►On Target

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China Shares Take Off

China's stock market increasingly looks as if it has completed its building of a base for a strong upsurge, with financials such as the world's biggest bank, ICBC, leading the charge, ending a 3½-year bear market.

The market is responding to anticipation that the incoming political leadership currently in the process of taking over, will ease the policy squeeze that was introduced to combat inflation and curb property speculation.

It has been reasonably successful in doing that – once again showing that its government is one of the world's most competent at economic management. Although of course that's easier if your population excels in the traditional virtues – they're exceptionally hardworking and thrifty.

The new leadership has made it clear that its top priority is to boost domestic demand, reducing the economy's dependence on exports and investment by capital-intensive state-owned companies.

Latest news about China's economy is encouraging, despite some continuing weakness in export orders. Manufacturing activity is starting to pick up, while the construction industry is reporting especially strong new orders, suggesting the government's increased spending on infrastructure and other projects is supporting growth.

Real urban disposable incomes are rising at the astonishing growth rate of almost 10 per cent a year, while in the rural areas cash incomes per person are expanding at an even faster rate, above 12 per cent a year, as the government focuses its efforts on improving conditions for the poor.

Beijing is considering a plan to improve payments to farmers whose land is seized by local governments for use by real estate developments, making it easier to move to the cities, where the jobs are and incomes are higher.

There is increasing speculation that the government will reform the Hukou system, which prevents almost a third of the 700 million people now living in cities from having the official residential status entitling them to enjoy many public benefits, such as schooling for their children in the cities where they work.

Most of them are young, but now earning enough to afford buying a home in many cities. Extending Hukou status to them would make it much easier for them to do so, giving a huge lift to the residential property sector.

The economy is expected to grow about 8 per cent in real terms this year, which

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means risks to corporate earnings are declining. Global investors are increasingly directing their abundant cash into Asia. Chinese shares are trading on attractive valuations such as an average price/earnings ratio of around 12x.

China's economy is likely to maintain a very high growth rate averaging between 7½ and 8½ per cent annually over the next five years, according to a new research report by the Hong Kong investment services company Oriental Patron.

The government still has "a lot of leeway" to stimulate economic growth given its low debt level (only 44 per cent of GDP), huge foreign reserves (well over $3 trillion) and continuing inflow of foreign direct investment.

Growth drivers over the next few years will be urbanization (a net 15 million a year expected to move from rural areas to the cities every year), demand driven by one of the highest proportions of working-age population among developed nations, investment in information technology, and a "very promising" healthcare sector, given the focus on narrowing the income and welfare gap between urban and rural areas.

Fast-rising domestic demand plays

Here are some of the shares the research study identifies as buys, that I consider the more interesting possibilities. The list includes some small-caps likely to be ignored by institutional buyers, yet be of interest to individual investors. All are listed in Hong Kong, and I provide their tickers…

ASR Holdings [1803] sources air cargo space and markets it to more than a thousand businesses requiring freight forwarding capacity. It's a tiny company with an undemanding valuation (an historic price/earnings ratio of below 10x), a 25 per cent profits growth forecast for this year and a strong balance sheet.

Biostime [1112], very much larger (a market valuation of about $2 billion), is the major domestic competitor in China to foreign companies in the infant food sector, where the annual growth rate has averaged 19 per cent due to urbanization, expansion of the middle class and rising proportion of working mothers. Biostime is at the top end of the market, commanding the best prices. Its share has been soaring, but still offers a dividend yield of about 1.8 per cent, 2½ times covered.

Brilliance [1114] is a major producer of minivans and has a big stake in the exploding luxury-vehicle sector as a joint-venture partner with BMW offering its 3 and 5 series sedans and the X1 SUV. Oriental Patron is forecasting a third successive year of profits growth above 40 per cent. The chart looks good.

China All Access [633] is an interesting high-yield opportunity, offering a dividend ratio of about 3.6 per cent 2½ times covered. It's a satellite and wireless telecoms provider with major government and private-sector clients.

