

Markets at a glance

Trendspotter

Signals (click on links to obtain up to-date signal)

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

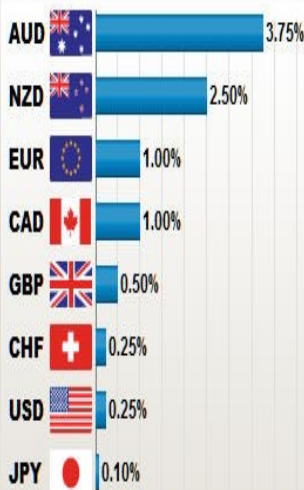
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)



The Insider Trader

Issue 84

April 2013

Seasonal Sell signal approaches but long term markets remain in good shape

You may have seen the recent video I did for the [Investors Chronicle/FT](#) if not [click here](#) where I re capped my Dow 14200 call and what I am looking for next. Overall I am bullish on US equities, however as stated, I don't expect the 3% a month returns we have had so far in 2013 to continue for ever! Seasonally we are now moving in to the historically weaker time of the year, this doesn't mean that we should sell everything, go to cash and head for the beach, but it does mean we slow down a bit and take less risk. Also at the time of writing this **we have NOT had a seasonal signal yet.**

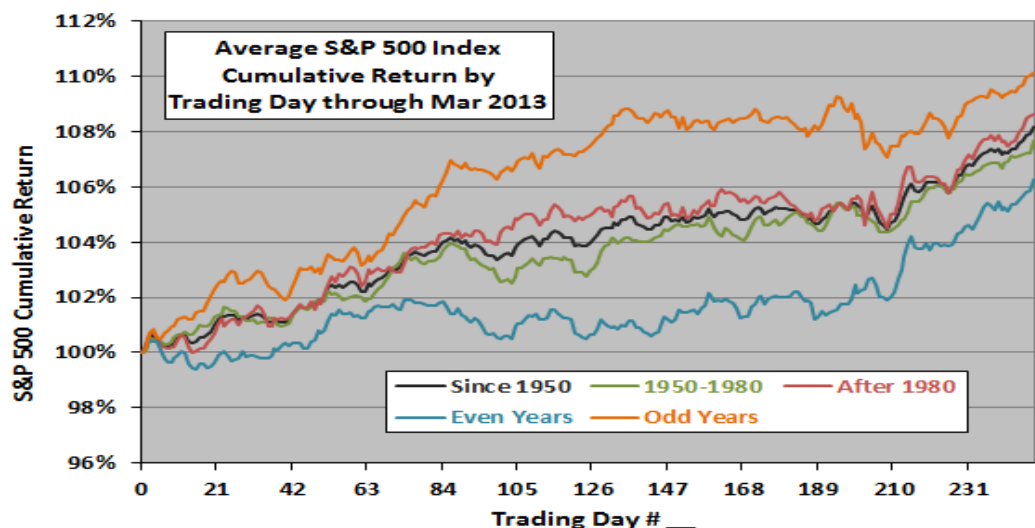


To recap; the majority of US stock market gains occur in the first 90 trading days of the year and the last 40 days, now as I have stated many times; seasonality is a guide not a guarantee, nothing

states that July or August could be amazing bullish months in 2013, however, we look at historical normal averages to get a guide. Also as stated before in my updates please do not get hung up by headlines such as "Dow plunges 300 points", because 300 today at 14800 is around 2% - so it's not a big deal. Markets could pull back 5 to 10% from recent highs and that would just be a normal sell off in a long term uptrend but the media of course have to fill their airtime and make it somewhat more dramatic than it really is.

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Below: The typical trading year with gains coming the first 90 and last 40 days. Being an odd Year (non election) it's typically up 10%, of course we have already achieved this in 3 months!



Of course, the world is full of dangers but is that not always the case? If I looked at every risk and news story I would never invest and certainly wouldn't have made the millions I have over the years. So right now we have issues with North Korea, Cyprus, Italy which cannot form a government (nothing new), Bird Flu (again), Solvenia (the next Cyprus?) and the Eurozone still bumping along the bottom. Japan is trying to print its way out of no growth, the worries here are that it may overdo it and crash the Yen in the process.

On the whole news media puts more focus on all the bad things going on in the world, yet spends less time focusing on the good. Right now we have great advances in biotech and great advances in energy extraction; you may have seen the recent figures that crude oil inventories are at record highs as the US shale revolution continues, meaning cheaper energy prices. There's also better numbers from the housing market, better retail numbers and auto sales, so it's not all doom and gloom as the gold bugs would like us to believe and so far this year Gold is down.

