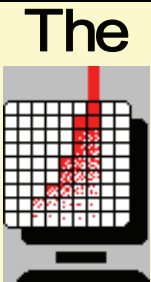


The Insider Trader

Issue 8  June 2007

Markets at a glance

Trendspotter Signals

Dow Jones (DJ)
Hold

S&P 500 (SP)
Hold

FTSE 100 (X)
Buy

DAX (DY)
Hold

£/US\$ (BP)
Sell

US Dollar Index (DX)
Buy

Crude Oil (CL)
Sell

Gold (GC)
Sell

Coffee (KC)
Buy

Orange Juice (OJ)
Sell

Sugar (SB)
Sell

Dates to watch June 2007

15th June Futures/Options expire

Markets continue to hit new highs but a sell off is due

So far 2007 has been a fairly easy year for trades apart from the China blip back at the end of February 07 we really have not had any major upsets for financial markets so far. Infact if you had just bought the Dow Jones when it crossed above its 200 day moving average which was at the end of July 2006, you would still be long now and you would be sitting on over 2700 points of gain. Money for nothing and the party keep rolling on. Doing the same in the UK with my favourite index the FTSE250 has yielded over 3000 points over a 30% gain.

The problem with markets that act this friendly is they tend to turn nasty on you with little or no warnings so its important that we have a stop loss and an exit strategy in place.

Seasonally we are now into a weaker time, as I outlined in last months column markets tend to be weaker over the summer months. I still remain bullish overall on UK, European and US markets and I see new highs by the end of the year however **I would be shocked if the journey between now and then is as smooth as its been so far.**

If the journey does continue as it has done since July 2006 then we should just stay long and be happy. If however we do have a summer shake out then we would need to close out, take profits and look to go

Monthly Dow Jones with 40 Week Simple Moving Average. 12,500 is medium support and should hold up. A break below this level would see a move back to 12,000



short.

Just to be clear I am not looking for a massive a crash just a good correction which we have not seen in the S&P500 for over 50 months. I am looking for a 10% to 12% move which would see the S&P500 at 1360, the Dow at 12,000 and the FTSE250 at 10,900. Whilst this may grab a few press headlines even with a sell off of this magnitude we will still be a bull market. Sometimes you have to pull back before you can go forward.

What will trigger the sell off really does not matter it could be China, the US housing market, some event related to hedge funds or some other unknown event all we need to know as traders is that history tells us we are well over due a sell off.

At this point I warn against becoming too bearish, we still have too much money and liquidity ready to buy back equities on any weakness. Unlike the 1999/2000 share boom where everyone was talking about shares and daytrading was the fashionable topic to talk about at dinner parties the recent share climb has not seen the mass media hysteria and the public are not really involved in this bull market. Of course China is going through a public driven bull market which is well over due a correction.

The first warning flag would be a break below the 50 day moving average which currently stands at 13,000 on the Dow, 1480 in the S&P500 and 11,900 on the FTSE250. We could then see the markets move to their 200 day moving averages which I would look to as strong support.

So just to recap, we are still in a bull market and uptrend but a summer pull back is due before a new leg up begins which will see new all time highs on most indices.

Real Estate Sector

After an amazing strong run the UK Real Estate Sector is starting to show signs of weakness. You can spread bet the FTSE350 real estate sector or you can look at the shares that make up the sector. Some of the shares showing weakness include British Land (BLND), Land Securities (LAND), Brixton (BXTN) and Capital & Regional (CAL)

Just to be clear this is the commercial property/ investment sector which makes up this sector not residential home builders. Residential builders are still holding up very well and have not been affected by the US share home builders sell off or higher interest rates yet.

Now that the Real Estate sector has broken below its 200 day moving average I have a sell signal on this sector, it could be a false break out and just a pause rather than a full turn around, however I see a good chance to make some money in the coming months. The Real Estate sector is down around 600 points from the high and I can see another 600 to 700 points coming off this market before the end of the year. Most spread betting companies offer Sector bets and I would look to place a bet on the September contract.

Oil Equipment & Services

As oil and gas prices continue to hold up at over \$60 a barrel and world consumption continues to increase, the need for oil companies to continue investing in exploration is more important than ever.

Companies involved in Oil Equipment & Services are big winners in the new Oil exploration, in simple terms these are the companies that

UK Real Estate Sector

Most spread betting companies offer Sector bets and I would look to place a Down/Short bet on the September contract.



sell the picks and shovels in the Gold rush. Companies in this sector include Hunting, John Wood Group, Sondex, Lamprell and Petrofac. The sector is hitting a new 52 week high and although a general market sell off would weigh on the sector, I do expect this sector to continue doing very well.

