rising lows would be needed to question potential for further upside.

The Construction and Tourism sectors are the Index's best performers but at weightings of only 2.5 and 0.38% respectively they make up inconsequential parts of the bigger picture. As lead indicators, they are useful to keep an eye on for signs that they may be losing momentum or reversing. However the

[Banks & Insurance](#) Index is probably of more importance, at 16.39% of the Index, to the direction of the overall market.

The Banks Index broke upwards from its four-year consolidation in late March and would need to sustain a move back below 1100 to question potential for additional upside.

A review of Eastern European stock markets - Small, illiquid markets can become fashionable for a time and will often make international headlines as weight of money pushes prices to previously unimaginable levels. However, inward flows often originate with a small number of large funds and when they start to exit; markets can fall as quickly as they rose. Longer-term the case for investment in Emerging Europe is probably a good one but they will be volatile because of liquidity issues. (Also see Comment of the Day on [July 6th 2007](#))

Recently a number of Eastern European indices have succumbed to selling pressure and have fallen considerably more than their developed market peers. For example. [Bulgaria](#), [Croatia](#), [Slovenia](#), [Serbia](#), [Romania](#), [Estonia](#), and [Latvia](#) have all been subject to redemptions. Some of these markets are coming back into interesting areas and are probably worth keeping an eye on for signs they may have found support.

This is a cautionary tale because while Eastern Europe was highly popular for a number of years earlier this decade, the Middle East is just as popular today. These markets are also now attracting large inward flows and some are hitting new highs. While they have the potential to rise impressively, they are also at risk of falling precipitously when funds start to withdraw cash from the region on masse. Investors in this region should keep an eye on its stock market indices for eventual evidence of loss of momentum.

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.

Hong Kong - encounters [resistance](#) from the top of the three-month range and would need to sustain a move above 25000 to offset scope for some further ranging.

Spain - [falls back](#) into the three-month range and needs to sustain a move above 14000 to indicate that the current congestion area has been completed.

Pork Bellies - found [support](#) below \$70 and is rallying well. A downward dynamic would be needed to hinder scope for additional upside.

Email of the day (1&2) - on additions to the Chart Library:

"Hello,

"Can you please add [JPMorgan EMBI Global Core Index](#) to the Chart Library?"

"Thank you."

And

"Thanks for posting Iain Little's & Bruce Albrecht's GTI newsletter. Would you please add [P&C GTI Fund](#) (Euro denominated please, if not US\$) to the chart library.

"As always, thanks for a great service."

My comment - [Both of these instruments have been added to the Chart Library.](#)

Last week's signups for the Free (Abbreviated) Comment of the Day - [For the week of April 6th new signups, including subscribers and pre-subscribers, live in the following countries or regions: Australia, Canada, Greece, Hong Kong, Ireland, New Zealand, Norway, South Africa, Switzerland, the UK and USA - 11 in total. In descending order, which topped the list in terms of the last week's new signups? It was the UK, Ireland and Australia.](#)

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

## **Tuesday 15th April 2008**

What Warren thinks... - [My thanks to a reader for this Q&A article with Warren Buffett, reported by Nicholas Varchaver for Fortune magazine. It contains more of the insights and common sense observations that we expect from the Oracle of Omaha. Here is a brief sample:](#)

*What should we say to investors now?*

The answer is you don't want investors to think that what they read today is important in terms of their investment strategy. Their investment strategy should factor in that (a) if you knew what was going to happen in the economy, you still wouldn't necessarily know what was going to happen in the stock market. And (b) they can't pick stocks that are better than average. Stocks are a good thing to own over time. There's only two things you can do wrong: You can buy the wrong ones, and you can buy or sell them at the

wrong time. And the truth is you never need to sell them, basically. But they could buy a cross section of American industry, and if a cross section of American industry doesn't work, certainly trying to pick the little beauties here and there isn't going to work either. Then they just have to worry about getting greedy. You know, I always say you should get greedy when others are fearful and fearful when others are greedy. But that's too much to expect. Of course, you shouldn't get greedy when others get greedy and fearful when others get fearful. At a minimum, try to stay away from that.

*By your rule, now seems like a good time to be greedy. People are pretty fearful.*

You're right. They are going in that direction. That's why stocks are cheaper. Stocks are a better buy today than they were a year ago. Or three years ago.

*But you're still bullish about the U.S. for the long term?*

The American economy is going to do fine. But it won't do fine every year and every week and every month. I mean, if you don't believe that, forget about buying stocks anyway. But it stands to reason. I mean, we get more productive every year, you know. It's a positive-sum game, long term. And the only way an investor can get killed is by high fees or by trying to outsmart the market.

My view - The seeming paradox for investors is that when the perception of risk is highest, it is actually lowest. Why? Consider this. Most of the actual bad news is known and therefore discounted by markets. However it is still being extrapolated by people who have already sold, including those who have sold short. They will eventually reverse from short to long. The majority of other investors have significantly increased their cash levels and this money will fuel the next uptrend. Valuations for most stocks are inevitably more attractive following a big sell-off. Central banks will be in the process of reversing any previous monetary tightening.

The whole process is reversed at market tops. Investors are fully long and many are leveraged. They are proselytising and rationalising by talking the markets up to offset their fears concerning bubble valuations. No one dares sell short...yet, so supply remains thin as other investors and traders run their profits. However when everyone is long the market is about to fall of its own weight. People will take profits and traders will reverse from long to short as a downtrend forms. Central banks will most likely be tightening monetary policy.

See also, *Psychological perception stages of stock markets*, posted on [4th April](#).

Email of the day (1) - [Donald Coxe on a global food crisis](#):

"Don Coxe has been beating the drum, to say the least, about an impending global food crisis. His most recent webcast is entirely devoted to it. One of his main themes is that there is not enough capital going to farming globally and

the allocation of more capital to the farming community will be necessary to take on the potential catastrophic events that could occur. One gets the feeling that Coxe considers this a far more pressing problem than the recapitalization of the banking industry. The following is the link to his April 11 call. It is worth lending an ear to. Unfortunately, I seem to have trouble copying ready to use links to this site, so you will have to copy the link to your browser."

My comment - [Thanks for this link](#), which will interest everyone, even though this is a familiar story for veteran subscribers. See also yesterday's comments on this subject.

Retailing Chains Caught in a Wave of Bankruptcies - [My thanks to a subscriber for this informative report](#) by Michael Barbaro for The New York Times. Here is the opening:

The consumer spending slump and tightening credit markets are unleashing a widening wave of bankruptcies in American retailing, prompting thousands of store closings that are expected to remake suburban malls and downtown shopping districts across the country.

Since last fall, eight mostly midsize chains - as diverse as the furniture store Levitz and the electronics seller Sharper Image - have filed for bankruptcy protection as they staggered under mounting debt and declining sales.

But the troubles are quickly spreading to bigger national companies, like Linens 'n Things, the bedding and furniture retailer with 500 stores in 47 states. It may file for bankruptcy as early as this week, according to people briefed on the matter.

Even retailers that can avoid bankruptcy are shutting down stores to preserve cash through what could be a long economic downturn. Over the next year, Foot Locker said it would close 140 stores, Ann Taylor will start to shutter 117, and the jeweler Zales will close 100.

The surging cost of necessities has led to a national belt-tightening among consumers. Figures released on Monday showed that spending on food and gasoline is crowding out other purchases, leaving people with less to spend on furniture, clothing and electronics. Consequently, chains specializing in those goods are proving vulnerable.

My view - [This is not a new story but it is an important one](#). For most observers it has been an accident waiting to happen as consumer spending accounted for approximately 70 percent of US GDP in recent years, and households were clearly maxed out on debt, often leveraged by remortgaging while house prices were still rising.

