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## Shipping Stocks Are Starting to Rebound... Don't Miss The Chance for Double-Digit Yields

-- By Amy Calistri

Has every ship run aground? Have all the oceans frozen over? You might think so if you've followed the dramatic tumble of the Baltic Dry Index. The index tracks the price to ship dry goods -- everything from corn to cement -- and unless the world suddenly stops eating and building, the odds are this index is ripe for a stunning rebound... that looks already underway. (*Full Story Below*)

Also in Today's Issue...

### Double-Digit Income and Returns up to +62.3%

Carla Pasternak's *High-Yield Investing* subscribers are having their cake and eating it to. Over the last few months they have been treated to returns of up to 62.3%... all while raking in dividends of 10% and more! It's not too late to join in. Carla's picks are still paying up to 19.6% over the next 12 months.

[Go here to get these double-digit yielders now.](#)

### You Could Get +278.5% Income with These Free Tips

StreetAuthority editor Amy Calistri is so full of ideas, we've just added another way for her to share them with you: "Amy's Notes." Her recent note covers a stock that could give you +278.5% more income. Get this pick free and make sure you don't miss out on any others.

[Click here to get this pick now.](#)

### Shipping Stocks Are Starting to Rebound... Don't Miss the Chance for Double-Digit Yields

Legendary investor Warren Buffett has always said, "Be fearful when others are greedy, and be greedy when others are fearful." When we look back on 2008, we'll see it as one of the most fearful times of our generation.

A number of investors, certainly including Buffett, will remember this time happily, as an opportunity to make a fortune. Fear has caused everyone -- investors, consumers, businesses -- to put the brakes on spending. This has led to nothing short of panic.

Nowhere is this more obvious than with the Baltic Dry Index -- which had at one point fallen -94% from its peak just seven months ago.

The Baltic Dry Index isn't a regular stock index like the S&P 500 or the Nasdaq. It's actually a composite survey of daily shipping prices around the

### Income Notes

"The news is mixed for dividend fans. Standard & Poor's reckons the dollar amount of payments underlying its 500-stock index will plunge -10% in the fourth quarter, the biggest drop since 1958. But there's good reason for investors to focus on companies that steadily increase dividends. S&P's 'Dividend Aristocrats' -- 60 companies that have raised payments in each of the past 25 years -- have outperformed the S&P year-to-date by almost twelve percentage points."

-- *The Wall Street Journal*

BankRate.com reports the average rate on a 1-year CD is 2.85%, far better than the big, fat goose egg you'll get from many Treasuries these days. Imperial Bank of La Jolla, California is paying 3.78% on a 1-year CD with a minimum \$2,000. Investors looking to park more than \$25,000 can earn 3.83% from Bridgewater, New Jersey-based MetLife Bank.

-- *Andy Obermueller*

One Stock a Month is All You'll Ever Need

world. And although it doesn't track underlying stocks like most market indices, its movement does affect almost every shipping company's share price, as it is viewed as a proxy for the overall industry. As the index has plummeted, it has taken the share prices of most shipping companies with it. This provides new investors a chance to capture some of the most appealing yields that we have ever seen.

### The BDI's Bubble Trouble

In May 2008, the Baltic Dry Index was riding high. Commodity prices were still on the upswing, and commodity buyers were insensitive to shipping costs. In preparations for the headaches of tighter port security surrounding the Olympics, Chinese companies had stockpiled raw materials, pushing shipping prices even higher. And the U.S. subprime crisis appeared to be contained at its borders -- meaning the rest of the world's trade went on unhampered. On May 20th, shipping spot prices hit an all-time high.

No one, not even the shipping companies, considered the May highs sustainable. But few anticipated the perfect storm of downward pressure shipping prices would face over the next few months. How bad has it been? Rates for Capesize ships -- so named because initially their large size prevented them from using the Suez Canal, forcing them to sail around either Cape Horn or the Cape of Good Hope -- that were priced at \$230,000 a day in late May have fallen to almost \$20,000 a day. The Panamax-class shipping rates have seen a similar trend, tumbling from daily rate quotes of \$90,000 a day to about \$12,800.

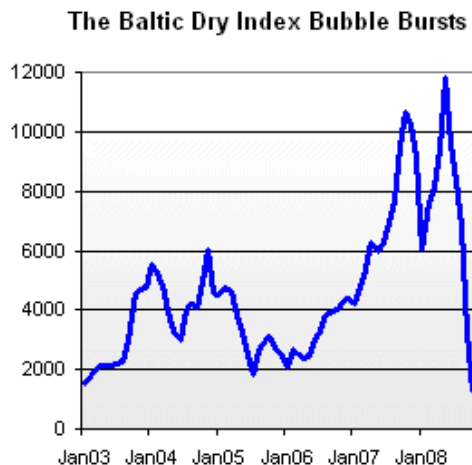
The decline of the S&P 500 looks like a mere bunny slope when compared to the Baltic Dry Index's plummet. The BDI, seen here, has fallen more than -90% since its high on May 20th.

There are a number of valid reasons why the Baltic Dry Index should be off its highs. In addition to being grossly overheated just a few months ago, the U.S. subprime mortgage problem blossomed into a full blown financial crisis and has undoubtedly weighed on economies outside the U.S. When world economies slow down, the demand for shipping also slows. And the speculative bubble in the commodities market also has burst, making commodities buyers more price-sensitive when it comes to shipping.

But instead of adjusting to a new shipping world order, the index failed to find a floor. Jacob Fentz, Classic Maritime Inc. president, noted that the BDI was "overshooting big time on the downside just like it did on the upside." But there is good news for investors: Ample evidence suggests the index's current inability to find the brakes stems from temporary problems with immediate solutions.

