FRIEDBERG'S

COMMODITY & CURRENCY COMMENTS

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We are humbled, but (hopefully) we learn something

It hurts me to admit it, but here it is: Greenspan and Co. managed to burst one the greatest asset bubbles in history almost painlessly (in economic terms), helped restart a vigorous economic upswing, soft-landed the US dollar, and currently preside over one of the lowest rates of inflation in the post-war period.

We, old school monetarists, did not think this could happen. Because money-supply growth for the past five to seven years was too rapid, we had expected price inflation to take off at any time. We are still waiting.

It seems the Fed was right to rely on the Taylor rule, maintaining interest rate targets linked to output growth. They were also right to ignore rapid rates of monetary growth, maintaining that there are other factors at work that would nullify their effect, at least in the near and medium term. They bowed to monetarism but essentially ignored it.

They were right to dismiss the inflationary impact of a fair-sized dollar devaluation. They may even have been right in defying their critics (yours truly included) by refusing to sledge-hammer the stock market bubble of the late '90s. In retrospect, an analysis of the data *can* support the correctness of their view, namely that "nothing short of a sharp increase in short-term rates that engenders a significant economic retrenchment with all its attendant risks is sufficient to check a nascent bubble. Certainly, 300 basis points proved inadequate to even dent stock prices in 1994." (From Chairman Greenspan's testimony entitled *Risk and Uncertainty in Monetary Policy*, January 3, 2004.)

Admittedly, the Fed had the wind at its back, as surging productivity, which even surprised the Fed, crushed, and continues to crush, unit labor costs. China and the powerful competitive effects of globalization, their magnitude also unforeseen, helped too. Still, let us not be niggardly in our praise. The Fed model has worked, and it has humbled us.

If we take them at their word, what can we expect? Almost certainly, we can expect low and falling inflation for as long as the output gap remains open – which, depending on the pace of future activity, could last as long as 12 to 18 months. We can also expect, contrary to Street expectations, low and falling interest rates.

Watch GDP growth, if it stays in the 4% or lower range, if the dollar claws back some of its losses, and if commodity prices take a well-deserved breather, as we expect, you can gain increasing confidence in that horizon. Cut the horizon somewhat if the trade gap begins to narrow in a significant way and if productivity gains begin to falter.

We should caution, however, that already now, the Taylor rule calls for a Fed Funds rate of slightly more than 3% if the inflation target is to be kept at 2% per annum (see Chart 1). Possibly, and we only speculate, the Chinese factor has added an additional dimension to the disinflationary forces that is not captured by the output-gap-based indicator. But we believe that this factor will come to an end very soon, either because inflation has already begun to accelerate in China or because the cheap yuan will be revalued.

All in all, we believe that there is still time to enjoy a good-sized bull run in bonds.

Inside

Contributions by Albert D. Friedberg, Yakov Friedman, and Eli Silberstein.

Commodity & Currency Comments available by E-mail
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Chart 1 – Federal Funds Rate and inflation targets

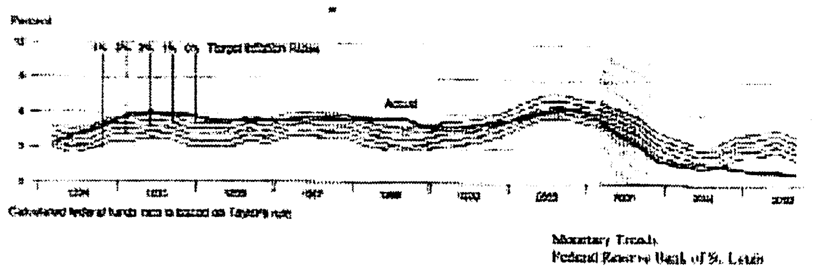
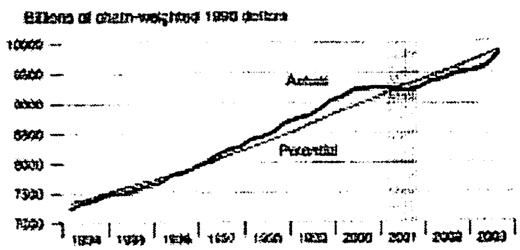
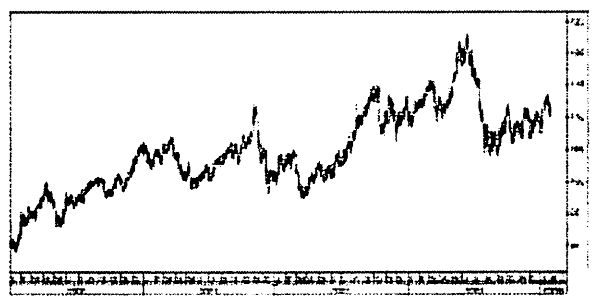


