

Jack Adamo's Insiders Plus

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Dear Friend & Client,

It was another great week for us as everything went our way. As my standard disclaimer goes lately: Don't get spoiled; this could change any moment.

I'm not sure what's going on makes much sense in the big picture, but, of course, I've felt that for years at a time in the markets, so that's no sure sign of anything. Being an accountant by trade and a chess player by hobby, it's easy for me to forget that logic has nothing to do with it, and emotion is everything.

The huge jump in our gold positions more than offset the drop in most everything else. A few of our foreign stocks bucked the trend too, particularly foreign banks, and out of left field we had a very nice pop in Seaspan on Friday. I saw no news to explain it, but on Tuesday the company announced a deal with Yang Ming Marine for 10 new large vessel charters. (Half of the orders were cancelable, but who reads the fine print.) If that was the cause, I don't know what the delay in the price move would have been; perhaps a broker put out a buy recommendation on Thursday. I didn't see one.

Also noteworthy was the nearly 25% jump in our SPY hedges. With only 4 months left to expiration, it's unlikely we'll break even on them, but a few more bad weeks in the market could significantly mitigate our losses in those two positions.

Huh?

What has me puzzled about the market's behavior is why it is acting as if inflation is knocking at our door. Bond rates rose; gold rose and the dollar fell. Economic reports remain mixed, but earnings reports have been horrible. The latter would certainly suggest lower economic growth. It could be that the big players see something I don't that suggests things are picking up. I know Laszlo Birinyi thinks corporate profits are going to surge this year, but if that's the underlying belief, one would think the market would rise, not fall.

Anyway, I may as well speculate about life on Uranus. After decades in this business, the market's workings are still unfathomable to me. Luckily, I'm pretty good at picking stocks.

The market is overvalued by a number of measures that objective analysts consider important, although Wall Street, as usual, says stocks are undervalued. Still, they could continue to rise, maybe substantially, due to Fed addiction, much money still not in the market, and lack of alternatives for return on cash.

Given all this uncertainty, I'm going to pull in our horns a little further by trimming a few more positions and raising some more cash. Here are the new sells, followed by a reiteration of the sells from Thursday's bulletin.

NEW SELLS

We've discussed this before. Long-term I'm bullish on India, but the country's politicians can't seem to get out of their own way. Like our folks in Washington they can't leave market forces alone; they have to try to fix things. Anyway, they've gone off the deep end again, instituting capital flow restrictions. The market doesn't like this, and here Mr. Market and I agree. Incidentally, it is encouraging for us gold investors that the market shrugged off India again raising its restrictions on gold imports.

We have two positions in **India Fund, Inc.** (NYSE: IFN). We may revisit this situation if the valuation gets too compelling to ignore, but for now, we're out of there. Sell both positions of India Fund, Inc.

I don't feel the same about Malaysia; I have more faith in the fundamentals and political process there, but all these country ETFs are subject to dismissal for underperformance, and the **iShares MSCI Malaysia Index ETF** (NYSE: EWM) falls into that category. Given my general discomfort with the market, we shall cut it lose and reconsider it in the future. Sell iShares MSCI Malaysia Index ETF.

Our two Mexican funds, **Mexico Equity and Income Fund** (NYSE: MXE) and **Mexico Fund** (NYSE: MXF) started the week bucking the market trend, then succumbed with a sharp reversal. I still like Mexico for the long-term, but as I noted when we bought it, it is very richly priced. The market was going there for a safe haven, but now seems to think it's not so safe, and I agree. This was probably a bad idea on my part. I've never trusted momentum investing, and I am now reminded why. I'd rather wait until this becomes a good buy again, or at least a reasonable one. Sell Mexico Equity and Income Fund. Sell Mexico Fund.

REPEAT OF SELLS FROM BULLETIN

In case you missed my bulletin this week, here is a repeat of the sell recommendations included in it.

Sell **SPDR S&P Dividend ETF** (NYSE: SDY).

Sell **SPDR ETF** (NYSE: SPY)

Sell **Guggenheim S&P 500 Equal Weight ETF** (NYSE: RSP)

Sell **General Electric Company** (NYSE: GE)

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The battle continues between a Fed-subsidized market and weak earnings. Almost in the background is the actual economics driving it all. Europe seems to be picking up, having its first positive GDP growth in six quarters, and the Chinese and Japanese stock markets are rising after extended periods of weakness.

The driver of all this seems to be a believe that the U.S. markets rose after massive Fed stimulus, so, the same will happen worldwide as the other regions try the same medicine. This may be true, but I still see very little fundamental improvement in the U.S., and that status will eventually determine the bottom line.

Jobless claims fell substantially last week, but even if that continues, all it says is that the bleeding has subsided. Job growth remains weak, with most of the increases coming in part-time and the lowest paying service jobs. Real GDP is still sub-2%, even using the BLS's bogus inflation data. The only thing that looks good is housing, and when you look closer, the gains have been heavily weighted to multi-family dwellings. That's okay, but it plays to the new rental generation market and doesn't bode well for the general wealth effect.

I'm still wondering when/how it all ends, but as I've said before, if governments could create wealth just by printing more money, the whole world would have been rich within a few years after Johannes Gutenberg's fine invention. I think this will end badly, but don't ask the details. In the meantime, I'll focus on trying to make money for us. Quarterly reports have now finished up, so maybe I'll have time to do some bargain hunting in the new few weeks.

That's it for today. I look forward to talking with you again soon.

Jack

Questions? Write to Jack at: jack@jackadamo.com

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