[Even in more prosperous times visitors to the USA would marvel at the seemingly endless line of retailers, large and small, hoping for the arrival of increasingly scarce customers. For consumer discretionary stocks and](#)

companies, supply exceeded demand - just the opposite of what we see with most commodity shares.

What are the wider investment implications? Inevitably there will be winners and losers.

Aside from the fact that commodity shares remain an attractive asset class, the current economic situation is obviously a disaster for many US consumer discretionary companies which will most likely struggle for at least another year or two, although the markets are discounting this more quickly. Stronger and much more diversified companies such as [Wal-Mart](#) are not immune to the consumer recession, but are clearly doing much better and will emerge even stronger later on, as many of their competitors weaken.

UK consumer discretionary companies face a similar situation. However suppliers of name brand luxury goods may fare better, because they are international and the wealthy always have money to spend.

Price charts will help us to identify future winners and losers, as always.

The US economy faces a lean period of below trend GDP growth and stagflation. The former will probably cause the Fed to keep short-term rates lower for longer than they would otherwise wish. This will help stronger companies once normal bank lending policies resume.

Basically, we have a two-tier US economy as I have mentioned before. While the consumer discretionary sector is in the severest of slumps, the better multinational companies will thrive due to stronger GDP growth elsewhere and also the weak dollar in which they consolidate earnings. Many of those that are clearly outperforming the S&P 500 Index today will retain their relative strength as the broader market eventually recovers.

Email of the day (2) - On questioning value in stock markets today:

"I have just finished listening to your latest audio, which I find essential to begin my day. You mention several times that there is lots of value in stock markets. Does this go for all markets? The European Dow Stocks 50 is trading at a 10 PE and a 4 % dividend yield, not too shabby, although the index has been making lower lows and lower highs. The Topix in Japan sports the lowest PE (under 14) in the Bloomberg data base going back to 1993. It is also, however, making lower lows and lower highs. But valuation looks interesting here as well.

"However, the S&P has a PE just above 20 and a dividend yield of 2.25%, with many high yielding bank shares likely to cut dividends. We are most likely in a recession and the S&P has been making lower lows and lower highs for 6 months in common with the much cheaper European and Japanese indices. I am curious to know if you agree with my analysis or whether you feel I am missing something.

"I am compelled to add that I question the bullish conclusion that many draw from contrary opinion. Have people really given up on the stock market? All I hear on CNBC is "when do we buy the financials" (or other stocks). People have been losing money so they are unhappy but I don't see any evidence of wholesale capitulation."

My comment - Thanks for a well argued and carefully written email, which makes it much easier for me to reproduce.

This is a big, important subject, discussed daily as the market cycles evolve. However for now, I'll summarise by saying, yes, valuations have improved more for some markets than others. All are not equal and there are leaders and laggards, which we can identify. And yes, supply still has the upper hand in many stock markets because of the lower highs and lower lows which you mention. For this latter reason I have talked about a further period of choppy, predominantly ranging activity - convalescence, if you will - representing the support building process.

I do not feel that CNBC or Bloomberg TV, for all their merits, best reflect the sentiment indicators that I regard as highly important, not least the Investors Intelligence [reports](#) that I posted last month. And thanks to another contributor, I have more that will interest subscribers.

*Surge in Bears May Signal Bull Run* is an excellent [article](#) by Dan Dorfman for The New York Sun. Here is a key section contributed by Charles Bideman:

Last month's short interest (a bet stock prices will fall) surged 0.8% to a record high on the New York Stock Exchange and 5.7% to an all-time peak on Nasdaq.

The dumping of \$50 billion worth of American equity funds in the first quarter, the highest level since the third quarter of 2002.

Astonishing cash inflows of \$130 billion into retail money-market funds in the first quarter, versus \$178 billion for all of 2007.

A record \$532 million was invested last week in short-oriented exchange-traded funds, the highest weekly inflow this year.

About 58% of all hedge funds expect the S&P 500 to decline this month.

Bond funds, a haven for safety, posted an enormous inflow last week of \$900 million a day.

"Bears should go back into hibernation," Mr. Biderman says. "The widespread fear is unwarranted. It's a time to buy, not to sell."

Please note - [Eoin is away today](#).

**Wednesday 16th April 2008**

Alex Seagle's [The Contrary Investor: A Way to Lock in Profits?](#) - Most subscribers know that I like this unpretentious, original and common sense [report](#), written by Alex Seagle for Fraser Management Associates. I also enjoy the concluding quotes but here is a section on the privatization of prisons, with a Machiavellian final paragraph:

But the Contrary Investor believes the privatization of correctional facilities is worth close study. It is often difficult to find a \$50 billion a year market with just a few companies available to address the issues that will clearly remain for many years.

One somewhat cynical, or perhaps perceptive comment I found on investing in privatization of prisons said, "the great thing about a private prison investment is that you know a portion of your money will go toward lobbying efforts, whereby the private prison companies get lawmakers to pass tougher sentencing laws so people stay in prison longer, and more people get sent to prison, so that the value of your investment only increases. It's called a "perverse incentive", and we all know that nothing succeeds in Congress like perversion."

My comment - [Gentle readers may be more interested in The Contrary Investor's other feature, on water scarcity and the development of alternative energy sources.](#)

[I will be speaking at Fraser's 46th Annual Contrary Opinion Forum at Basin Harbor, VT, from 8th to 10th October, 2008.](#)

Email of the day (1) - [On Covent Garden for Tosca after attending TCS:](#)

"Thanks for including the link to Covent Garden for Tosca. I remember back in the 70's taking the tube there the morning of a performance to buy two same-day tickets at a discount just after the box office opened - they happened to be several seats back from center stage. It looks like their normal cost today would be over \$600 - that does give one pause.

My comment - [Yes, and some of us spend a considerable amount in membership for assured priority booking, but we have had some memorable moments at the ROH.](#)

[The LPO on 16th May will be better value and I expect a superb concert. I doubt there is a better orchestra at this time.](#)

What do Equity, Money Market and Financial Sector Sentiment have in common? - [My thanks to a subscriber for this excellent \[report\]\(#\) by Mensur Pocinci for Credit Suisse. Here is a sample:](#)

They are all at an extreme. Equity market sentiment is at a new low, measured by bear/bull ration and the short interest ration on the NYSE has hit new all-time highs.

Money Market Sentiment has exceeded the highs of the last financial crisis, LTCM in 1998 and Savings & Loans in 1990.

The Financials Sector volatility has exceeded the highs of late 2002.

Where from here?

Combining the sentiment readings for several market segments with the pattern of 1990, we remain constructive that we have seen the lows in the US Equity Market. Our slightly positive outlook will only turn more cautious if the Money Market Stress exceeds the highs of the recent weeks, which on the other hand would argue for new lows for the S&P500. We give this scenario a low probability.

My view - Why do I like Mensur Pocinci's report? There are three main reasons:

1. I agree with it. However, I will quickly add that this can easily be a trap, which you and I need to be aware of. If our main criteria for evaluating research are agreement, then we could be solidifying a position of being one's own best contrary opinion indicator, without the objectivity to realise it. For instance, if we feel euphoric, and the crowd is also euphoric, we will end up losing money over the medium to longer term if we do not recognise that extremes of bullish sentiment occur near market tops. Conversely, the crowd is most bearish near the bottom.

2. A better reason for liking Mensur Pocinci's report is that it is factual rather than theoretical. Veteran subscribers and all who have attended The Chart Seminar know that Eoin and I are only interested in chart facts, not chart theories. (*For more on this subject, search under 'chart facts', but drop the inverted commas because we are not Google.*)

3. I particularly like this Credit Suisse report because it emphasises sentiment indicators, for which you see copy above, and don't miss the graphics.