Chart 2 – Actual and potential real GDP



Monetary Trends
Federal Reserve Bank of St. Louis

Chart 3 – US long bond (CBT)



Courtesy Bloomberg LP

BONDS

The longer-term danger

Even if the Fed model is right, political and psychological factors are likely to elicit an asymmetric response to the dictates of the model. We mean the following: If and when the Fed model calls for a rise in rates, the response is certain to be far more muted than when the model called for a lowering of rates.

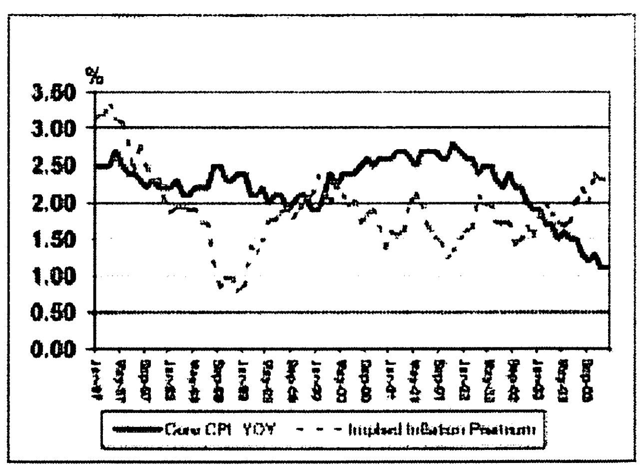
The success of the ongoing reflation is due to a general willingness on the part of economic agents to take on more debt. Thus, their debt-to-income ratios have risen to historic highs. At the same time, financial intermediaries have dramatically increased leverage via carry trades. More than ever before, sharp increases in interest rates have the potential for causing immense pain.

This asymmetry may account for the fact that breakevens (the implied inflation premium) built into inflation indexed securities, have remained stubbornly perched at multi-month highs despite falling core inflation numbers. Even more puzzlingly, the gap between them has been widening in recent months: 10-year TIPS estimate an inflation rate over the period of 2.25% versus core inflation measures of around 1% (see Chart 4).

Clearly, the market is betting that the Fed – even while correctly reading the tea leaves – will be unable to follow through. Which brings us to the question of which bonds we should own.

We remain of the opinion that long-term investors should stick with TIPS despite the risk that breakevens may descend, near term, 50 to 75 basis points. The asymmetry factor will guarantee that in the long run, inflation will exceed present expectations.

Chart 4 – Is the market worried about an asymmetric response?



ARGENTINA

Defaulting with impunity and what it means for emerging country debt

Emboldened by the good economic recovery and the high grain prices but also mindful of the huge pool of unemployed and underemployed, the populist government of President Kirchner is not likely to negotiate in good faith with its private international creditors. In fact, we believe that their offer of 25¢ on the dollar – with a present value of 8¢ on the dollar – will not be improved much, if at all.

In the short term, the consequences of default will be beneficial, because Argentina will be able to count on more resources to deal with its economic problems (especially if the IMF continues to ignore the way private creditors are being treated). In the long run, trade credits and foreign direct investments will dry up, and Argentina's economic standards will probably fall to the level of Africa's worst economies.

We draw two conclusions. First, one-sided default, seen to carry few if any consequences, will become a realistic option for countries undergoing austerity programs. Slowly, or perhaps not so slowly, emerging market debt, which now trades at historically low spreads over Treasuries, will begin to incorporate this risk.

In view of this precedent, we believe that it is sheer investment madness to hold sovereign debt of the likes of Colombia, Brazil, Venezuela, Philippines, South Africa, to name just a few. Their debt-to-income ratios continue to grow despite repeated attempts at tightening their belts. It will not be long before they consider defaulting on their bulging debt.

COMMODITIES

Heading down in the near term

Our diffusion index has topped out. Its leading characteristics makes it almost certain that the CRB Index will soon be turning down. The million-dollar question, of course, is which commodities?