China Modern Dairy [1117] is the largest operator of dairy farms with a milk yield nearly double the industry average and plans in train to expand output by 50 per cent over the next two years. "Its high capital intensive and long-term pay-back business model creates a high entry barrier for new rivals," say the researchers.

Dongfeng Motor [489] is the second largest motor vehicle producer in China, with a market share of 12 per cent, its partners including the leading Japanese brands Nissan and Honda. Profits are expected to recover this year from the setback caused by anti-Japanese protests. The share is attractively valued for a company

that has delivered an average annual earnings growth of 38 per cent over the past five years, on a price/earnings ratio of just 8.4x.

Geely Automotive [175] is one of China's leading domestic motor-vehicle manufacturer, with a target of 100,000 sales of its SUV models this year. Its price/earnings ratio of 16.3x reflects the consistency of its strong profits growth in recent years.

Sinomedia [623] looks an excellent prospect. It's a multi-platform media company with a large position in CCTV advertising and a strong operating cash flow. It offers a dividend yield of about 2.9 per cent, five times covered, and a strong chart.

SPT Energy [1251] is one of China's leading independent domestic oilfield services provider, expected to be a major beneficiary of developments in the Tarim Basin and Kazakhstan. It's share price has been rocketing, driven by the prospect of years of earnings growth of close on 40 per cent.

Stelux [84] retails watches and optical products in the mid-price range in Hong Kong, Macau, China and Southeast Asia. It looks an attractive buy on a dividend yield of about 2.9 per cent, more than three times covered, and a consistent earnings growth that has been averaging 20 per cent a year.

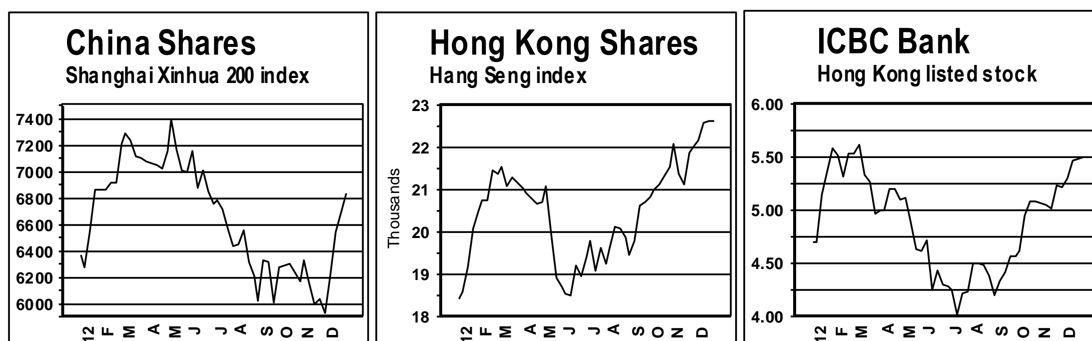
Trinity [891] retails men's clothing at the top end of the market throughout Greater China. The researchers consider its valuation "attractive… given its steady growth prospect and premium management."

YGM Trading [375] is a long-established Hong Kong distributor and retailer of premium fashion brands such as Aquascutum. It looks really cheap, especially for yield-seekers, considering its dividend ratio of about 5.6 per cent, 3½ times covered, as well as its excellent dividend and earnings growth record.

Zhengtong Auto [1728] is a leading dealer focused on luxury brands such as BMW, Audi, Porsche, Land Rover and Jaguar. It has been delivering, and is expected to continue delivering, exceptionally strong earnings growth – reflected in a price/earnings ratio of nearly 20x.

Zhongsheng [881] is the fifth largest automobile dealership group in China by sales, distributing Toyota, Lexus and Audi models. It has also been delivering strong earnings growth, but does offer a small dividend – a yield of 1.3 per cent, more than five times covered.