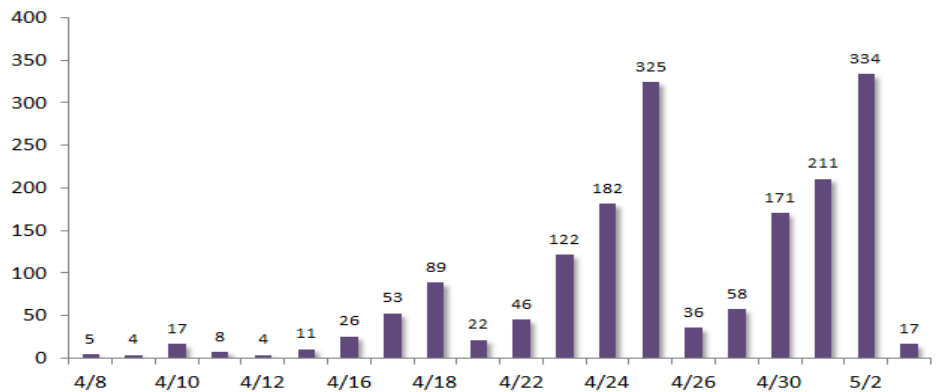
So what's the plan for the next 6 months?

Overall for the next 6 months I would say play it safe, pick individual special situations, stock splits, mergers & takeovers, smaller cap stocks, a few short/put option opportunities and even some treasury bonds. Year-end/Jan 2014 I still see us ending around the Dow 15,000 to 15,700 mark, however, how we get there could be a bit bumpy.

Earnings season

As the graph shows US First Quarter Earnings will start flooding in especially towards the end of the month. Overall I don't think it will be a bad earnings season but the problem is that the P (price) has already moved up in anticipation of the E (earnings) so really companies will have to beat earnings considerably to get any sort of meaningful price boost. The current P/E on the DOW 30 is 15.8 which is not outrageous and the forward P/E is just under 13, the current yield is 2.4%. The S&P500 is a bit higher

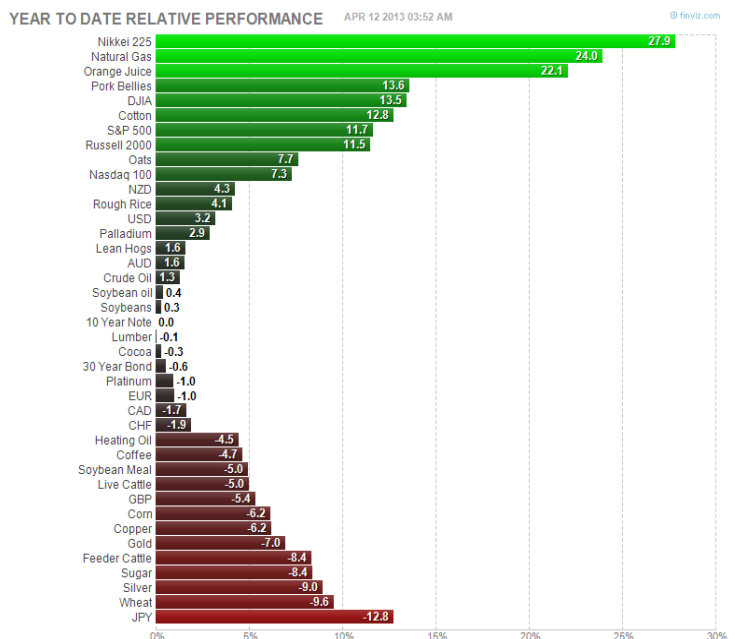
of Earnings Reports by Day This Season



at 18 coming down to 14. You can see current P/E levels here: http://online.wsj.com/mdc/public/page/2_3021-peyield.html

Gold and Silver Yuck!

So far this year Gold and Silver has been weak, as most of you know I have been out of both of these for over 2 years now for the simple reason that I saw better opportunities in stocks and too many were getting bullish on both. So is there anything new? No, I still don't like them, sentiment remains bullish (which is a contra indicator) and overall I see no point in locking up money in either metal when it can work much harder elsewhere and I get paid a dividend. Right now I am not short either, however, I am tempted at some Silver and maybe Gold puts. As you can see below stocks have been a better bet than gold and silver.