Perhaps it would be easier to answer first which commodities still retain enough of bullish fundamentals to maintain their uptrend. Certainly, we think, the grains do, especially soybeans, where stocks in relation to usage are at multi-year lows. Their tightness may be relieved in the next growing season, but that is many months away. Base metals and crude oil still seem propped up by what appears to be an insatiable demand from China. Caution, however, should be used here, because there are early signs that the frenzied pace of Chinese growth is waning in response to higher inflation and tighter reserve requirements.

Precious metals, on the other hand, appear to be in major corrective phases. Gold continues to trade weakly in relation to the euro (see Chart 7), not a good short-term omen. Cocoa has resumed its downtrend, sugar remains mired in a longer-term downtrend, coffee has been buoyed by transitory speculative interest, though fundamentals remain poor. The back of the bull markets in cotton, natural gas, and the meat complex has been broken.

The prospective bear move in commodities may not be very deep or last very long, especially if the US economy begins to heat up towards the latter part of the year. From a trading point of view, it is still worthwhile remembering that fortunes are made or lost on individual markets; the overall trend governs only the odds. Importantly, the downtrend in commodities that we foresee should be highly beneficial to the bond market. As well, it probably implies profit margin pressures and thus weaker equities.

Chart 5 – Soybeans

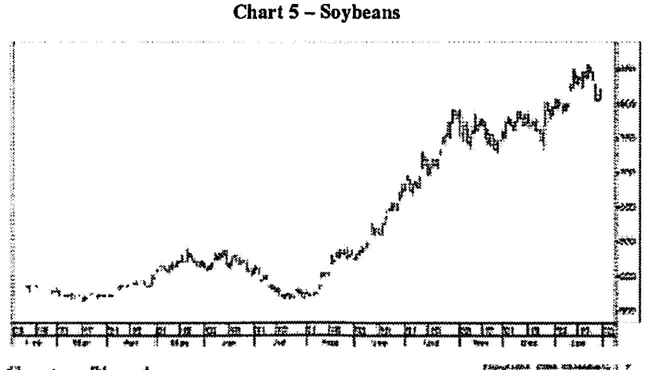
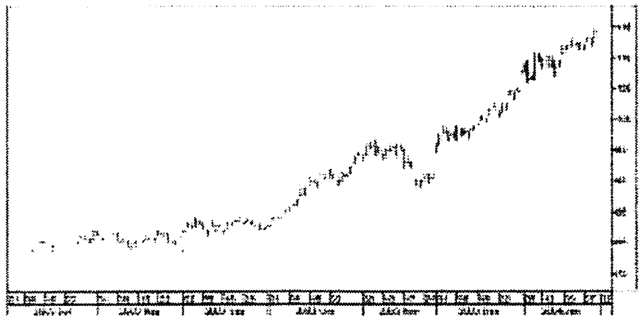
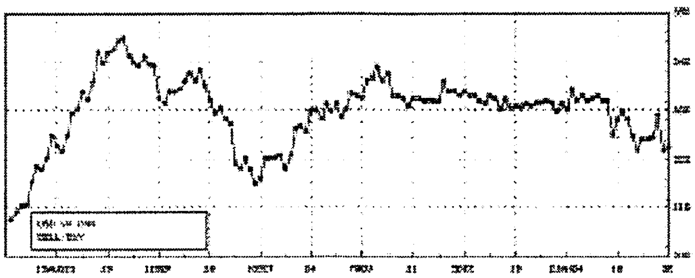


Chart 6 – Copper



Courtesy Bloomberg

Chart 7 – Gold in EUR



Courtesy Bloomberg

US DOLLAR

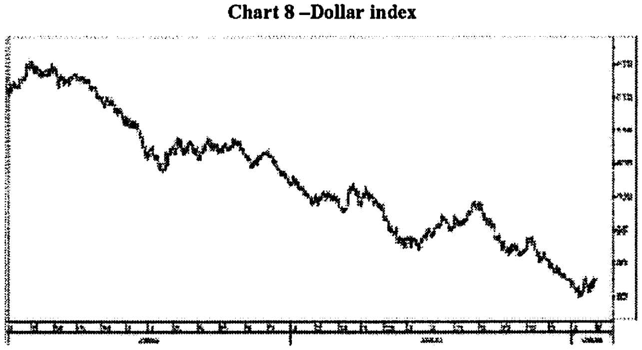
Has momentum reversed?