There are also important secondary reasons for liking this research:

1. It will help subscribers who are comparatively new to technical analysis, to best use this potentially highly useful research tool. If newcomers to TA only mastered Mensur Pocinci's approach, they would probably do quite well, avoiding the more theoretical, subjective and tedious approaches to TA, which in my view take up too many pages in most textbooks on the subject. A suggestion regarding theoretical approaches to technical analysis: Ask yourself, does it make sense in terms of investor psychology? If the connection is not obvious, then it might be best to move on.

2. Lastly, Pocinci's share ranking system is very helpful. An investor interested in the US market could do a lot worse than select a portfolio from his '3'-rated stocks.

Email of the day (2) - On credit lending in the UK, from the inside:

"An anecdotal update on banking business in the city (please retain my anonymity if publishing any of this article). A few months ago I wrote saying how little new credit lending business my bank is doing at the moment. (I work in new business signoffs for a (private) Northern European bank not itself directly affected by sub prime issues). Unfortunately the situation is not correcting itself. With the commercial real estate business slowing more than before and even commodity finance lending at a reduced pace. This could not be more different than prior to last August when business flow meant potential holiday cancellations etc. to get through the new business. Curiously, (thankfully) the bank itself continues to make record profits, but mainly driven by global markets trading.

"Once again would like to thank you & Eoin for your service which I enjoy immensely."

My comments - Thanks for your kind words and insiders knowledge regarding the banking situation. Insightful contributions from the Collective are invaluable, not least in terms of perspective.

What you point out provides further evidence as to why many of us believe that the US, UK and other economies similarly affected will underperform this year and probably in 2009. The less recognised and perhaps even more important point is that well managed banks are doing very well. Arguably, their prospects are further improved by the self-destructive folly of banks recently featured in news headlines.

Additional Commentary by Eoin Treacy

Ronin Capital Management: The Conservation Reserve Program (CRP) - Thanks to a subscriber for this well argued [report](#) which holds that releasing land from the CRP will not be the solution to higher food prices. Here is a section:

First up is precipitation. Any lands without enough water need an irrigation system and those are already 100% called for (and fought over every year!).

Colorado, Montana, Western North Dakota, Southern Idaho, New Mexico, Utah, Western South Dakota and the Washington Oregon border are all too dry to get a decent yield on their traditional crops: Wheat, Oats, and Barley. There are some regions in these states that produce wheat quite well. But the marginal land is made marginal by the lack of moisture in many instances, and rocky terrain or shallow bed-rock (as glacial patterns have scraped away topsoil).

Despite the region being able to grow wheat, the rainfall in most areas drops its yield in most cases. The marginal land in these regions won't be able to produce yields big enough to convince farmers to walk away from their \$54 an acre check.

Now if we plug our "yield to rainfall" numbers into our revenue projections, we can see that 80% of the land in this category has a very good chance of operating below production cost. The revenue assessment is based on a \$9.50 Bu price.

As you can see from above, the price paid per acre for the CRP land is \$54.91. With the cost of production estimated by the USDA at \$231.5 per acre, we would see that the incentive to plant a wheat crop vs. staying in the CRP well above the expected revenue per acre on most of the area. The break even would be \$286.41 per acre.

The red dots represent revenues per acre based on probable yield. The red line across the mid-section is the US average wheat production cost for 2008, including the cost of giving up the risk free subsidies. The revenue projections would be based on perfect weather.

And on the subject of perfect weather, this leads us to our next point of Agricultural geography: The probability of weather variations and the failure of crops. This is all based on elevation. Notice below that our wheat land is almost all above 500m.

My view - Releasing marginal land from the CRP is probably not going to succeed in boosting supply of key grains and fibres enough to make a large difference in the prices of these commodities. Part of the reason food prices have accelerated to the extent they have is because improving diets in the major population centres of the world have coincided with the drive to make more ethanol from corn.

The urbanisation of Asia and the growth of the middle class of that region is a secular trend and is not about to reverse. This portion of the demand structure will continue to advance relentlessly for a number of years to come. On the other hand, support for the corn ethanol industry could change, if it is seen as causing more of a problem than it solves.

Greater competition from foreign imports of ethanol as well cutting funding for the corn ethanol industry could help to alleviate some of the pressure on the market. However, there are no indications, as of yet, that this is about to occur. Both of these issues provide support to grain prices and make the potential for a fall back into their long-term bases very unlikely.

Grain and fibre prices will remain volatile and some appear to have entered a period of consolidation, however the secular trend remains very much in place.

Tin Rises to Match Record as China, Indonesia Curb Supplies - Thanks to a subscriber for this [article](#) by Li Xiaowei and Glenys Sim for Bloomberg covering recent developments in the tin market. Here is a section:

Tin futures rose for a third day in London, extending a climb to a record, as China and Indonesia, the world's largest producers, restrict supplies.

Yunnan Tin Co., the world's biggest producer based in China's southwestern province, said shipments from China were impossible in the near term because of an export duty. Indonesia, the world's second-largest producing nation, may cap output at 100,000 metric tons a year to extend mine life and limit damage to the environment, a government official said yesterday.

"China is likely to remain a net importer of tin until at least May, further tightening global supplies after what happened in Indonesia," said Cui Lin, an analyst with Beijing Antaika Information Development Co., by phone from Beijing today. China has been a net importer since August 2007, she said.

London Metal Exchange tin for three-month delivery rose as much as \$300, or 1.4 percent, to match yesterday's record of \$21,300 a ton and traded at \$21,250 at 4:28 p.m. in Shanghai. Tin prices have surged 46 percent in the past year amid rising demand for the metal used in soldering and a crackdown on illegal mining practices in Indonesia.

Copper futures fell in Shanghai as increased imports by China bolstered supplies in the world's largest consumer and damped local prices.

My view - When copper entered its medium-term correction, a number of commentators heralded the end of the commodities bull market. When [nickel](#) and [zinc](#) began to decline this was seen as further evidence that this phenomenal bull-run had ended. We were never of that view. Technical facts such as tin continuing to make new highs and copper finding support relatively quickly before building support over the last two years, and the continued growth in Asian demand help to make the long-term bearish case seem shrill.

[Tin](#) remains in a consistent uptrend and has just broken upwards from a short-term consolidation. It would need to sustain a move back below \$20,000 to offset scope for some additional upside. [Copper](#) has been lingering close to its highs for much of the last month and looks set to break upwards. A sustained move below \$3.50 would be needed to question this hypothesis. If copper can sustain an upward break and successfully reaffirm its overall uptrend, it is likely to garner a significant amount of interest and could also help to restore interest in some of the sector's laggards.

JournalStar.com: Hog, cattle farmers take losses as grain prices soar - [This article](#) by Art Hovey covers some difficult conditions for livestock farmers. Here is a section:

In July 2006, Gov. Dave Heineman and other promoters of Nebraska agriculture assembled 45 miles southwest of Lincoln to celebrate completion of Paul Segner's new hog confinement building.

Less than two years later, Segner is thankful for a 350,000-gallon manure pit and the money it's saving him on the high cost of commercial fertilizer. If it weren't for that, he would have lost big money on the 1,200 hogs he recently

sent to the processing plant.

"Right now that's what's keeping the shed profitable," he said.

Counting hog waste as your budgeting friend says something about how expensive it has become to get the hogs themselves to market weight. And the news is not much better from the cattle-feeding venture Segner and his father teamed up on through the winter.

"You're feeding all winter in the snow and mud, and you still owe the bank when you're done," he said. "It makes it pretty disheartening."

Hefty financial losses for producers of red meat - typically as much as \$60 for a market hog and \$200 or more for each steer leaving the feedlot - stand in stark contrast to the profit potential for grain producers as planting season approaches.

People who raise corn and soybeans and sell their bushels to somebody else can't wait to get the planter rolling. There's a good chance those who have to buy high-priced corn and soybean meal to feed their critters are gasping, groaning and waiting desperately for some very bad times to go away.

When Segner put his new building into use, corn was at \$1.97 a bushel.

"Now, if you do the cash market, it's at \$5.50, \$5.60."