Low valuations combine with an environment of strong economic growth to offer "a wonderful opportunity for long-term investors" in Chinese shares, argues Frank



Yao, a Hong Kong-based portfolio manager for Neuberger Berman, a $200 billion international investment group.

My view? I remain positive about equities generally as growth and income investments, but I expect growth in China and its neighbouring co-prosperity sphere over the next year or three to be far superior to what we're likely to see in the mature economies, and valuations generally seem more attractive.

Leaping from Cliff to Canyon

America's politicians, in constructing a last-minute agreement to avoid plunging their economy over a "fiscal cliff" of their own creation, have once again signed off on a package of compromises that avoids too much pain.

► The economy will avoid the threatened 4 to 5 per cent cut in growth this year, but will nevertheless be knocked back about 1½ per cent by tax rises, according to Goldman Sachs economists.

That will be mainly due to falling demand brought about by tax increases, not all of them focused on "the wealthy," despite Obama propaganda; federal taxes will rise for 77 per cent of all working Americans because of a 2 percentage point increase in payroll tax, plus a surcharge to pay for Obamacare that will come into effect.

There will also be some adverse impact on small-business growth and job creation, although it's hard to quantify how significant that will be.

► Public debt relative to the economy will continue to rise over the next ten years as the federal government continues to outspend its revenues on a massive scale. "The deal… won't reduce the deficit, but add to it by failing to tame runaway entitlement spending," says Bloomberg's Paula Dwyer.

The Congressional Budget Office reported that the New Year package actually adds another $4 trillion to the projected federal deficit over the next decade. It estimates that the annual fiscal deficit will fall from $1.1 trillion this year to $0.75 trillion in two years' time, but after that rise to $1.2 trillion in 2022.

There is no sign of cross-party agreement on fundamental reforms to deal with underfunded, soaring long-term commitments for welfare costs, particularly Medicare.

► Another "fiscal cliff" crisis looms in just a few weeks.

Congress has to approve an increase in federal debt, which has hit its ceiling of $16.4 trillion, to authorize borrowing of trillions more to finance bloated spending. That will precipitate another clash between the Obama administration and hard-money fundamentalists in the House of Representatives. Without an agreement, the government will run out of money and start suspending payments and shutting down operations.

More significantly – and largely overlooked by the media -- the New Year package of compromises merely postponed for two months implementation of some of the harsh measures Congress agreed to in the 2011 federal debt crisis, such as sharp cutbacks in defence and welfare spending. Without a further agreement, those cuts, known as a "sequester," will kick in on March 1.

There's going to be a huge political fight over which cuts to allow and which additional ones to impose. President Obama, whose sympathies are always with the Democrats' hard Left, vows that there must be more tax hikes to reduce the scale of spending cuts. Most Republican legislators, burned by the disgrace of being forced to agree to tax rises in the New Year package, will forcefully oppose any more tax increases.

► Although some of the measures to avoid spending cuts seem sensible, such as agreement to extend the period of unemployment benefits, many are expensive concessions to powerful political lobbies.

As the *Wall Street Journal* put it: "Senators stuffed their bill full of tax subsidies for special business interests"… ensuring "huge annual lobbying fees and political contributions" for politicians who voted to protect tax breaks.

About $40 billion worth of them were extended in the New Year package, including handouts for wind farms, biofuels, film producers… even the Michigan International Speedway.

Federal budget deficit projections are always hopelessly optimistic because they assume implementation of cost-cutting measures to constrain increasingly expensive programmes. Those measures are provided by legislators when they enact such programmes, to pacify voters who are worried about soaring public costs -- but they are rarely implemented in practice.

The most blatant example is found in Medicare. Every year, Congress blocks cuts in payments to doctors that the law says should be applied. It's been done once again in the New Year package, to prevent a 27 per cent reduction in fees that was scheduled to be implemented.

What are investors to make of all this?

Another fiscal crisis within a few weeks is going to bring another round of volatility, with all the uncertainties continuing to discourage business investment, offsetting to some extent factors such as improvement in the housing market and low energy prices that suggest the US economy should improve somewhat this year.