In our previous issue, we made the case that the US dollar's decline was not a slam-dunk. Some relative exchange rates still needed to be adjusted (for example, the Chinese yuan and the undervalued Japanese yen), but overall, the dollar had entered a value range. All we needed to bet on a recovery was a reversal of the one-sided momentum. That psychological turning point may have arrived. Weakening economic data in the likes of Germany, Canada, and Australia indicate that the dollar decline has begun to take a heavy toll on local economies. We are convinced that more will become apparent in the following weeks.

We also said that the commodity dollars – that is, Australia, New Zealand, and Canada – had overshot, on the back, of course, of obvious bullish fundamentals but that they were no longer attractive "though momentum players may still be able to exact a few more percentage points," which is exactly what happened. We now feel that the Canadian dollar has already peaked and that the other ones are not far behind.

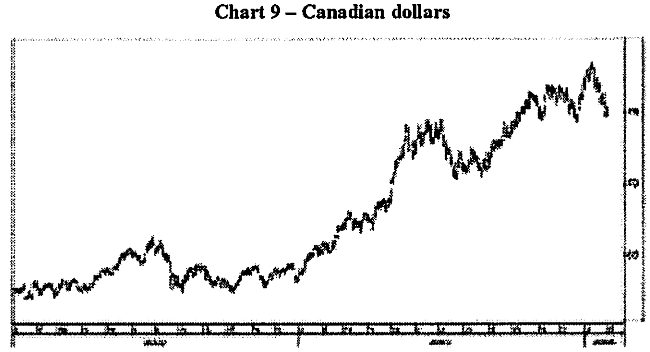
The forex market has become more two-sided, which may be the prelude to a full-fledged dollar recovery or at least a major retracement.

Chart 8 – Dollar index



Courtesy Bloomberg

Chart 9 – Canadian dollars



Courtesy Bloomberg

STOCK MARKET

What insiders tell us, and why we should listen

By Eli Silberstein

The year 2003 presented a troubling divergence between the projections of equity analysts on the one hand and the sentiment of corporate insiders on the other hand. On the whole, analysts have been painting a rosy picture of the market's prospects in light of the impressive rally. Corporate insiders, however, have been selling shares of their firms' stock at unusually high levels. Aggressive insider selling is considered by many to be a strong bearish indicator, showing that insiders anticipate a drop in the market. In this article we document the conflicting signals and examine the evidence as to whether insiders' transactions have been shown to forecast movements in the stock market.

The *Vickers Weekly Insider*, a service that analyzes and disseminates information on insider transactions, reported in their Dec. 8 issue that, "Insider trading activity continues to weigh in at unsettling bearish levels (see Chart 10)." In addition, *The Wall Street Journal* (Dec. 10, 2003) ran a column entitled, "Warning: Analysts are still bullish." In it, the writer asserted that "insider sentiment, according to one widely followed measure, has been remarkably negative for seven straight months, but during that time equity analysts have been much more optimistic....November marked the seventh consecutive month in which the sell-buy ratio exceeded 20-to-1, the level that Thomson Financial labels 'very bearish.'"

David Rosenberg, Chief North American Economist at Merrill Lynch, in his Morning Market Memo (Jan. 12, 2004), expressed similar thoughts. He wondered, "Why aren't these executives as optimistic as the economists? For 2003, the insider sell/buy ratio hit 26x, far outside the norm of 10x-20x...This was still the most bearish reading since Thomson Financial began compiling the data in 1990."

Now that we have presented the divergent viewpoints, let us turn to the question of whether insider activity predicts movements in the market. Several academic studies have investigated this issue.

Both Seyhun (1992,1998) and Lakonishok and Lee (2001) found that aggregate insider transactions do predict market movements over the next 12 months. When insiders are optimistic, markets do well, and when they are pessimistic ,markets do poorly. As additional evidence, they document the fact that insiders were heavy sellers prior to the market crash of 1987 and were heavy buyers afterward. In fact, Seyhun (1998) points out the incredible fact that the volume of insider buying on October 20, 1987, the day after the crash, was the highest of any one day from January 1, 1975, to December 31, 1994.

At this point some explanation is in order. While it is logical that insiders have special information about the prospects of their own firm, it seems somewhat puzzling that they are better informed than other investors about the market as a whole. Where do they get this informational advantage?