Larry Sitzman, executive director of the Nebraska Pork Producers, and Jeff Stolle, vice president of marketing for the Nebraska Cattlemen, aren't mincing their words about the connection between red meat and red ink.

My view - Rising grain prices have been an increasing headwind for the livestock sector over the last few years. This has seen grain prices accelerate upwards while livestock prices remain in the doldrums. [Pork Bellies](#), [Live Cattle](#) and [Feeder Cattle](#) had fallen relatively depressed levels, but rallied impressively over the last two weeks. They would need to sustain moves to new reaction lows to question scope for some additional upside. [Lean Hogs](#) bottomed earlier than the others and rallied further. A sustained break of the rising lows would be needed to question upside potential.

Intuitively, as the profitability of the livestock sector deteriorates and more marginal producers go to the wall, it will only be a matter of time before supply dwindles enough to spark a significant rally in these basic commodities. (Also see Comment of the Day on [March 7th](#))

Email of the day (1) - on creating currency-adjusted charts:

"Could you please add to the Chart Library both new ETFs managed by Market Vectors for the [Chinese](#) and [Indian](#) currencies priced in PLN?"

"Would greatly appreciate."

My comment - Both the Market Vectors Renminbi and Rupee funds are listed in the USA and denominated in Dollars. To create a chart which adjusts the price of a chosen instrument to Polish Zlotys, click on the Charting tab above the chart area.

The Charting tool allows you to create your own ratios and templates and much more

In the popup window, click on the Other Relative tab. (This can be found just below the Relative drop down menu.) Type 'Zloty' into the search box. From the search results, click on Polish Zloty. Next, click on the ratio drop down menu to the right of the Relative dropdown and select multiply.

It is also possible to save this operation so that you can apply the template to any other instrument in the future. To do this, click on the Save button in the blue bar at the top of the popup window. Give the Preset template a name and hit OK. Next, click on the Apply button at the bottom of the pop up window.

Once the page has been refreshed, the Preset template will be added to the list of default templates in the 'Chart' dropdown menu in the upper right of the page. Whenever you wish to adjust the currency of any instrument to Zlotys just select the instrument and click on your new Preset function from the Chart dropdown menu.

Subscribers who would like to create a similar template for their own currency can follow the steps outlined above. The only caveat is that with currencies such as the Euro, Pound and Rand you will need to divide rather than multiply because they are quoted the other way around.

Today's interesting charts - The Chart Library Filter system allows you to adjust a large number of instruments into a single currency and rank them in terms of absolute and relative performance. Here is a link to the Help pages.

US Dollar per 1 Euro - breaks [upwards](#) to a new high and would need to sustain a move below \$1.55 to offset scope for some further upside.

Oil - breaks [upwards](#) to a new high and would need to sustain a move below \$100 to offset scope for some additional upside.

South Africa - breaks [upwards](#) to a new high, helped by the weakness of the [Rand](#). This is one of the few indices, globally, to have hit a new high. It would need to sustain a move below 30000 to offset scope for some further upside.

VIX - [falling back](#) towards 20 which marked the top of the four-year base and needs to sustain a fall back below that level to further indicate that the worst of the recent selling pressure has passed.

Email of the day - on finding shares in the Chart Library:

"Would you please add Berkshire Hathaway ([A](#) or [B](#) shares) to the International Equities section of the chart library?"

My comment - Thank you for pointing out a company which I'm sure is of interest to other subscribers. Berkshire Hathaway A and B shares are already in the International Equity section. Just Select the International Equity section from the dropdown menu and put Berkshire into the search engine. Both shares will pop up.

**Thursday 17th April 2008**

My personal portfolio: Where to invest a little spare cash in my SIPP's / ISA accounts - Judging from sentiment readings - a subject of great interest to Fullermoney and we have commented on many of these indicators in recent weeks - the conventional view is that this is a time of great risk for stock market investors.

After all, "The situation is much more serious than any other financial crisis since the end of World War II", according to George Soros recently; the USA's consumer-related portion of the economy is in deep recession; global GDP growth is slowing; resources inflation is rampant, and there are food price or scarcity riots in a number of countries.

In other words, there really is 'blood in the streets'. And let us not forget global warming. If we do not all freeze to death in the dark due to the energy shortage, or starve as the last grain of rice or any other staple food is consumed, we will all drown as the seas rise, if we have not already been vaporised by an overdue Doom's Day rock, before our expanding sun incinerates the planet.

Does this sound like the end of the world? That would presumably be worse than an often repeated forecast over the decades: "The end of capitalism as we know it." It would even be worse than taxes in Europe.

Or perhaps there is more emotion than analysis in these views, and this is a better time to buy than sell.

Being of the generation of investors duly frightened by but who also survived oil shocks, the secondary banking crisis, a secular bear market on Wall Street from the late 1960s until 1982, food hoarding and rampant inflation during the 1970s, another banking crisis in the early 1980s linked to Latin American loans, including "too big to fail" Continental Illinois, plus record high interest rates, the Crash of '87, not to mention the Aids epidemic, the S&L crisis, followed in the 1990s by SARS, bird flu, the Asian Financial Crisis, Russia's debt default, Long-Term Capital (mis)Management's blow up, Y2K hysteria, the dot-com bubble's bursting in 2000, 9/11, not to mention several wars over the decades, recent bearish sentiment has a "déjà vu all over again" feel to it.

Yes, I know that many say, "It is worse this time", but they always do. I am more impressed by the bullish, contrary opinion sentiment indicators, which have a better track record. Problems of liquidity, solvency and profits will

linger, but they have almost certainly passed their nadir and stock markets are a discounting mechanism.

As dust from the Wall Street inspired banking crisis slowly settles, the technical building blocks of base formation development become more evident. It will take time for markets to reorganise and assemble them as platforms of support, as we have seen before, but the process is underway. In fact, investors waiting to re-enter the markets are spoiled for choice by some of the best valuations in recent years, but not all opportunities appear equal.

My personal long term equity portfolio consists entirely of self-administered pensions (SIPPs) and UK tax efficient ISAs, as subscribers may recall. As these positions are sufficient for me I am not adding new cash except for a small amount of salary related revenue as I am still employed, and I also top up the family ISA accounts every April by the maximum allowed.

So my current decision is where to invest the new ISA money, and while the amount is small, a seedling well planted in stock markets can do exceedingly well, as we know. That is always my hope and the analytical exercise gives me another opportunity to update my investment thinking for subscribers.

If I wanted income, I would turn to [Neil Woodford's Invesco Perpetual High Income Fund](#), or the equivalent, because he has a proven record and will know far more about prospects for dividend increases, versus possible cuts, than I ever could. The market setbacks since last July have made equity income funds more appealing, as I have mentioned before. However I do not need income at this time, and despite inflation I am probably maintaining purchasing power in my compounding main cash account, currently earning 8.31% in the latest 1-month rollover. This is the highest rate of return that I have received since switching from GBP to NZD four months ago. However there has been no capital appreciation against the GBP, although I remain hopeful.

Incidentally, I am required to invest my ISA account in a UK-listed vehicle offered by an ISA broker. However this is not a big constraint, given the number of foreign shares and funds listed in London. Staying with Fullermoney themes, my main choice, as I see it, is between emerging (progressing) markets and resources / global infrastructure.

In the latter category, I like Eoin's suggestion of CRH plc, which he is considering for baby Fiona's Child Trust Fund. It is in the international cement and other materials business, listed in [Dublin](#), London (also in euros) and the [USA](#), currently trading at an estimated PER of 8.91 and yielding 2.83%, according to Bloomberg.

Worthy though CRH appears, despite economic concerns over their prospects in Ireland and the USA, I will probably opt for an existing position in my portfolio, or a combination of Fullermoney themes.

Naturally I am delighted by the performance of industrial miners in my top-10 (by weighting) portfolio, led by [Rio Tinto](#) (5th), [BHP](#) (6th) and [MLW](#) (8th).