Don't panic – follow the money

However, we can expect the next crisis to go down to the wire and then be resolved -- by yet another package of largely temporary compromises as politicians shy away from painful fundamental solutions.

The way all but five Senate Republicans and 85 out of 236 House Republicans voted with the Democrats in favour of the New Year package makes it clear that, despite all the angry politicking, there is clearly a soft-money majority for continuing to avoid pain and kick the can down the road once again.

On balance that will not be good for long-term economic growth, but it will mean continuation of policies such as abundant, nearly-free central bank stimulation whose benefits will mainly be enjoyed by investors.

As I said last month: Not bad for the safest bonds, good for equities, even better for gold.

A ‘Race Between Poverty and Death’

Here are some interesting points made by the well-known South African futurist and writer Clem Sunter at a recent talk in Johannesburg:

► The Chinese who have been moving into Africa in significant numbers in recent decades “are so entrepreneurial there is scarcely a town in Africa which does not have a Chinese shop.” There are now more Chinese in Namibia than the German-speaking descendants of the original colonizers who have long provided the commercial elite.

► Germany will be the first member-nation to leave the European Union as it will be unable to live with the latter’s dominance by Club Med countries.

► Within five years 80 per cent of smartphone users in the US in the age group 18 to 34 will use their phones to make financial transactions such as pay utility bills and make purchases, eschewing traditional banking services.

► “In Perth (Australia) I went to buy a suit. I was told it would cost me $25 to try it on! The reason for this is that people try, but don’t buy – instead they order replicas at much cheaper prices off the Internet.”

► America will deal with its fiscal difficulties with cuts that really hurt. On a recent flight to Cape Town Sunter noticed a well-known Communist travelling in style, in business class, while the US ambassador was sitting next to him in economy class – who told him frankly that all Americans had been ordered to cut back and to lead by example.

► Any couple reaching 60 years of age are likely to live to beyond 90 – but times are now so tough that most old people with share portfolios “are in a race between poverty and death.”

► South Africa risks becoming a “Failed State” if the proposed Media Secrecy Bill is passed into law. “One of the clauses in the Bill allows a journalist to go to jail for 25 years just for being in possession of ‘secret’ information.”

► The flow of illegal immigrants into South Africa from the rest of the continent has been and is much greater than generally recognized, with two to three million arriving every year. Satellite studies suggest the country now has a population of, not 50 million, but 70 million, of whom 15½ million are on welfare.

Avoiding Currency Risks

It’s very easy to make the major mistake in your longer-term investment planning of ignoring currency risks. You could end up worth a lot less in real terms than you think.

Typically, portfolios contain a serious mismatch between the currencies you will need to meet your future obligations – for example, paying your living expenses in retirement in Thailand and the college expenses for your daughter in the US – and the currencies you can expect to receive from interest, dividends, pensions and capital realizations.

Expats commonly overweight assets in the currency of the country from which they originate, because of familiarity, historical accident such as ownership of an inherited family property, and established links with advisers, banks and friends.

Lesser mistakes include:

► Failing to use a sensible currency as the basic unit for valuing your portfolio and monitoring returns, such as the dollar or an alternative global unit, or alternatively the currency of the country where you live and expect to face your main ongoing expenses;

► Overweighting investment in currencies likely to be relatively weak longer-term (although judgement here will always be very much a matter of opinion); and

► Failing to differentiate between the currency in which an investment such as a fund unit is denominated and the currency of its underlying asset (example: a dollar-denominated fund investing in Japanese assets is a yen investment, not a dollar one).

Moneycraft advisers Chad and Peggy Creveling offer these tips for reducing currency risk:

► Link specific currencies to specific goals. For example, accumulate Canadian dollars if you plan to buy a property in Canada. Consider using the concept of distinct investment pools to fund particular expenses.

► Make sure you know what is your true currency exposure – don't assume it's the currency of your brokerage statement or the one in which a security is traded.

