

## 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](#)

### CENTRAL BANK RATES

 NZD	8.25%	 AUD	7.25%
 GBP	5.00%	 USD	2.00%
 CAD	3.00%	 EUR	4.25%
 CHF	2.75%	 JPY	0.50%

# The Insider Trader

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## The New Bull Market has started in Biotech but don't invest in shares!

Whilst the major indices and stock markets worldwide continue to look weak, one sector has started to come out of a 10 year slump and is now breaking to a 52 week high and that's the US Biotech sector.

In the last month we have seen two major deals, Bristol-Myers made a \$4.5 billion bid (\$60 per share) for biotech ImClone, a 30% premium to its closing price. Swiss pharmaceutical group Roche also announced a buyout deal to takeover Genentech (DNA).

Some of you may recall the 1999 boom and then bust in Biotech. Similar to the DOT COM boom, many companies promised a great deal yet delivered nothing and they also burned

through huge amounts of cash.

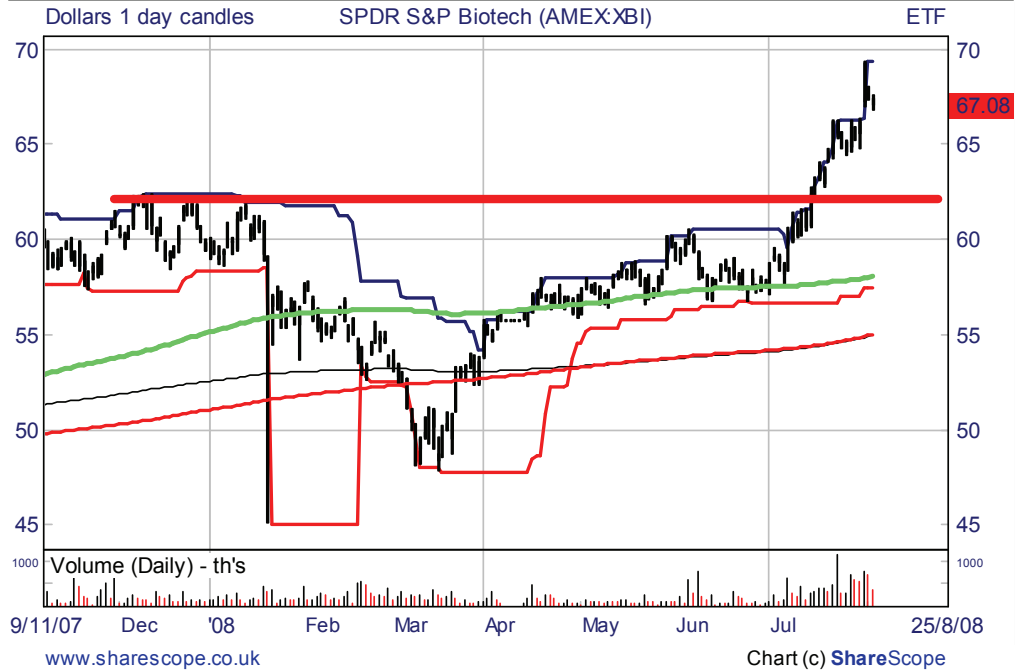
You have to understand that most biotech companies don't make money; it's a bit like smaller Oil or Gold exploration companies. When a biotech company does finally make a breakthrough they rarely stay independent for long, they either get taken over by a major pharmaceuticals company or have to partner with one.

All pharmaceutical companies are in desperate need to top up their ageing pipeline of drugs, rather than develop their own it's easier to buy growth which is why we could be in for a period of merger and acquisitions in the Biotech sector.

Chart:: 10 year chart of the Biotech Index. After 3 years of sideways action we are breaking out to the upside. This should be the start of a very profitable move over the next 12 to 18 months.



To say I am bullish on Biotech is an understatement, its been a long time coming but its finally starting to happen, however, I am not buying shares in any individual companies, that's just too risky. Instead I have bought ETFs that track biotech stocks. Also, this is a 12 to 18 month trade, however, based on the last boom and the fact that most have not picked up on this sector yet, I would say we could have a 100% plus profit on this trade. The two ETFs I have bought are **SPDR S&P Biotech ETF (XBI)** and the **Nasdaq Biotech ETF (IBB)**. You can buy these through a broker that trades US shares or you can spread bet them by request.