### Short-Term Problems, Near-Term Solutions

Why do we see an eventual rebound in the future for the Baltic Dry Index? Many of the short-term pressures weighing on shipping prices are already showing signs of abating:



For the entire 2009 calendar year 100% of Amy Calistri's *Stock of the Month* picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

[Click here to get her latest pick.](#)

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### Recent Articles

[How to Capture a 10.3% Yield Backed by the Federal Government](#)

By Nick Lanyi  
December 3, 2008

In tough times, investors look for safety. And nowhere is this easier to find than with preferred stocks. We've even uncovered one preferred that offers a double-digit yield -- and a portfolio backed by Uncle Sam.

[Read On...](#)

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[The "Oddball" Security From Canada Yielding 18%](#)

By Carla Pasternak  
November 26, 2008

It was greeted as "an oddball security from Canada" when it debuted in December 2003. But investors should be warming up to this special type of security in difficult times. After all, they pay more than four times the average yield delivered by the S&P 500 Index -- while offering the safety of a bond with the upside of an equity.

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■ Easing Credit Worries: The worldwide credit crisis that has made it harder for small companies and consumers to borrow money, has also made it harder for dry bulk buyers to get their cargos loaded onto ships. Traditionally, all a buyer had to do was show a letter of credit from a bank. But as banks became undercapitalized, letters of credit -- the lifeblood of international shipping -- grew harder and harder still to come by. As a result, commodities began to pile up at the ports. "There's all kinds of stuff stacked up on docks right now that can't be shipped because people can't get letters of credit," said Bill Gary, president of Commodity Information Systems in Oklahoma City. "The problem is not demand, and it's not supply because we have plenty of supply. It's finding anyone who can come up with the credit to buy."

The credit freeze has begun to thaw. Bank-to-bank lending has resumed. Governments around the globe have put up hundreds of billions of dollars to back the world's banking system, and letters of credit appear to be navigating their way through the system again.

■ Stabilizing Demand: In an effort to reduce pollution, China shut down hundreds of construction sites, coal-fired power plants, cement factories and chemical manufacturers a month before the Olympics and throughout the games. While this was only a temporary measure, the drop-off in shipping demand made an already nervous sector panic. But the temporary fits and starts from the Beijing Olympics are now long behind us. The Olympic cutbacks were not a real measure of demand any more than the pre-Olympic build up was, and these anomalies are now being seen for what they were.

■ Short-Term Feuds and Still-Strong Growth: A tiff between China's steel companies and Brazilian iron ore suppliers, which has resulted in limited shipments of ore between the two countries, had wreaked havoc on the index. This situation has cooled, with Brazilians backing down from the price hikes they were demanding.

China, of course, is an important market for shippers, and many investors worry about a slowing Chinese economy. While there are some signs of this, it is a relative term. After all, China is on track to maintain an 8.5% rate of growth for the next four years. That's considered breakneck speed for any economy, and it will add +50% to China's GDP by the end of 2013. China will need iron ore and other materials to build out that growth. Brazil and other international suppliers will sell it, then ships will move it.

"Dry bulk levels may be close to their 'logical bottom'"

So read the recent headline from Lloyd's List, a respected maritime news outlet. As many of the temporary pressures on the Baltic Dry Index are already starting to ease, it's hard not to believe the BDI has overshot its floor and will soon find a more rational level -- certainly off its unsustainable highs but also above its equally unrealistic lows.

In fact, we're already seeing this. The BDI is more than +20% off its lows - but still nowhere near a rational level. And as normalcy returns to the index, investors still have a chance to profit from shipping's worst fears. While you can't trade the index itself, almost every shipping stock was pummeled by the fall, and most will follow it up on the rebound.

In the meantime, with many shipping stocks trading near their 52-week lows, already generous yields are at unprecedented highs. Investors not only have the opportunity to lock in 10%-plus yields with stocks like Navios Maritime (NYSE: NM), they have the added potential for share price gains once sanity returns to this sector.

Shipping is Just One Bright Spot for 2009

I'm not the only one who thinks the shipping sector is poised for a comeback. Paul Tracy, editor of the *StreetAuthority Market Advisor*, recently cited the rebound in shipping rates as Prediction No. 3 in his "11 Surprising

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[Warren Buffett is Buying Preferreds with Double-Digit Yields... Why Aren't You?](#)

By Amy Calistri  
October 8, 2008

Legendary investor Warren Buffett has been on a buying spree. Buffett poured \$8 billion into new investments over the last few weeks alone.

But Buffett isn't just buying anything. While the vast majority of Berkshire Hathaway's portfolio is made up of common stocks, almost all of his recent purchases have been preferred stocks with double-digit yields.

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[The Next Way the Government Will Make Investors Rich](#)

The *StreetAuthority Investor Update* is a free weekly newsletter designed to help you track down the market's most profitable stocks,

Investment Predictions for 2009."

"The bounce-back investment of the year," Paul writes, "will be shipping stocks. After plunging -94% in 2008, these stocks are ripe for a monster rebound." Paul has pinpointed his two favorite ways to cash in on the shipping rebound, including one stock yielding 23.2%.

Along with a historical rise in shipping, Paul makes several other bold investment predictions in this report, including:

- A scarce metal needed for the defense industry will see its price soar after violence in Africa cuts off supply.
- President Obama will pour billions in rebuilding the nation's highways, bridges and other ailing infrastructure. Three construction companies' revenues will skyrocket.
- A new way to cash in on nanotechnology may make early investors rich. Some people are calling this the "opportunity of the century."

These are just four of the 12 investment angles that Paul's research team has identified as triggers for explosive profits in 2009. Visit [this link](#) to read Paul's [predictions report](#) in its entirety right now.



-- Amy Calistri  
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GlobalDividends.com

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