► With fixed-income investing, it's important to hedge currency exposure to shield the cash flows you'll need.

► Equities, however, are much less sensitive to currency exposure. "It's best to maintain diversification across most equity asset classes, industries and geographical regions, with perhaps a slight bias to the future currency liability."

► Where possible, use funds that are internally hedged to favour your desired currency exposure – for example, a US bond fund to match dollar expenses.

► Where you're very uncertain about future currency liabilities, such as where you'll retire or your child will attend university, 'try to narrow down the possible choices and then build a portfolio that is diversified across those choices – this preserves your flexibility without making a large bet on one particular currency region."

Making Profits in the Stock Market

Here are some rules for investment success outlined by the late John Templeton, a pioneer of global investment in the 1950s:

1. Buy value, not market trends or the economic outlook. Ultimately, it is the individual stocks that determine the market, not vice versa. Individual stocks can rise in a bear market and fall in a bull market.

2. Buy low. So simple in concept, so difficult in execution. When prices are high, a lot of investors are buying a lot of stocks. Prices are low when demand is low. Investors have pulled back, people are discouraged and pessimistic. But if you buy the same securities everyone else is buying, you'll have the same results as everyone else.

By definition, you can't outperform the markets.

3. Never invest on sentiment. Never invest solely on a tip. You would be surprised how many investors do exactly this. Unfortunately there is something compelling about a tip. Its very nature suggests inside information, a way to turn a fast profit.

4. Do your homework, or hire wise experts to help you. Investigate before you invest. Study companies to learn what makes them successful.

5. Diversify – by company, by industry. In stocks and bonds, there is safety in numbers. No matter how careful you are, you can neither predict nor control the future.

6. Invest for maximum total real return. This means the return after taxes and inflation.

7. The only way to avoid mistakes is not to invest – which is the biggest mistake of all. So forgive yourself for errors and don't try to recoup losses by taking bigger risks. Instead, turn each mistake into a learning experience.

8. Aggressively monitor your investments. No investment is forever. Expect and react to change. There are no stocks that you can buy and forget. Being relaxed doesn't mean being complacent.

9. An investor who has all the answers doesn't even understand the questions. A cocksure approach to investing will lead, probably sooner rather than later, to disappointment if not outright disaster. The wise investor recognizes that success is a process of continually seeking answers to new questions.

10. Remain flexible and open-minded about types of investment. There are times to buy blue chip stocks, cyclical stocks and convertible bonds, and there are times to sit on cash. The fact is, there is no one kind of investment that is always best.

11. Don't panic. Sometimes you won't have sold when everyone else is selling, and you will be caught in a market crash. Don't rush to sell the next day. Instead, study your portfolio. If you can't find other attractive stocks, hold on to what you have.

12. Do not be fearful or negative too often. There will, of course, be corrections, perhaps even crashes. But over time stocks do go up… and up… and up. In this century or the next, it's still "buy low, sell high."

Risks in Mining Investments

Although value investors have faith in physical assets and commodity producers, they "are much more open to confiscatory taxation or seizure than shares in companies that have shown an ability to retain long-term franchise value," argues *FTfm* commentator John Dizard.

"If you own a gold mine in South Africa, or an oil concession in Argentina, you have a target painted on your money's back.

"There are always politically compelling arguments for your having obtained a mineral concession through an unfair or even illegal process. You can't move the mine or the oil well," and sovereign nations take a long time to pay even partial compensation.

"The best long-term source of income is a durable international brand or a corporate design or technology team that has shown an ability to replicate itself over generations… Think Hermes or Volkswagen or Schneider Electric."

Dizard says the international bonds of such companies aren't backed by assets that can be savaged by reversible presidential decrees. Better to own the debt of firms that have to worry about their access to global markets and have been forced to meet customers' needs over time.