On a side note I continue to be bullish on Oil and Natural Gas prices. We are now into the Hurricane season in the US Gulf region. 2006 was a fairly benign year but if you recall 2005 was vicious year with Hurricane Katrina. Early forecasts show that 2007 could be another bad year for hurricanes which could see oil rigs and storage facilities being hit hard again.

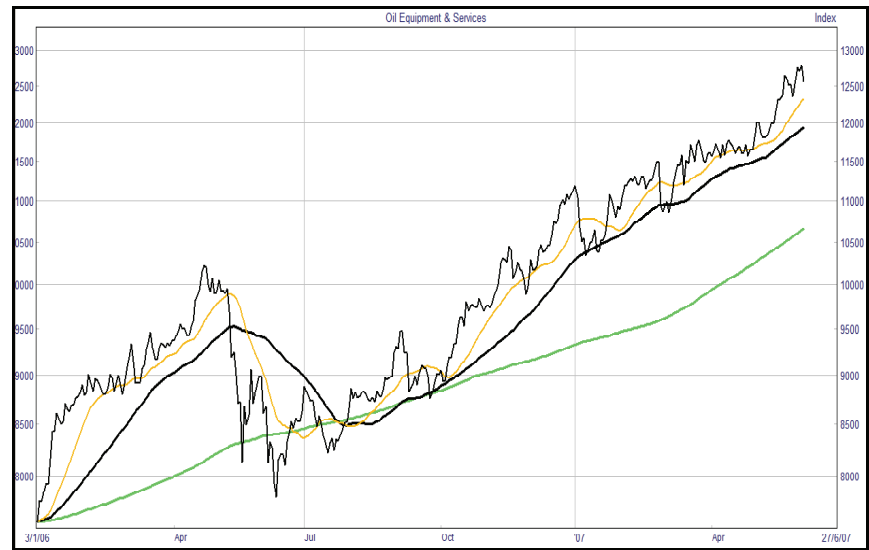
At a time when Unleaded Gas prices and Oil is already seasonally high, we could easily see higher prices this summer. Dont forget if your looking to back Oil, Natural Gas, Heating Oil or Gasoline (petrol) but dont want to worry about the day to day volatility you can trade Exchange Traded Funds on these any many other commodities.

MGM Mirage (NYSE:MGM)

Anyone that has been to Las Vegas will know the MGM Mirage name. The company currently owns many well know hotel and casinos in prime strip locations including the Bellagio, MGM Grand, Mandalay Bay, Luxor, Mirage and Treasure Island. They also own the Citycentre development which is a luxury development of apartments situated next door to the Bellagio. Whilst US property prices have been weaker these luxury apartments have been selling well at

UK Oil Equipment & Services

Higher oil prices and investment in exploration helps this sector. A summer sell of the general market could be a drag but over all this is a strong sector.



premium prices. MGM also have a joint venture to run a new casino in Macau.

The whole gaming and casino market also continues to be strong with no sign of slowing room rates or visitors. MGM has a good spread of properties aimed at mid/lower market as well as the high rollers.

The recent share spike has been thanks to an approach by billionaire investor Kirk Kerkorian who currently owns

56% of the company. He is currently bidding for the Bellagio Hotel & Casino and the cityscape development. If this goes ahead it then leaves MGM as a takeover target which could see the total value at well over \$100 a share.

You can spread bet MGM and its currently quoted at 8000 for September.

**Bear Stearns & Co NYSE (BSC)
(SHORT)**

Bear Stearns is one of the worlds leading investment banks trading in a number of markets. The company has had a great track record as the chart shows but since February 2007 the price has been going down even with the stronger stockmarket.

The reason behind this is Sub prime mortgages as Bear Stearns are big players in this area and own EMC Mortgag corp, Mortgage Capital Corp and Encore Credit.



As you will be aware with falling house prices and higher intrest rates the US housing market is not looking great.

Whilst other banks and brokers have rebounded since March, Bear Stearns is still looking weak.

Based on the chart and the recent action we could be ready to see another big fall in the share price and going short at around the current levels could be a good bet over the next few months.

Its a big share trading at at over \$142 so I would keep your bet size down. Remember with US shares its the last point so 142.10 to 142.11 is 1 point. A 300+ point daily move is not uncommon.

**Carpwright LSE (CPR)
(SHORT)**

Carpwright opporates all over UK and has stores in France and Poland. As the name states it sells carpets as well as other flooring.

The company has done well from a stronger housing market and low intrest rates however the chart is starting to look weaker and the break below £11 does not look good.



After the recent profits warning of sofa retailers SCS we could see a warning from carpwright in the comming months.

I am looking for a move down to £9. The final results will be out around the 26th June and I think these will be ok however the forward looking statement will warn of a harder retailing environment.

Thats it for this month, as stated the next few months could see some market turbulance however we can still make good profits.

Wishing you continued success.