[Vedanta](#) (12th) is similarly strong. I suspect they will continue to do well but my policy has always been to buy them on weakness, often in my trading account, which I last did with Rio and MLW in January.

To be continued tomorrow.

Additional Commentary by Eoin Treacy

China to Raise Fertilizer Export Tax to Boost Supply - Thanks to a subscriber for this [article](#) by William Bi for Bloomberg covering the rise in global potash prices. This article from today's [Mineweb](#) by Roberta Rampton may also be of interest. Here is a section from the former:

China, the world's largest grain producer, will increase export duties on all fertilizers and some related raw materials by 100 percentage points to ensure domestic supply for farmers during the main growing season.

The changes will be effective from April 20 to Sept. 30 and will increase export taxes on fertilizer products to between 100 percent and 135 percent, the Ministry of Finance said in a statement on its Web site today. Current tariffs on fertilizers are zero, 30 percent or 35 percent, depending on the category, according to the site.

China, grappling with soaring food costs, has boosted subsidies and grain prices to stem declining interest in farming. Lower exports from China, a major supplier of some products such as urea and ammonium phosphate, may further stoke global prices of fertilizers, with some trading at records on demand for food and biofuels.

“The government is sacrificing the fertilizer industry to protect farming,” as grain production is critical to China's struggle with inflation, Xu Hongzhi, a Beijing-based fertilizer analyst at Beijing Orient Agribusiness Consultant Ltd., said in an interview yesterday.

Global Supplies

If China effectively restricts exporting fertilizers, it could be “fatal” to global supplies of some products, such as ammonium phosphate, as it supplies between 20 to 30 percent of global trade volume of the plant feed, Xu said.

Since the measures are only temporary, the government may ease restrictions when domestic demand drops, Liu Guocai, the Beijing-based chairman of Migao Corp., which produces potash-based fertilizers in China, said by phone today.

The taxes will lead to higher global prices for urea and ammonium phosphate, and have little effect on potash, of which China is a large importer, Liu said.

Diammonium phosphate for immediate delivery at Tampa, a benchmark for the material, has tripled in eight months.

“We estimate recent Tampa DAP (diammonium phosphate) offers are \$100 per metric ton higher than last week's trade of \$1,200 per metric ton,” JPMorgan Chase & Co. said in a report dated April 15. Prices for Black Sea Urea have risen approximately \$80 a ton since late last week, when talk that China may restrict exports began, it said.

My view - Subscribers will find charts for a range of different fertilisers in the Soft Commodities section of the Chart Library. All are in aggressive uptrends. Here are some examples: Decyfer [DAP](#) Fertilise fob Gulf Coast, Decyfer [MOP](#) Fertiliser Vancouver, Decyfer [Sulfur](#) fertiliser fob Vancouver, Morocco [Phosphate](#) Rock.

These commodities remains in short supply and demand is accelerating as farmers rush to increase yields in what has been a bonanza for grain producers. Considering how long the bases for these commodities are, the recent upward breaks mark the beginning of a new bull market which could last for a number of years. We cannot expect all the action to be one way and acceleration is a warning that we are approaching an ending of unknown duration. However, downward dynamics would be needed to check the advance beyond brief pauses.

[Potash Corp of Saskatchewan](#) continues to accelerate upwards but is looking overextended and encountered at least short-term resistance near C\$200 today. However a clear downward dynamic would be needed to check upward momentum beyond a brief pause, while a sustained move below C\$160 would question the integrity of the medium-term uptrend.

[Agrium](#) broke upwards from a three-month consolidation this week and has improved on that performance daily. A sustained move back into the range would be needed to delay scope for additional upside.

[Mosaic](#) has also accelerated recently and is looking somewhat overextended. Similar to Potash Corp above a sustained move below \$100 would be needed to question the integrity of the medium-term uptrend.

[Monsanto](#) is testing the top of the three-month range and would need to sustain a move below \$100 to hinder potential for a successful upward break.

[Syngenta](#) broke upwards from the three-month range today and would need to sustain a move below CHF300 to delay scope for some additional upside.

[Uralkali](#) is accelerating following an impressive move to date, but is looking overextended. A downward dynamic would be needed to check momentum beyond the short term, while a sustained move below RU9 would question the integrity of the overall uptrend.

Email of the day (1) - on the strength of the Euro:

"I have a question for you on EUR/USD.

"Where do we go from here?"

"Record high was hit today at around the 1.5970 level - can this go to 1.70, 1.80 even 2.00?"

"Seems to me the ECB's hands are tied given the inflation numbers today. Some of your recent articles have indicated that Germany can cope with EUR/USD at current levels.

"Do you know what % of Euroland exports go to the US? and what % goes to the rest of the world? In other words does the exchange rate matter if the larger European countries trade a greater % of their goods within the European Union while countries such as Ireland with a small open (export) economy suffers job losses daily.

"What are the chances of China, Russia, Gulf States etc deciding that they've had enough of this weak dollar and start disposing their holdings of US reserves?"

"Intervention is not a runner post recent G7 meeting - so do we have to wait for the ECB to start cutting rates before we see a sell off in EUR/USD? By that stage we may well be above the 1.7000 level!"

"Finally I would like to thank you for the excellent coverage and analysis you bring to your daily commentary."

My comment - I'm afraid, I do not know what percentage of exports from the Eurozone go to the USA. However, here is a quote from a news [story](#) kindly forwarded by colleague John Ritchie today:

The proportion of world exports heading for the US has been declining sharply, collapsing from almost 50% in 2003 to the current level of just over 10%. Yet over that period, those manufacturing maestros in Germany managed to boost their overall exports by almost 60%.

Obviously, companies such as Airbus which compete directly with an American rival are complaining bitterly about the rise of the Euro, but this has not because a cause celebre in Europe other than occasional complaints by politicians. Also see Erwin Grandinger's thoughtful report posted in Comment of the Day on April 4th).

<http://www.fullermoney.com/x/default.html?id=1325&schtxt=erwin%20grandinger>

The trend of the [Euro](#) against the Dollar remains consistent and as long as this remains the case, it would be foolhardy to attempt to put an artificial limit on how high it can advance. A weak Dollar is currently in the interests of the US economy, so provided the Dollar does not accelerate downwards, this trend can continue. A sustained move below \$1.55 would question the integrity of the medium-term move.

I think there is little chance of central banks dumping Dollars on masse, but they are slowly reducing their Dollar holdings in a process which is likely to continue. When the weakness of the Dollar becomes a political issue and starts to damage the economic competitiveness of the USA's trading partners, multilateral intervention will become much more likely, but we are not there just yet.

The Times of India: Short-selling will again be operational from April 21 - [This article](#) covers an interesting development for institutional investors in the Indian equity markets. Here it is in full:

Market regulator Securities and Exchange Board of India (Sebi) on Wednesday said short-selling for institutional investors, banned after the Ketan Parekh scam six years ago, will be operational once again from April 21.

This means that institutional investors will be able to sell shares without owning them at the time of trade. Simultaneously, a full-fledged securities lending and borrowing scheme, the essential condition for short-selling, would also start from April 21, the market regulator said.

Sebi asked stock exchanges and depositories to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of this decision.

Initially, securities traded in Futures and Options segment will be eligible for short-selling and Sebi may review the list of stocks that are eligible for short-selling transactions from time to time.

Securities and Exchange Board of India had banned short-selling in the aftermath of Ketan Parekh scam in 2001 as it feared a speculative sell-off could exert massive bear pressure on stock market. Retail investors, however, are already allowed to short-sell securities.

My view - Allowing institutional investors the ability to short individual shares, provides a useful hedging tool for funds. Depending on the rules attached to how they can short the market, it may also lead to greater selling pressure during periodic reactions, but is unlikely to have a material impact on the long-term uptrend for the overall market.