Seyhun (1992) proposes two possible explanations – what he refers to as the cash flow hypothesis and the fads hypothesis. The cash flow hypothesis posits that insiders can forecast the future cash flows to their own firm, and they trade based on this information. If the future cash flows are a result of underlying economic factors, then insiders across the market will, in effect, trade based on the economic factors. Interestingly enough, they might not even realize that they are reacting to economy-wide factors – they are simply focusing on predicted cash flows to their own firms. In the aggregate, however, their transactions would point to the presence of economy-wide factors apparently not yet widely known to other market participants.

The fads hypothesis, by contrast, suggests that insiders' transactions do not result from economy-wide factors. Rather, they result from the valuation of the stock market itself. The fads hypothesis recognizes the fact that stock prices are sometimes bid to levels not justified by fundamentals. Since insiders are highly knowledgeable about the fundamentals of their own firms, they are in a unique position to judge whether the market's valuation of their shares is, in fact, in line with those fundamentals. For example, if enthusiastic investors bid stock prices up to unwarranted levels, the insiders will recognize that their stock's price has been pushed up too far, and will begin to sell shares in anticipation of an eventual fall in price that should occur once the market realizes the true value of the stock. The same scenario would occur in reverse if overly pessimistic investors push prices down.

Seyhun (1992) shows that based on the data, both the cash flow hypothesis and the fads hypothesis are needed to explain the ability of insiders to time the market.

Aside from the divergence of analysts' projections from the conclusions based on insider activity, there is another fascinating wrinkle to this problem. *The Wall Street Journal*, in a Jan. 14, 2004, article, reported the results of a survey of executives by Clark Consulting conducted on Jan. 3-12. Only 3% expect the Dow Jones Industrial Average to be below 10,000 at the end of 2004. This would seem to indicate that insiders are just as bullish as everyone else, in contrast to the conclusion implied by the widespread insider selling.

The article then goes on to quote Jeff Mindlin, assistant portfolio manager for the Reserve Informed Investors Growth Fund, who asserted that the high levels of insider selling are not a result of bearish insider sentiment. Rather, he explained, insiders have become more concerned with diversifying their holdings after the stock bubble burst in the year 2000. Therefore, he concludes, although insiders believe the market will march higher, as indicated by the survey, they are selling their own firms' shares in order to invest the proceeds in a diversified portfolio. While this hypothesis resolves the apparent contradiction, we have shown that, historically, this is not generally the case.

Perhaps one could suggest an alternate interpretation that would allow us to assume that the insider selling is, in fact, a bearish indicator. We noted earlier that according to both the cash-flow hypothesis and the fads hypothesis, the motivation for insiders to sell is based on observations of their own firm. It is possible, therefore, that insiders consider it profitable to sell their own stock, but they do not realize that these same factors are present across the market. According to this theory, the insiders themselves do not see the whole picture and are not extrapolating from their own firms to the market as a whole. Nonetheless, investors who are privy to the activity of insiders in the aggregate would conclude that this is an issue that concerns the market as a whole.

In conclusion, the historical evidence indicates that a fair amount of caution may be in order for those investing in equities. Depending on how we interpret the results of the executive survey, the applicability to the present situation may be mitigated.

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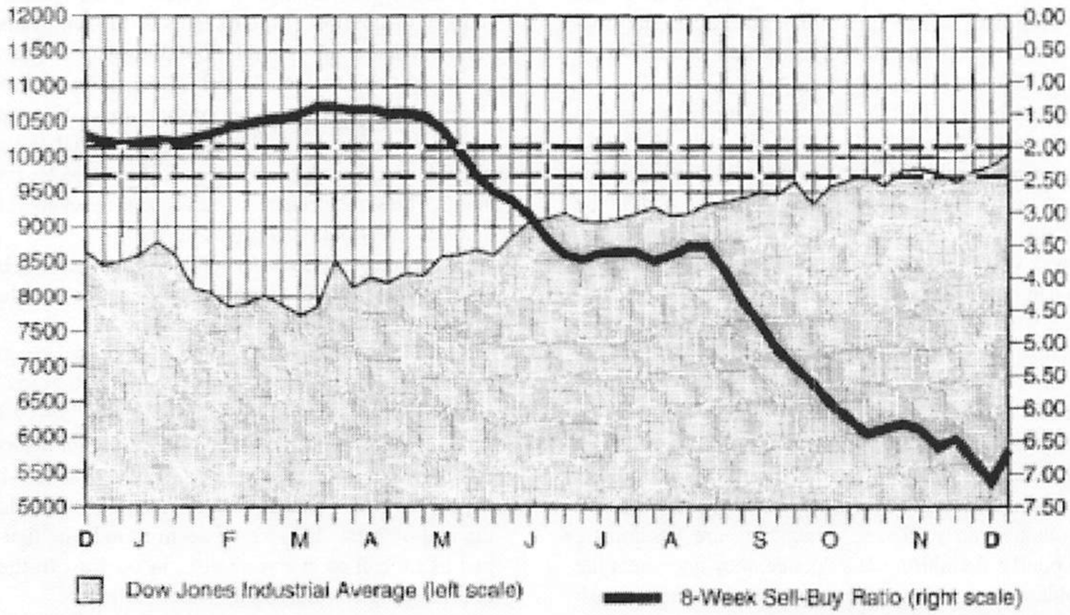
Chart 10 – Total 8-week sell/buy ratio vs. Dow Industrials



