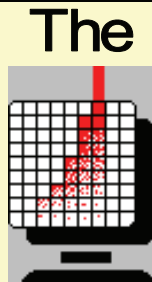


The Insider Trader

Issue 3 January 2007



Markets at a glance

Trendspotter Signals

Dow Jones (DJ)
Buy

S&P 500 (SP)
Hold

FTSE 100 (X)
Buy

DAX (DY)
Buy

£/US\$ (BP)
Hold

US Dollar Index (DX)
Buy

Crude Oil (CL)
Sell

Gold (GC)
Sell

Coffee (KC)
Sell

Orange Juice (OJ)
Sell

Sugar (SB)
Sell

Dates to watch Jan 2007

19th Jan options expiration

New Year Hang Over

Happy New Year and welcome to this months Insider Trader report. At this time of the year many financial experts like to come out with forecasts and targets for the year ahead. I would strongly advise you to ignore these psychic predications, as crystal ball gazing is not the way to make big money in markets. Followers of my trading know my style is to trade trends rather than predict moves. I use simple price charts to make a judgment whether an up or down trend is in progress and I bet with the trend until it comes to an end.

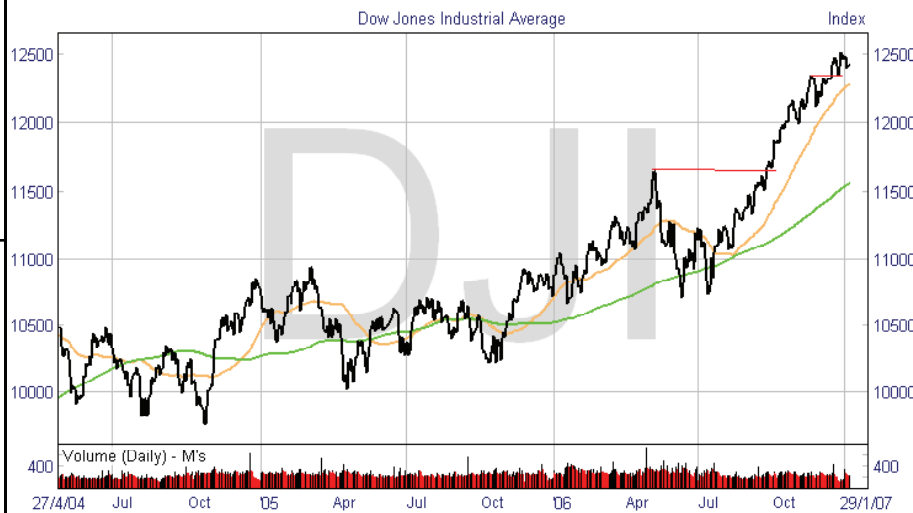
What I can say is that, just as enjoying too much seasonal cheer can leave you worse for wear, the current bullish market action will leave many with a sore head in 2007. Markets do have seasonal bullish

biases between November to January, so we are still in a sweet spot. That said, experience tells me that a pullback will be due in early 2007 for the US indices which will also have a knock on effect in Europe.

When ever a market moves away from its 200 day moving average two things normally happen, either the price comes down to close the gap or the price moves sideways allowing the moving average to catch up. Of course the big trends I continue to watch in 2007 include The US Dollar, Commodity prices especially agricultural and soft commodities should offer good trading opportunities .

I think as ever we will have lots of good opportunities to go long and short in 2007 however you need to stay focused and have a disciplined trading plan.

US Dow Jones continues its bull run, however the gap between price and 200 dma is of some concern.



Markets are not designed for everyone to be winners, The few profit from the masses.

Update

As stated in my December update Stock Markets were stronger over the holiday period with the Dow Jones hitting a new closing high on the 27th of December. The FTSE250 also made a high on the 2nd January 2007.

Some of the excess needs to be worked off before markets can move higher. It will be interesting to see if the major stock indices can close up for the month. History shows that a positive January can forecast the rest of the year, so if January 2007 is up then it is likely that 2007 will be a positive year.