Today's interesting charts - a number of resources-dependent country indices are testing their highs and all can be viewed in the Chart Library.

Aluminium - [consolidating](#) in the region of the 2006 highs and would need to sustain a move below \$2800 to offset scope for a successful upward break.

Cocoa - found [support](#) at \$2200 following an abrupt fall from the highs near \$3000. However it has since rallied well and is now testing the March high. It

would need to sustain a move to new high ground to reaffirm the overall uptrend.

Canada - breaks above the [psychological](#) 14,000 and the upside can be given the benefit of the doubt as long as it can sustain the move above 13,700.

Thailand - [testing](#) the upper side of the five-month consolidation and would need to sustain a move below 825 to offset scope for an upward break.

Email of the day (2) - on an addition to the Chart Library:

"Can you add [MSCI TOTAL RETURN NET Emerging Markets Asia Index](#) to the chart library, thank you. Its current country breakdown is China 17% India 15% Hong Kong 11% Malaysia 5% Indonesia 4% South Korea 27% Taiwan 21% unlike the Asia Pacific ex Japan it does not hold Australia. [db x-trackers](#) offer it as an ETF."

My comment - Thank you for this interesting suggestion which has been added to the Chart Library.

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

"Hi, could we please add the [SPDR Energy](#) to the library?"

My comment - This fund was already in the International Equity Section of the Chart Library but I have added it to the Commodity funds section as well. I am also pleased to announce that work will begin shortly on merging the two Chart Library search engines, making it much easier to find what one is looking for.

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

"Requests for chart Library

Norwegian Kroner

[NOK/Euro](#)

[NOK/GBP](#)

"UK index linked gilt [2017](#) & [2027](#) [uptrends here]

"[Icelandic Kroner/euro](#)

Icelandic index linked bond"

My comment - I could not find tickers for Icelandic index linked bonds, but if you know of any, I would be happy to add them. All of your other requests have added.

**Friday 18th April 2008**

As Australia dries, a global shortage of rice - [My thanks to colleague Jackson Wong for pointing out this interesting story](#) by Keith Bradsher in yesterday's International Herald Tribune. Here is the opening:

DENILQUIN, Australia: Lindsay Renwick, the mayor of this dusty southern Australian town, remembers the constant whir of the rice mill. "It was our little heartbeat out there, tickety-tick-tickety," he said, imitating the giant fans that dried the rice, "and now it has stopped."

The Deniliquin mill, the largest rice mill in the Southern Hemisphere, once processed enough grain to satisfy the daily needs of 20 million people. But six long years of drought have taken a toll, reducing Australia's rice crop by 98 percent and leading to the mothballing of the mill last December.

Ten thousand miles separate the mill's hushed rows of oversized silos and sheds - beige, gray and now empty - from the riotous streets of Port-au-Prince, Haiti, but a widening global crisis unites them.

The collapse of Australia's rice production is one of several factors contributing to a doubling of rice prices in the last three months - increases that have led the world's largest exporters to restrict exports severely, spurred panicked hoarding in Hong Kong and the Philippines, and set off violent protests in countries including Cameroon, Egypt, Ethiopia, Haiti, Indonesia, Italy, Ivory Coast, Mauritania, the Philippines, Thailand, Uzbekistan and Yemen.

Drought affects every agricultural industry based here, not just rice - from shepherding, the other mainstay in this dusty land, to the cultivation of wine grapes, the fastest-growing crop here, with that expansion often coming at the expense of rice.

My view - Rice is the latest and one of the most spectacular examples of the commodity supercycle that Fullermoney has discussed at length since 2002. The reasons behind this unprecedented development can be summarised in five words, often repeated on this site: Supply Inelasticity Meets Rising Demand.

However, hoary observers of market trends will recall that when a financial story reaches page 1 of the international press - whether it is the collapse of [Bear Stearns](#) or in this instance the now parabolic upward acceleration of rice prices ([monthly](#), [weekly](#) & [daily](#)) - a late stage of that particular cycle has been reached.

Rice is experiencing a buying climax, meaning that this rate of advance is not sustainable beyond the short term, and will be followed by at least a medium-term correction. This will be signalled by a downward dynamic and reaction considerably in excess of the two small setbacks seen in March.

On a medium to longer term basis, food scarcity leading to price inflation will remain a problem. However it will often be rotational, encouraging farmers to switch crops, where possible, in search of higher prices. Food exporting

countries will be major beneficiaries of this secular bull market. Thailand is the world's largest exporter of rice.

Here are some related [articles](#), also from the International Herald Tribune.

Email of the day (1) - [More on sentiment indicators](#):

"In my opinion, there are two little problems regarding your comments about the current mood: everybody holds stocks. Did people panic and dump stocks in your area? Here in Switzerland, it didn't happen. People are not happy of course but they still hope the markets will recover. Second, if it is normal to see mood improving step by step in a bull market, it is also normal to see it going into reverse during a bear market. Some sentiment indicators went to an extreme bearish reading lately, but not all of them. The mood can stay depressed for much longer. Who knows how long? By the way, I'm also hoping the current rally will continue! ;-)

"Keep up the good work."

My comment - [Thanks for your encouragement](#).

Interesting observation on the Swiss, but someone certainly sold your market, evidenced by one of the bigger [corrections](#) in Europe. However if the locals are mostly long, that will slow the recovery, as some will have less buying power and / or be tempted to lighten on the rallies.

You did not mention which sentiment indicators had not moved to a bearish extreme, but many certainly did, as discussed previously. Some commentators have been expecting more extreme levels of capitulation, but not every bearish phase produces historically low valuations, especially if central banks are pumping in liquidity. Strategists and investors have to make judgement calls, based on a combination of factors. That is why this is such a fascinating business.

Mike Lenhoff: Earnings Surprises - What Scope For A Shock? - [My thanks to Tony Smith for this latest copy of Mike Lenhoff's Market Strategy, published by Brewin Dolphin Securities. Here is the opening:](#)

US companies are now reporting their earnings for the first quarter of this year. Earnings expectations for the financials have been so greatly reduced that the scope for a shock is probably limited, and this is also partly so for certain consumer discretionary sectors. However, there has not been nearly as much downgrading of earnings expectations for the rest of the corporate sector. So what could be of interest for the equity market in this reporting round is how, with a recession underway, earnings for the non-financial corporate sector stack up; that is, whether more earnings surprise on the downside than upside.

Thus far, with nearly 20 percent of the S&P 500 having reported, the non-financial earners are doing comparatively well by surprising on the upside. For example, if one excludes the results for financials and consumer discretionary, we're talking about almost 5 companies surprising on the upside with their earnings for every one company surprising on the downside. The corresponding ratio for the entire set of companies that has reported so far is closer to 2.

Of course in the former group we're talking about the big international earners (e.g., Intel, IBM, Coca-Cola) which are benefiting from a global economy that is still chugging along and from the weak dollar which continues to enhance their competitive position (after Japan and South Korea, the United States is China's third largest import supplier; after China, the United States is India's second largest import supplier).

My view - The USA currently has a two-speed economy. Multinationals are progressing, cushioned against the slowdown at home by stronger growth overseas and the weak US dollar. Conversely, America's consumer discretionary sectors are in deep recession.

Email of the day (2) - On yesterday's ISA account comment:

"RE: "Incidentally, I am required to invest my ISA account in a UK-listed vehicle offered by an ISA broker. However this is not a big constraint, given the number of foreign shares and funds listed in London".

"The ISA rules don't restrict you to UK Listed shares. As long as the shares are quoted on a bona fide stock exchange you can invest ISA money anywhere in the world. None of my ISA stocks are listed in London. I hope a certain G Brown hasn't changed the rules on us recently! Subject to the last sentence you can invest on NYSE, AMEX, NASDAQ, Toronto, Canadian TSX Venture, Frankfurt, Paris, Amsterdam, Brussels, Madrid, Stockholm, Switzerland, Australia, Hong Kong and Singapore.