The False God of Investment Theory

The great majority of investment managers, together with their regulators, "remain committed believers in the efficient market hypothesis (EMH), even though this was holed by academic researchers during the 1970s and blown out of the water by the rescue of Long-Term Capital Management in 1998," says commentator Russell Taylor in *Money Management*.

"As a theory, EMH is very attractive to managers. It is a great excuse for active dealing – so-called rebalancing of the portfolio – and an even better excuse for investment management failure; you lost money, but you still did better than the market as a whole."

Fund managers "have become extremely expensive while taking advantage of the ignorance of their clients."

Taylor argues that only independent financial advisers are interested in reducing the cost of investment to clients. "Keeping costs low is the first step to investment performance – all others in the chain are concerned with increasing their fees on the basis that their slice is so small, no-one will notice or be hurt by it."

A Useful Measure

When considering investing in a share, one important metric to calculate is Price Earnings Growth (PEG), the favourite ratio of Jim Slater, the well-known British investment guru. It's the price/earnings ratio, divided by the expected annual rate of growth in earnings per share.

Slater likes to hunt for companies with PEG ratios of less than one.

The PEG concept has been challenged on the grounds that it depends on a highly subjective judgment of earnings growth potential. So to further refine his selection process, Slater adds several other "sieves", including cash flow, relative strength of the share price and assessments of the company's management.

Cash flow should exceed earnings over the past year and as an average over the past five years, while the shares should have outperformed the market over the past 1- and 12-month periods.

However, it has been argued that PEG ratios don't work when applied to companies in the following sectors: airlines, banking and finance, property and oil exploration.

Japan’s Other Kind of Atomic Potential

One of the claims I hear periodically, which cannot be substantiated for obvious reasons, is that although Japan has no nuclear weapons, it could easily produce them in a matter of weeks, should it need to in response to an external threat, because of its advanced technologies and contingency planning.

In that context I was intrigued to see a report in *The Economist* that, as a consequence of large-scale atomic power generation over many years, it has produced and accumulated stockpiles of more than nine tons of plutonium – “enough, experts say, to make more than 1,000 nuclear warheads.”

As a South African, I know from my own country’s past experience that it isn’t that difficult to make nuclear weapons if you have the resources of a nation-state, with the requisite highly-skilled scientists and engineers -- and helpful foreign friends, as we used to have even in the days of international sanctions.

Tailpieces

Stock selection: European Securities Network lists these themes to which you should seek exposure when selecting shares in which to invest:

Emerging market consumer demand via brands; German domestic demand; healthcare provision for an ageing Western population and to increasing incidence of Western lifestyle diseases in emerging economies. Also unconventional oil and gas (such as shale); US construction; and beneficiaries of ongoing automation and the application of robotics.

The consultancy advises investors to maintain some exposure to commodities and emerging-market infrastructure plays. Quality companies subject to cyclical forces ought not to be shunned, while “solid and consistent financial metrics” should be favoured.

Squeezing retirees: The level of yields available on the government bonds used to finance pensions is “totally unprecedented in modern times” in the UK, says Schroders’ retirement planning adviser Alan Brown.

“A 65-year-old male with £100,000 in defined contribution savings wanting a pension with 3 per cent annual increments, five years of guaranteed minimum payments and a 50 per cent spouse’s pension, is likely to get only £3,500 in income – or a yield of 3.5 per cent,” he reports.

Top performers: Thailand has been the best-performing stock market over the past three years, with an average annual return of 23 per cent.

Last year was a particularly good one for emerging economies generally. Their bonds, for example, delivered a total return of 18 per cent, as measured by JP Morgan’s EMBI+ index, compared to just 4 per cent for US bonds.

Safe havens: There are now record holdings by foreign investors of the local-currency government bonds of emerging economies such as Indonesia, Thailand and Malaysia.

It seems that is because capital is flowing into countries and currencies which have avoided the plague of money printing and have central banks that continue to pursue orthodox – that is, conservative – monetary policies.