Gold & Silver

Both Gold and Silver are now back to their 200 day moving averages. Its important to understand that many commodity markets including Gold and Silver are still fairly small markets and large hedge fund buying or selling can easily move prices up or down.

Overall Gold and Silver do still remain in a long term up trend and prices are set to go higher in 2007. Copper prices have continued to sell off the last few months. After going from 180 to 371 at the start of 2006 and then staying in a range, we are now seeing a sizable sell off in copper as hedge funds and speculators continue to unwind positions. Trendspotter is currently giving a 100% sell rating on copper and copper prices look set to fall further. The 200 level should give some support.

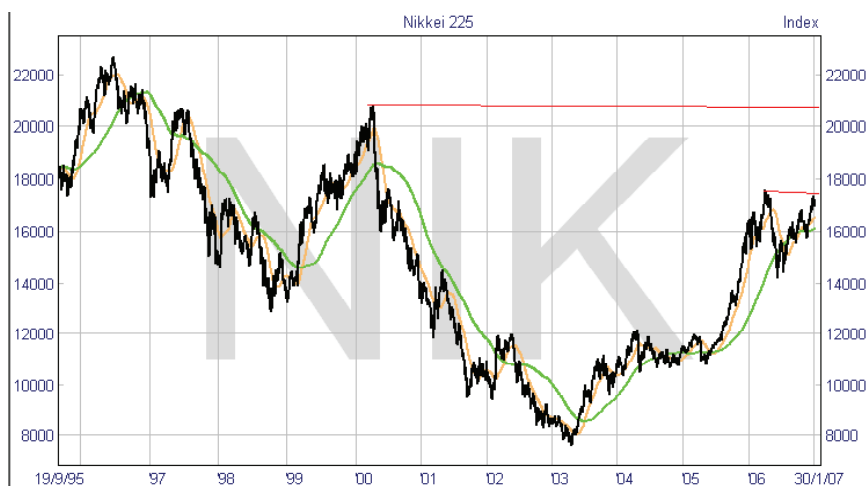
Nikkei 225

The Japanese Nikkei 225 is a market worth looking at in 2007 and you can spread-bet the Nikkei with all major bookmakers. As the chart shows, from 1999 to 2003 this market was in a sharp down trend. Since then we have been in

a steady recovery sideways range. Based on this chart we can say that Japan is coming back into fashion. The current trend should continue in 2007 and we could see the Nikkei back up to 20,000 within the 12 months from the current 17,500 level. It's been a long time coming, with many false starts but the Japanese economy is finally starting to look better. Overseas investment is returning to Japan, which looks fair value compared to the USA. Also, the weaker yen and stronger US dollar is also helping Japan to become more competitive again, with economic growth re-started, a supportive government,

companies with healthy balance sheets, low unemployment, deflation nearly defeated and early signs of consumers spending the backdrop looks good. Of course, after the current strong run-up of over 20 per cent since the June 06 low, the Nikkei 225 will see some sharp corrections along the way, but I would expect pullbacks to be short with the index moving higher. I suggest a small spread bet with a larger stop to avoid the short-term whipsaws. You can find charts and data using the links at the site, the code for March Nikki is NKH7

Nikki 225 with 200 and 50 dma



Weekly Copper chart (below) with 4 week high - 1 week low bands. Looking for prices to continue going lower before finding support.



Tobacco Shares

Many of you will know I have been bullish on Tobacco shares since 2000 when I first spotted smart money moving out of Telecoms and in to Tobacco. Since then British American Tobacco shares are up over 250%. Gains have been fairly steady even with the various US litigation worries. Whilst I don't expect these shares to gain another 250% in the next 2006 I still think Tobacco shares offer a steady return regardless of market direction. 2 US companies worth looking at which can both be traded via IG Index are

US T Inc (NYSE: UST)

US Tobacco is focused on smokeless tobacco and they own brands such as Skoal and Copenhagen Snuff. Smokeless tobacco is still a massive market. You can find out more at www.us smokeless.com Shares are up over 50% since Feb06 however no reason why they cannot go higher.