My comment - Many thanks for this helpful and important information. On reading your email, I called Barclays Stockbrokers, where Mrs Fuller and I currently have our ISA accounts, although they were initially with Schwab, which later sold the business to Barclays. They are an online broker and while I normally deal via the web, I wanted to speak to an individual, and therefore telephoned. I find automated phone systems tedious but at least this one allowed me to leave my number for a return call rather than wait in a queue. After answering Barclays' security questions, I asked my question and was told by a very polite representative that ISAs *were indeed* restricted to UK-listed instruments.

To double check, I then rang Tony Smith of Brewin Dolphin Securities, who I have mentioned previously, and with whom I have long had a SIPP's account. I read the email above to Tony, who confirmed that it was absolutely correct. There are a few restrictions on ISAs but not regarding dealing on many stock exchanges other than the UK's.

Barclays and other discount brokers may be fine for very active private accounts but there are inevitably tradeoffs. The restrictions I had encountered were imposed by Barclays, not the UK government, which introduced ISAs to encourage private savings. Brewin Dolphin is not a discount broker, so the commissions are higher, but easy to justify in my view for a reliable personalised service. Tony Smith (tel: 0845 213 3523) is a contemporary, has always been very helpful, and a Fullermoney subscriber for decades. For some reason, perhaps marketing, I had not realised that Brewin Dolphin also handled ISA accounts, until this was pointed out to me by another subscriber last year. I have no complaints regarding Barclays' personnel, who have always been polite and efficient, and their dealing platform and statement system is fine. However I think I should move my ISA account in the interests of greater investment choice, even if I do have to pay more in commissions. Fortunately for the Fullers, Barclays' restrictions on limiting ISA dealings to London listings, which include many overseas shares, would have made no difference to my current holdings, but may change in future.

My personal portfolio: Where to invest a little spare cash in my SIPP / ISA accounts - I'll resume this review on Monday, which has been postponed today in favour of a somewhat longer chart review.

Today's interesting charts - Price charts are our reality check.

USA (Transports) - Leading the way ([p&f](#), [long-term](#), [weekly](#) & [daily](#)), this Index broke its progression of lower rally highs in March and has now cleared lateral resistance near the psychological 5000 level. A close back beneath 4800 would be required to question current scope for at least a retest of the highs.

USA (Dow) - Following a successful retest of January's [low](#) and additional support building, a break above the February highs has occurred. A close beneath 12,270 would now be required to indicate further base extension rather than the sideways to higher ranging currently indicated. The next psychological [hurdle](#) is at 13,000.

USA (Nasdaq 100) - Often a lead indicator, the Nasdaq confirmed a significant downside failure with the upward [dynamic](#) on 24th March has resumed its recovery following a consolidation near the February highs. A close beneath 1775 would be required to question current scope for sideways to higher ranging towards the next [area](#) of potential resistance at 2000.

USA (S&P 500 Banks) - Range [lows](#) continue to hold but a break in the progression of lower rally highs is necessary to reaffirm this [region](#) as a developing base formation.

UK (FTSE100) - Pressing the psychological 6000 level once [again](#). A close beneath the last reaction low at 5830 is required to reaffirm this [resistance](#) and indicate an extended phase of base formation development.

UK (FTSE 350 Banks) - [Firmer](#) than US bank indices and would require a close beneath 7820 to reaffirm resistance from [range](#) highs and indicate an extended phase of base development.

Europe (DJ Euro Banks) - [Same](#) as above with 335 needing to [hold](#) to offset base extension.

Switzerland (SMI) - [Bounced](#) from lower side of range but needs to break lower highs to reaffirm base development. Conversely, a sustained move beneath 7000 would reaffirm the [overall](#) downtrend.

Sweden (OMX) - Probable base development near mid-2006 [lows](#); a sustained break above the psychological 1000 [level](#) would signal an additional recovery, while a close beneath 940 would indicate an extension of the present range.

Taiwan (TWSE) - [Leading](#) Asia's recovery and note the strength of the [financial](#) sector.

Thailand (SET) - [Very steady](#) within Asia and note the [banks](#).

After a short stay in America, Michelangelo's David [returned](#) to Europe - (from Meredith).

Quote of the week - [On financial service entities](#):

"Large multi-product, process-driven financial service entities face the daunting hurdle of overcoming bureaucratic obstacles to creative decision making. Small, independent firms with excellent people focused on a well-defined market segment provide the highest likelihood of identifying the intelligent contrarian path necessary to achieving excellent investment results."

David F Swensen, author of *Pioneering Portfolio Management: An Unconventional Approach to Institutional Investing*, courtesy of Iain

Additional Commentary by Eoin Treacy

Templeton's Mobius Says Credit Crisis Is Near End - [This article](#) by Hanny Wan and Catherine Yang for Bloomberg, kindly forwarded by a subscriber, covers the increasing perception that the worst of the credit crisis is behind us. Here is a section:

Templeton Asset Management Ltd.'s Mark Mobius said the global credit-market crisis that has caused \$245 billion dollars of losses at banks and brokerages is ``near the end."

The fund manager, who oversees \$47 billion in emerging- market equities,

said he has been buying shares of banks including Bank of China Ltd. and Industrial & Commercial Bank of China Ltd. because of their inexpensive valuations.

The MSCI World Index has gained 8.3 percent since closing at a 17-month low on March 17 on speculation that losses tied to subprime mortgage investments will be contained. Mobius joins the chief executives of JPMorgan Chase & Co., Lehman Brothers Holdings Inc. and Goldman Sachs Group Inc. in predicting that the worst of the credit crisis has passed.

“Most of the bad news is already in the market,” Mobius, 71, said in a Bloomberg Television interview today. “The writedowns are coming in fast and furious.” Energy stocks are his biggest investment because of rising oil prices, he said.

My view - Stock markets globally have mostly held above their January lows. Many retested those lows in March, but any breaks were temporary and we now see a number of indices rallying above their February highs. The degree to which stock markets have been able to advance, following the January lows, appears to be influenced by a heavy weighting in resources ([South Africa](#), [Brazil](#), [Mexico](#)) and a financial sector relatively removed from the global credit crisis. Markets heavily weighted by financials such as [Switzerland](#) and [Ireland](#) remain in support building phases which could potentially be lengthy.

The majority of Asian economies have been more affected by the drying up of liquidity that by any direct exposure to the botulism that structured product soup turned out to contain. Once lending institutions return to a more level-headed attitude to lending, liquidity will probably resume its flow towards Asian markets.

Codelco Says ‘No Way’ Andina Mine Opens Tomorrow - [This article](#) by Heather Walsh for Bloomberg covers the ongoing labour troubles of Chile's largest copper miner. Here is a section:

Chile's state-owned Codelco, the world's biggest copper producer, will have to keep its Andina mine shut tomorrow after protests by contract workers, an executive said.

There is “no way” the mine will reopen tomorrow, Vice President Daniel Barria said in an interview in Santiago. Codelco is assessing damages to installations at the mine and has no schedule to reopen following a shutdown yesterday, Barria said earlier at a news conference at the Santiago-based company. Codelco earlier said it might open Andina today.

Contract workers, striking for better wages and benefits, said they may intensify protests that led to the shutdown of Andina and another mine that together produce 17 percent of Codelco's copper. Concern that supplies may be disrupted helped drive copper prices to a record today in New York.

“Every time you try to make a case for the downside, the market gets hit by production shortfalls,” said Allan Trench, the head of copper research at consulting company CRU in London.

Copper futures for July delivery reached \$4.045 a pound, the highest for a most-active contract, on the Comex division of the New York Mercantile Exchange. The price has gained 29 percent this year.