Skechers share price can keep running higher (NYSE: SKX) -

Skechers are a leading lifestyle footwear brand (trainers – sports – leisure shoes) for women, men and children. It sells products in over 120 countries and territories with more than 650 Skechers stores around the globe. The company is also rapidly expanding its global business through licensing agreements for fitness and children’s clothing, bags, watches, eyewear and additional merchandise, however, footwear is the core earner. Compared to its peers it’s a relatively new brand which started in 1992. Nike, Reebok, and Adidas dominate the sports shoe market with a combined 70% of total industry revenue however Skechers can do well within a niche and those looking for something slightly different.

Skechers has had a volatile history as it goes in and out of fashion (which shows up in the share price chart) however, the company seems to be coming back into fashion. The company did have to pay \$40 million to settle with the Federal Trade Commission over some misleading advertising claims regarding its Shape Up line of shoes but those issues are now in the past. The company has some very popular shoes especially in the women’s range and I think they can build up on this success. They also have a diversified range of shoes so it’s not tied to one hot selling shoe line which should help to



SKX - Skechers U.S.A. - Monthly OHLC Chart



They also have a diversified range of shoes so it’s not tied to one hot selling shoe line which should help to smooth earnings going forward and not have a repeat of the toning shoe craze which left it with massive amounts of unwanted stock.

Even after the recent run up at around the \$20 a share level of which \$6 is cash - it offers fairly good value on a forward P/E of 14. The company is relatively small with a market cap of just over 1 billion US\$ but most spread betting companies will allow you to trade it with contracts available going out to December 2013.

A quick reminder on spread betting a US share for newer readers, the share price is listed in US\$ so for example 2020/2022 the two cents (points) difference is the spread. Even though the share is priced in US\$ you can still bet in £, Euros or US\$ per point, so you could buy £10 a point at 2022. A point is the move

WATCHLISTS		SELECT A WATCHLIST									
PRICES											
MARKET			PERIOD	SELL	BUY	CHANGE	% CHG	UPDATE	HIGH	LOW	
Skechers USA Inc			DFB	2188	2196	-3	-0.14	17:44:27	2197	2153	
Skechers USA Inc			JUN-13	2186	2204	-3	-0.13	17:44:27	2205	2151	
Skechers USA Inc			SEP-13	2188	2210	-3	-0.12	17:44:27	2211	2153	
Skechers USA Inc			DEC-13	2188	2217	-3	-0.14	17:44:27	2218	2153	

from 2022 to 2023. US share prices, charts and data are readily available online so don't be put off trading US shares. Some are put off as US shares are normally priced higher than the UK ones, however, you can just make a smaller bet for example 0.25p a point. If I was spread betting I would be using the December 2013 contract.

Since 2012 the shares are up around 100% and I can see the shares put on at least another 50% to 75% in the next 12 to 18 months subject to the management continuing to execute their business plan. **The next earnings are out 22nd April and I expect these to surprise to the upside**, however, this is a 12 month plus type of hold for me. The last quarter was profitable, gross margins remain good at 40%+ and sports shoes seem to remain an affordable luxury.

Monster Beverages (MNST)

Monster Beverages or Hansens as it was previously known has been an amazing success and a very profitable stock for us over the years. \$1 invested in 2004 is now nearly \$9,000 (adjusted for the stock splits along the way) so that is the power of selling water! As I said back at my May seminar any product where the main ingredient is water is always an interesting business.

For those that don't know: Monster is a leading energy drink maker, also teas, other flavoured drinks which trade under the Hansen natural brand.

Now the last 9 months or so the stock has drifted off a bit but please don't fall into recency bias and just

look at a 33% pullback when the stock is up 1000's of %. Monster has some legal issues which relate to a small amount of deaths in the US. If you drink 20 tins of Monster then it goes without say that you may suffer from side effects and even a heart attack. See: http://www.nytimes.com/2012/10/23/business/fda-receives-death-reports-citing-monster-energy-a-high-caffeine-drink.html?_r=0

Monster should be banned?

I don't think so at worst we could see a tobacco type warning on the tin which will not have an effect on sales. Also a possible change of a few ingredients but really I don't see that causing much of a problem to earnings.

The stock had also been getting a bit ahead of its self so the pullback pause is normal.

Next earnings are due 10th May, currently on a P/E of 28 but that comes down to 19 and I see value here. Currently \$52 I think we can drift back up to \$60 - \$65 by year end.

MNST - Monster Beverage Corp - Weekly OHLC Chart



Risk Warning All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds or stocks outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.