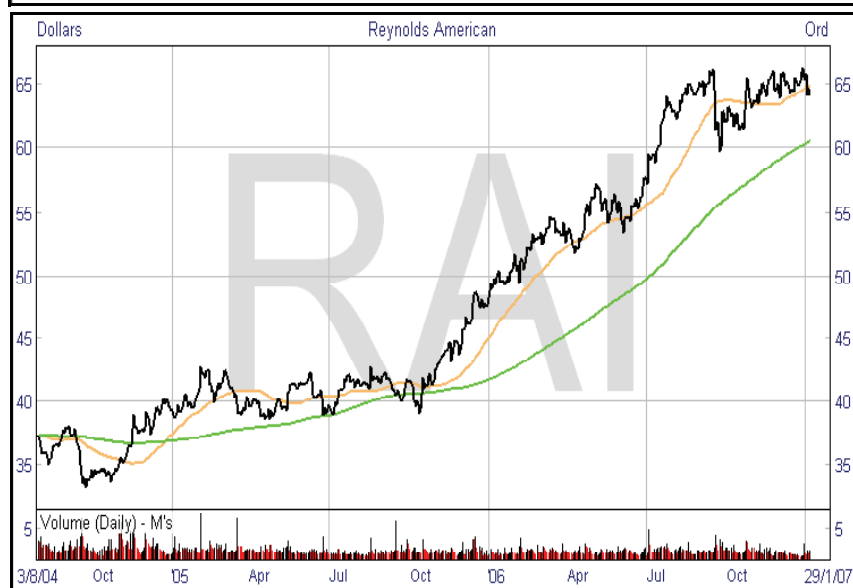
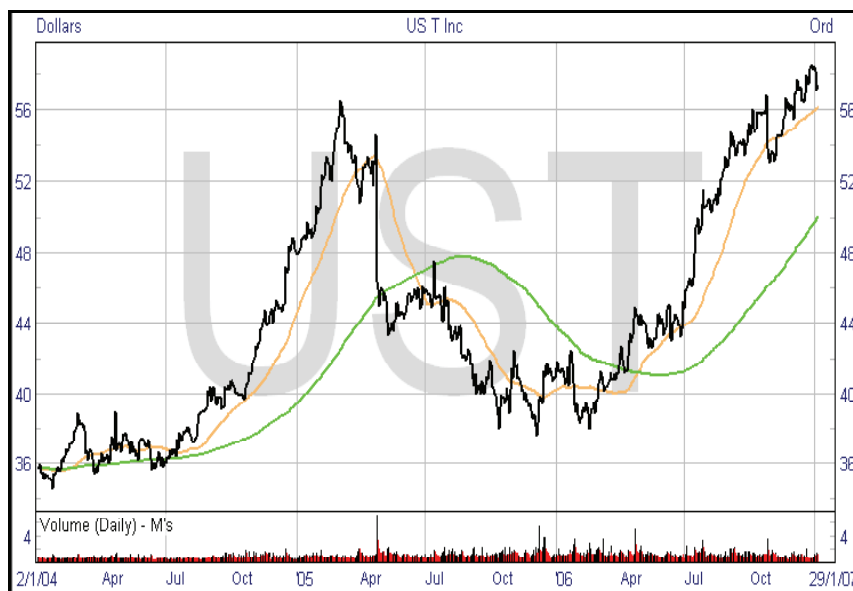
Reynolds American (NYSE: RAI)

Reynolds American have also had a strong run and may see a short term pullback to \$60 however the long term trend remains strong and we should see new highs again in 2007. Reynolds which owns R.J. Reynolds has approximately 30 percent of the U.S. cigarette market by sales. The company offers products in all segments of the market, and makes five of the nation's 10 best-selling cigarette brands: Camel, Kool, Winston, Doral and Salem.

Tobacco sales continue to remain strong even with various smoking bans and social factors.

That's it for this months update.

Wishing you continued success.



UK Tobacco sector below. Continues to remain strong hitting new highs thanks to the recent takeover bid for Gallaher Group