### No Talks Set

Codelco's employees unions at Andina today refused to return to the mine out of concern for workers' safety, said Sergio Flores, a union president. Contract workers didn't allow some union members to leave the mine yesterday, when protesters took over mine installations and before they vacated them today, Flores said. Union workers and others were “kidnapped” during that time, Barria said at the news conference in Santiago.

Contract workers and Codelco have no negotiations scheduled, Cristian Cuevas, president of the Confederation of Contract Workers, which organized the walkout, said at a news conference in Santiago. The Central Workers Unit, an umbrella organization for some Chilean unions, said today it's seeking to broker a start to talks with the government.

At the Andina mine in central Chile, workers from unions representing about 74 percent of Codelco's employees want more security after protesters took over some installations yesterday, Flores, the union official, said in a telephone interview. Andina accounts for 13 percent of Codelco's output.

My view - Labour disputes have been a constant feature of the secular bull market in industrial commodities to date, and help to support prices. This is no less the case today, than it was six years ago. Given the profits being made by so many mining companies and the shortage of skilled workers, it is no surprise that mines are coming under continued pressure to provide better conditions. This trend is likely to continue for the foreseeable future.

Copper's consolidation, following the decline from the 2006 accelerated peak, has been relatively shallow when compared with some of the reversions seen in other commodities. It is now testing its all time highs and needs to sustain a move above \$4 to reaffirm its overall uptrend. Having made a new high yesterday, the metal retreated and continues to consolidate below \$4. A sustained move below \$3.50 would indicate an extension of the medium-term correction.

www.FinanceAsia.com - A-share correction: How much more to go? - Thanks to a subscriber for this interesting [article](#) by Chi Lo of Ping An Asset Management covering the decline of the A-Share market. Here is a section:

Economic and statistical indicators suggest that the Shanghai A-share index is trading close to its long-term trend line. The A-share index surged through the two-standard-deviation overshoot territory last October and has since been

reverting back towards its long-term mean (Chart 2). A further drop in the index will bring it below its long-term trend. There is a strong economic rationale for this mean reversion tendency. From a long-term perspective, the stock market is a claim on the country's underlying economic growth. Thus, GDP growth determines the return on equity, generally. Despite cyclical volatility and short-term swings, the equity market will eventually revert back to its intrinsic value which is determined by the underlying economy. Whenever the market runs significantly ahead (or behind) of fundamental justification, it will come back down (up) eventually (Chart 3).

Further, A-share valuations are no longer ultra-expensive. The Shanghai A-share average trailing PE ratio has fallen back towards its long-term mean (Chart 4). A 20% fall from the current 36 times will take the trailing PE ratio down to one-standard-deviation undershoot level.

### The government factor

A further decline in A-share prices will make the authorities jittery about potential social implications. The number of retail stock investor accounts has grown exponentially in recent years (Chart 5), numbering 130 millions in 2007 or 22% of total urban population. Despite the market disappointment about the lack of new bailout measures recently, Beijing has indeed been rolling out measures, albeit gradually, to stabilise the market. In an attempt to slowdown the supply of equities, the authorities have slowed the process of large public offerings. On boosting demand, they have begun approving new investment funds applications and cut income taxes for money managers. Although this kind of government intervention will not have any real impact on the long-term market valuation, they could give the market a confidence boost in the short-term. The recent problem is that market expectations on bailout measures have been unrealistic.

My view - [The Shanghai A-Shares](#) continue to make new lows in a move that has seen the Index fall almost 50% from its peak. While the downtrend is losing momentum somewhat, a sustained break of the progression of lower rally highs would be needed to indicate that the Index has reached a low of significance.

The market has fallen enough to become a political issue, making it advisable to keep a close watch on government statements over the coming weeks, for clues as to any policy changes.

Email of the day (1) - [on Chart Library features](#):

"Having created some different sections in the chart library I am trying to add instruments to those sections. Could you explain how this is done. Also can you have a different chart option for different sections? For example candlesticks for stocks and line charts for mutual funds as these can't be shown as candlesticks?"

My comment - In answer to your first question, here is the relevant part of the [Help Pages](#):

"When an instrument is added to the Favourites Folder it will automatically be added to the end of the last section. To move it, simply drag and drop it into the desired section. If you want to drag the same instrument into multiple sections, just hold down the SHIFT key when dragging.

"We realise that subscribers will potentially have large lists of securities in their Favourites and that dragging across the page and potentially having to scroll may be cumbersome. To address this issue, you will see a '+' next to the name of each section. Clicking on this '+' will collapse the section in much the same way as a folder in Windows. To open the section, just click on the '-' sign which will re-open the folder."

As for the second part of your question. Using the 'View All' facility for an individual section, when you first see a fund, it may appear as a group of dashed lines as the Charting Engine attempts to draw a candlestick chart. However once you select one of the default preset templates from the Chart menu in the top right of the screen, it will draw line charts for instruments with close only data and candles for anything with open, high, low, close data.

You can also create your own templates and apply these to an individual stock or group of stocks using the Charting Tool. Please see my Email of the Day (1) on [April 16th](#) for instructions on how to do this.

Email of the day (2) - on Renminbi crosses:

"RMB is strengthening at an increasing pace vs US dollar (about 4 % this year), but it would be helpful to see RMB vs Euro and Yen as well : I attempted to 'manufacture' these but with no success.

"Best regards"

My comment - The Chart Library has a large number of Renminbi crosses quoted both ways around. These can be found in the Major Currencies Crosses section of the Chart Library using the ISO currency code; CNY. Here is a [link](#) to the full list of codes. Typing 'CNY; into the Chart Library search will also return all of the Renminbi crosses.

The Renminbi, or Yuan, has been appreciating steadily against the [Dollar](#), following the move to a peg against a wider basket of currencies, in 2005. The trend has gathered pace of late but is unlikely to reverse in a meaningful way unless there is fundamental shift in Chinese policy towards the Dollar.

The [Euro](#) is testing its highs against the yuan and would need to sustain a move below ¥10.75 to hinder potential for some additional upside. This is becoming an increasingly important source of concern for Europeans who see imports growing from 8.6% to 11.5% of total imports from 2004 to 2007 while exports have only grown from 3.5% to 4% in the same time frame. The [Swiss](#)

[Franc](#) has retreated from its high against the Renminbi over the last few weeks and would need to sustain a move above ¥7.2 to reassert its overall uptrend.

The [Yen](#) reached a short-term peak against the Yuan at 0.7385 but was unable to hold it and is now testing the short-term progression of rising lows. A sustained break below 0.66 would open up the possibility of a test of the July lows near 0.616.

The [Pound](#) remains in a medium-term downtrend against the Yuan but found support in the last few weeks near the 2005/2006 lows and would need to sustain a move below those levels to offset scope for some further steadying in this area.

The Renminbi is ranging against the [Australian Dollar](#), the [New Zealand Dollar](#) and the [Indian Rupee](#). The [Brazilian Real](#) continues to strengthen against the Yuan and would need to sustain a move below ¥4 to offset scope for further upside.

Email of the day (3) - on [European import and export data](#):

"Good morning

"In response to the question raised: "How much of Euroland exports go to the U.S.?" The answer is 13.0% in 2007 as per ECB statistics. See table attached.

"With my best regards"

My comment - Thank you for this [spreadsheet](#) contributed in the spirit of Empowerment Through Knowledge, which I'm sure will be of interest to other subscribers.

Today's interesting charts - [The Chart Library Help Pages](#) contain a vast amount of information about how to use the many different features available.

Pound per 1 Euro - The [Pound](#) is pulling back from the relatively overextended region above 80p. A sustained move to new highs would be needed to offset scope for some further Euro weakness.

UK Gilts - testing prior [support](#) near 108 and would need to sustain a move below this level to hinder scope for some further steadying in this area.

Natural Gas - breaking [upwards](#) from the consolidation near \$10 and would need to sustain a move below that level to limit potential for additional upside.

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