

>: Elephants

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Commodity stocks continue to get roughed up here as fast money speculators continue to get bounced out of these names.

I've heard through my own personal contacts that a bunch of young money hedge fund boys out of Europe got busted out on some heavily levered currency/bond arbitrage play that ended up causing massive forced liquidations of their equity portfolios that wensked very commo

When I see monster stocks like Phelps Dodge getting their clock cleaned and trading with a single digit PE, I know things have gotten out of hand.

I want to share something with you.

Much of the action that you see every day in individual stocks is driven by the short term ?2 and 20 boys?.

(The ?2 and 20 boys? is a term used to describe hedge fund managers because they typically charge a 2% annual fee of assets under management and 20% of profits.)

Much of their activity is driven by their own fund liquidity and how their other trades are working out.

Most of these guys couldn't care less about the long-term trends of the stocks they trade, and that means when forced liquidations come along, these guys will dump stocks without regard to price or value.

These funds are driven by young guys in their 20's who have barely seen an entire market cycle, and as such they make the common mistake of being vastly over-leveraged.

The thing to remember is that liquidity is their life blood.

If a group starts getting smacked, these guys run for the door.

Many of the commodity stocks, while not being small caps, are certainly not mega caps, and so when the selling starts, it's like an elephant trying to bolt down a rabbit hole!

That, my friend, is what we in the business call a classic ?buying opportunity?; and for us commodity bulls, it's what we pray for.

I know I've been writing a lot about commodity stocks recently ... specifically, the oils.

I don't want you to get the idea that that's all I trade; it isn't.

But just like how the tech stocks were the story of the 90's, it is my fervent belief that commodity stocks are THE STORY of the new millennium, and so I'm gonna talk about them **LOT**.

At times like this, the so-called popular financial press likes to float lots of stories about an impending flood of supply, whether it be oil, copper, nickel or zinc etc.

Yes, there's plenty of the physical commodity in the ground, no one disputes that.

What I dispute is how difficult it is to get it **OUT OF THE GROUND**.

Let me explain.

Most of the world's supply of oil, zinc, nickel, etc. is located in some of the most dangerous places on earth: West Africa, Russia, South America.

These countries are so utterly inept and corruption-riddled that multi-nationals are refusing to invest the billions necessary to extract the commodity riches buried underneath their lands and oceans.

Even the souls that are brave enough to try to do business in these god-forsaken countries are realistic enough to realize that exploration and production timeframes will have to be at least **DOUBLE** that of a more normalized environment.

The other key consideration is the environmentalists.

First, world enviro lawyers are swarming third world courts in efforts aimed at shutting down and severely limiting the building of new mining operations.

One key industry figure was recently quoted as saying that environmental issues alone are adding **FOUR to FIVE YEARS** to mine completion times, making it a **FULL TEN YEARS** before a new mine can come online.

So, with the present rate of global consumption of industrial commodities combined with the explosive growth of China's and India's middle class, we have a demand side **AND** supply side, perfect storm in the making.

Remember the lessons learned from the tech rallies of the 1990's.

We had major pullbacks in tech in 1989 and 1991; 1994 through 1995 was utter death; and then we had the crash of 1998.

Yes, they were very volatile times, but the savvy trader that bought the dips and held made an **ABSOLUTE FORTUNE!!**

The markets are unforgiving, and not all of us get second chances.

This commodity bull market is your second chance.

Don't blow it.



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