Help from Japan: There is increasing probability that the new governor of the central bank will be Kazumasa Iwata, who has publicly favoured measures to weaken the exchange rate of the yen such as investing ¥50 trillion (that's currently the equivalent of $570 billion) in Eurozone government bonds.

Medical tourism: Malaysia is stepping up its marketing to expand its business as a destination for low-cost medical care. There has already been a ten-fold increase in foreign patient arrivals over the past decade, with 583,000 seeking treatment in 2011.

Health minister Liow Tiong Lai says: "A total knee replacement in Malaysia would cost $8,000, a heart bypass at $10,000 and a health-screening package $2,000," attracting patients especially from Indonesia, India, Japan, Britain and the US.

Contrarian strategies: Some analysts regard equity mutual fund flows as a useful signal. Once the retail investor has capitulated and started selling equities, the institutional investor is likely to interpret this as a buying opportunity. A recent study of the US market over 14 years by analysts that the bottom of the market in three previous downturns came just a month after the heaviest mutual fund outflows.

Research at Exeter University has shown that in the UK stockbroker analysts failed dismally at forecasting company earnings. So much so, that investors can earn substantial extra returns by buying shares when analysts forecast their earnings growth is likely to be low.

Bonds: The risk in the safest ones, such as those of leading nations, is greatly exaggerated because the bearish analysts insist on ignoring the reasons why the avalanche of money pouring into them will continue for the foreseeable future.

Pension funds, especially the increasingly mature ones based on defined benefits, need stable income to meet their payments. Bonds provide that, equities cannot because they're too volatile.

Financial regulators everywhere are encouraging institutional funds of all kinds to lower their risk and enhance their liquidity by increasing their holdings of the safest, most liquid, bonds.

Growth in booze: As the major brewing companies such as Inbev and SABMiller account for no more than a quarter of global volumes, they offer "significant potential for additional growth through acquisitions" as "the drinks industry represents one of the sectors most likely to benefit from the growth of the global middle class," says *Fullermoney*'s Eoin Treacy.

Medium-term outlook: According to Consensus Economics, forecasts of economic growth over the next five years are expected to average 2.7 per cent for the US (not far short of the post-war average of 3 per cent), 1.2 per cent for the Eurozone, 7.6 per cent for China.

Dividends: "In spite of the dismal economic conditions of the last decade or so, dividends on the FTSE All Share index have increased at about 3 per cent a year over the last 20 years," says Schroders' retirement planning adviser Alan Brown.

Capitalism: The current frenzy to intensify regulation of banks "has a lot to do with the populist narrative that the financial crisis exposed the failure of capitalism," says commentator Christopher Wood.

But in fact what the crisis really reflected "was the disastrous consequences of not letting capitalism work – by not letting overleveraged financial institutions fail, and in particular not imposing losses on those, such as bondholders, who have lent to these institutions."

A few million dependants: Britain's tax inspectors sent back a return submitted by a taxpayer on the grounds that he had given an incorrect answer to the question: "Do you have anyone dependent on you?"

He had declared: "2.1 million illegal immigrants, 1.1 million crackheads, 4.4 million unemployable… scroungers, 900,000 criminals in over 85 prisons, plus 650 idiots in Parliament, and the whole of the European Commission."

His response to the tax men: "Who did I miss out?"

A piquant beverage: Among the world's most expensive coffee beans are those passed through the digestive system of elephants on a farm in Thailand's Golden Triangle. Blake Dinkin, a Canadian who developed the business, says that when the animals eat the beans, their stomach acid breaks down part of the protein, transforming the taste of the beverage made from them.

The beans are recovered from the elephant dung, cleaned and marketed as Black Ivory Coffee. It sells for $1,100 a kilogram, and is being offered at a handful of luxury hotels at $50 a serving. "It's very smooth, without the bitterness of regular coffee," Dinkin says. It has "unique earthy and fruity flavours."

Wise words: *Every once in a while, the market does something so stupid it takes your breath away.* Jim Cramer.

Martin

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