Courtesy Vickers Weekly Insider, *Argus Research Company*

STOCK BEAT

Review and update

By Yakov Friedman

The bull continues his run, but we remain focused on identifying mispriced companies rather than picking a market direction. We have been relatively satisfied with our selection of equities but are less than satisfied with implementation. A very tight leash on our **Georgia Pacific Corp.** short position prevented more significant losses, but a close **Fresh Del Monte Produce Inc.** stop denied us the chance to participate in the recent rally. Similarly, the ultra-conservative approach that we adopted with our **Frontline Ltd.** position stopped us out far from the ultimate peak of this runaway beast. On a positive note, the well-defined strategy to reestablish a position in **Toys R Us Inc.** has thus produced satisfying results.

The lesson once again: Respect the trend. While there were certainly events that contributed to the moves (see more details below), historical trends proved to be invaluable tools in correctly placing stops. In retrospect, the very tight one we placed on Georgia Pacific was appropriate for our attempt at picking a top, while the one we placed on Fresh Del Monte may have been too conservative for a stock in the midst of a long-term up-trend. (On the other hand, in light of the mysteries that continue to plague the stock, it would be hard to say that such a close stop wasn't warranted.) With regards to **Frontline Ltd.**, valuation metrics indicated that 100 NK was a fair price, but Wall Street's old adage to let your profits ride is a more useful tactic than valuation fairness.

Georgia Pacific Corp.

News flow from **Georgia Pacific Corp.** (NYSE: GP) has been relatively light over the past two months. The company reported that it continued to reduce its debt load, and company management used various opportunities to remind the market of the recent strong showings in its earnings reports. The building industry continues to maintain momentum, and lumber recently tested five-year highs after a slight setback earlier in the last quarter of 2003. Analysts are expecting the soon-to-be-released results for Q4 of 2003 to come in significantly better than last year's numbers, and they are not likely to be disappointed.

All that being said, we are still very bearish on Georgia Pacific. We retain our previously stated view that even with the moderately improved balance sheet, this is an overvalued company. Analysts expect it to come in with full-year earnings near $1.25 a share. Even if we allow for the weaker start, a consistently positive year would have produced close to $2.00 of earnings. It is difficult to justify a price-to-earnings multiple of close to 15 for essentially a cyclical company and one that is probably near its cyclical earnings peak.

We continue to believe that the market is pricing in an exaggerated premium for potential asbestos legislation coming out of the US Senate this year. On a technical note, the stock has met resistance and thus far failed to break through the levels of its May 2002 peak of $31.60.

Fresh Del Monte Produce Inc.

The saga continues. Though we were stopped out of our position, negative press once again triggered the dramatic plunge of the company's shares. This time, Merrill Lynch's Leonard Teitelbaum penned the article. Being one of the few analysts from large Wall Street firms to cover the company, his downgrade and expression of concern with recent fresh fruit pricing in the US exacted a sharp reaction in the market.

As was the case with an article in *The Wall Street Journal* we discussed in our Dec. 1 comments, the worries raised were not new to anyone who has followed the company. The industry norm is volatile pricing owing to the numerous factors determining what producers can charge their customers. We actually found the comments puzzling in light of the bullish pieces Mr. Teitelbaum had recently written focusing on the potential growth of the fresh cut fruit division. Whatever was behind his shift in views, the article drove the market below our stop of $24.

The company continued to grow earnings and announced the timely purchase of the assets of a bankrupt East coast processor and packager of vegetables. The move further expands distribution channels and growth opportunities for Fresh Del Monte.

In a more significant event, the company saw one of the recently launched lawsuits thrown out of New York State court for lack of evidence. The lawsuit had contested the origins of the firm and accused management of bribing Mexican officials to purchase the company. Though a parallel case in Florida court continues to move towards trial, the apparent inability of the plaintiffs to convince the New York judge to even hear the case speaks volumes about its strength. (Of course, it is possible that they decided to devote their efforts to the Florida case, but that is certainly not our impression.)

With some of the clouds over the companys lifting, the shares quickly rebounded. They received another boost when they received a recommendation from Motley Fool's *Hidden Gems* newsletter.

Frontline Ltd.

Our hesitation to reestablish a long position in **Frontline Ltd.** (NYSE: FRO), despite a powerful uptrend and without a specific bearish catalyst, prevented us from participating in a further 50% runup in the stock price and another dividend payout of over 6% since our last letter.

● ***Recommended action:** Remain sidelined.*

Toys R Us Inc.

On a brighter note, our decision to buy back our long position in **Toys R Us Inc.** (NYSE: TOY) on a dip proved to be timely. After dropping below our targeted purchase price of $11, the shares surged on a positive article in *Barron's* and an upgrade from a knowledgeable Banc of America's analyst. Both focused on the other valuable business the company was engaged in aside from its troubled toy division. By the time the company reported its holiday sales numbers, the stock had rebounded to $12.00. The results were actually disappointing, but the Street had already priced much of the expected bad news into the stock.

Even a downgrade of the company's paper by S&P to junk status, and a threat by Moody's to do the same, didn't dampen investors' newfound enthusiasm for the stock. After a couple days of flat trading, the shares once again resumed their rise, moving to near $15 in just two weeks.

We originally attributed much of the rise to a short squeeze created when the anticipated reaction to poor sales numbers didn't materialize. At more than 15 million shares, this is a significant position for a stock that has had average daily volume of 1.8 million shares over the past year.

The landscape has changed drastically in the toy industry over the past few weeks. FAO Schwartz's anticipated bankruptcy materialized, resulting in a fire sale liquidation of merchandise that certainly dampened Toys R Us' December results. In the long term, though, this is a positive, because the stores that will continue to operate will do so as part of smaller chains and will lose some of their competitiveness in the industry.

In a more significant development, KB Toys, Toys R Us' largest competitor focusing exclusively on toys, announced that it, too, was bowing to competitive pressures and filed for bankruptcy on January 14. Proceedings are far from over, but initial filings indicate that the retailer may close as many as 500 of its 1,230 stores across America.

This remapping of the toy industry emphasizes the harsh environment in which toy vendors operate. Toys R Us is in no way immune to this. In the greater scheme of things, however, it is far better off with the diminished list of competitors. First of all, shoppers who had already chosen not to do their toy shopping at Wal-Mart have limited choices if they don't want to buy from more expensive Mom-and-Pop retailers. Secondly, and more importantly, the leaner slate of toy store operators should give Toys R Us much more clout with manufacturers, who face a shrinking list of distribution channels.

The company certainly has its work cut out for it. It has announced that it is reassessing its US Toys division. The recent events will certainly influence its decisions, and the Street will be anticipating a solid plan that will enable the company once again to enjoy growth from its core business.

In the meantime, both the baby and the international toys divisions continue to report strong results. The newly established Internet joint venture with **Amazon.com Inc.** has become profitable, though its results for the holiday season were a bit disappointing. We are hopeful that the company will be able to learn from its missteps.

● ***Recommended action:*** *Overall, the prospects are brighter for the retailer. The stock's outperformance over the past few weeks certainly reflects this, but we think that there could be more good times ahead for long investors. Remain long.*

Yakov Friedman is an analyst with Friedberg Mercantile Group Ltd.

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STOCK BEAT

Six Flags Inc.

By Yakov Friedman

Six Flags Inc. (NYSE: PKS) is an American-based operator of theme parks with a market capitalization of about $650 million. It was formed through a leveraged buyout of the assets of Six Flags Theme Parks from **Time-Warner Inc.** and an investor group. By way of this and other acquisitions, the company established itself as the second-largest theme park operator in the world, second only to **Walt Disney Corp.** Slightly more than half of its revenues are drawn from gate receipts, with the rest coming from food and merchandise sales. The majority of the company's parks target local residents, with 90% of its business coming from patrons living within 150 miles of each park.

After peaking at $40 in mid 1999, the company's stock fell to a low of $3 in October 2002. The market responded negatively to the company's slowed growth and its use of cash from operations to fund internal capex programs rather than to pay down debt. While the firm generated around $200 million in cash from operations each year, its heavy debt load and amortization charges resulted in repeated net losses on the income statement.

Analysts remain pessimistic about the company's prospects. Their skeptical view of management's abilities to take the company forward was quite evident at the last quarterly conference call, despite management's confidence in its ability to do so.

We beg to differ. We are encouraged by management's focus on learning from its mistakes. After a disappointing year in 2002, a specific plan involving targeting capital expenditures and reworking advertising and pricing was developed. While concrete improved results have not yet been seen, there are encouraging signs. Attendance at the parks was down slightly for the year, but per capita spending continued to grow.

The last reported quarter produced an improved bottom line for the first time in several quarters, and the fourth quarter has reportedly seen a very positive Halloween season – the bulk of the quarter's business. This would seem to support management's contention that its changes have been successful and that disappointing numbers seen earlier in the year were generally a result of restrained spending by the consumer coupled with several weekends of poor weather.

Disney and **Cedar Fair LP**, other large operators of theme parks, displayed similar patterns in their results, and both claimed to see a significant improvement in attendance as the year progressed. This makes us believe that we have not yet seen the impact of the recently implemented changes.

Indeed, going forward, we think the company is likely to see continued improvements through 2004. We are not overly bullish on the consumer and are wary of economists' rosy predictions. One thing that is almost certain, though, is that another bout of tax rebates early in the year should stimulate some extra spending. The parks are positioned to gain from this scenario because they offer a relatively inexpensive way for families and friends to have a fun filled "outing" after several years of restrained spending.

The major attractions opened in each of the four largest parks should continue to draw patrons who were reluctant to spend last year. The offering of on-line ticketing this year offers added convenience to customers and adds efficiency to the company's operations.

Management has indicated that it will incur capital expenditures of only $75 million for 2004 compared with $100 million this year and $150 million last year. The capex expense has steadily come down because a greater understanding of the consumers' behavior has allowed the company to target its spending to those areas that will produce a good return on its investment and cut back on unproductive capital spending. Free cash flow is therefore expected to improve.

While there is always a concern that maintenance will not be kept up, we feel comfortable with management's stated focus. Fixed costs, which rose over the past two years, are expected to level off over 2004.

If we are correct and the company is able to produce free cash flow, the significant debt that has been maintained since the leveraged buyout should start to be reduced. Management has recently begun speaking about this as the priority. An increased book value and reduced interest payments will make the company all the more attractive to investors. Over the past few years, the company has continually refinanced its obligations so that its next maturity would always be several years out. It has just retired its 2007 obligations, and its next principal repayment will not be required until 2008. Covenants restrict the ability to pay dividends, but we believe that the company will be better served by reducing debt at this time.

The large debt has overshadowed what we feel is a quite compelling valuation. The company is trading at just over 2 times EBITDA and 3.5 times operating cash flow. Of course, the market's pricing of the company finds its justification in the debt load, as the enterprise value is 10 times EBITDA and 16 times cash flow.

As the leverage of the company decreases, we expect to see the market value, currently less than half of book value, rise. With its next major debt event several years away, we feel that there is a good possibility that the stock price will see significant appreciation over the next year.

● ***Recommended action:*** *If the market can be convinced that the company is focused on cutting debt and maintaining a lean operation, holders of the stock could profit handsomely. We recommend taking a long position with a stop at $6.00.*

Yakov Friedman is an analyst with Friedberg Mercantile Group Ltd.

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Chart 11 – "Six Flags"

Courtesy Bloomberg

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Subscription Enquiries for
Friedberg's Commodity & Currency Comments
P.O. Box 866, Suite 250
BCE Place, 181 Bay Street
Toronto, Ontario, Canada
M5J 2T3
(416) 364-1171

Managed Accounts
All enquiries concerning managed accounts should be directed to:

In Canada
Friedberg Mercantile Group
P.O. Box 866, Suite 250
BCE Place, 181 Bay Street
Toronto, Ontario M5J 2T3
(416) 364-2700

For U.S. Persons
Friedberg Mercantile Group, Inc.
Suite 250, BCE Place
181 Bay Street
Toronto, Ontario, Canada M5J 2T3
1-800-461-2700