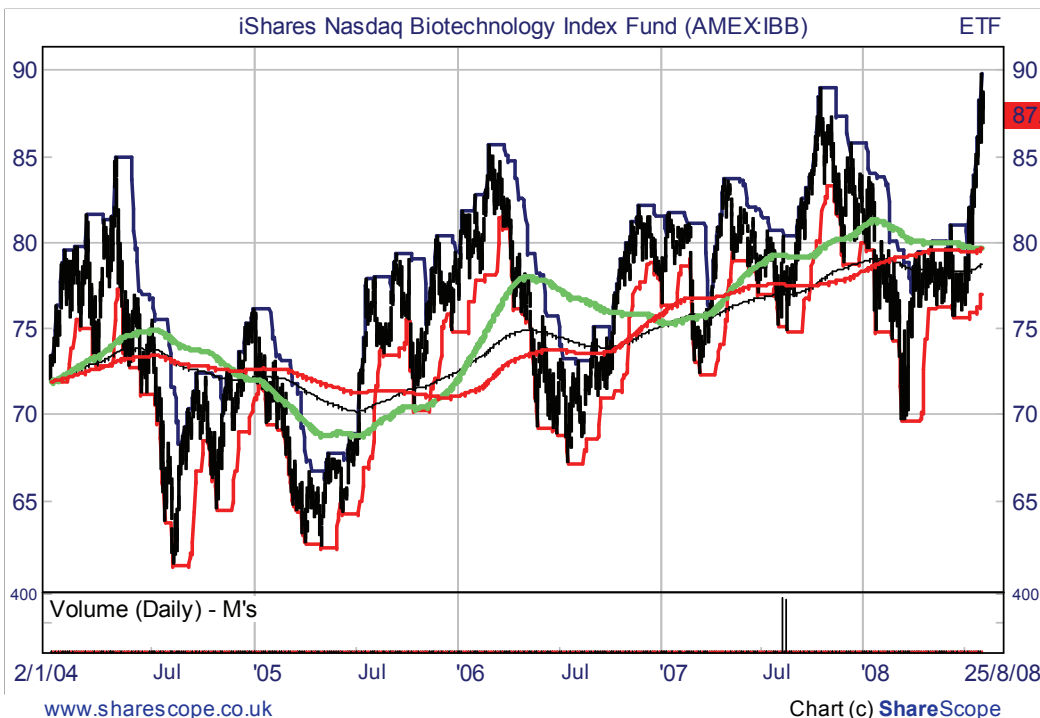
Above: XBI Biotech ETF. A pullback to \$63 could happen before the next big up move. Whilst major indices went down in May-July Biotech has stayed strong.

XBI has 22 holdings including Amgen, Imclone, Genentech and Gilead Sciences. A full list and details can be found at: [http://www.ssgafunds.com/etf/fund/etf\\_detail\\_XBI.jsp](http://www.ssgafunds.com/etf/fund/etf_detail_XBI.jsp)

IBB concentrates on Nasdaq listed Biotech stocks and is part of the ishares family of ETFs. A full list of holdings and details can be found at: [http://us.ishares.com/product\\_info/fund/overview/IBB.htm](http://us.ishares.com/product_info/fund/overview/IBB.htm)

## Gold and Silver

We are now moving into the seasonally stronger time for Gold and Silver. Whilst trying to pick the exact date and price to enter is near impossible, I intend to start buying towards the end of the month. I am looking at the Dec08Gold 900 calls ST39. If I can buy these around the 30p level I would be happy. Silver should make a move back up to over \$20. I suggest the Dec08 \$20 calls SL82. Anywhere below 40p should be a good entry point.





**Gold: We could see a pullback to \$800 to \$840 but I don't see anything lower, even if Oil weakens Gold should continue its long term bull market which will take out \$1000 in the next 6 to 8 months.**

## Stock Markets

Major markets still remain clearly in a long term down trend and no change in the longer term short/Sell signal. For the next few weeks until after the US labor day holiday which is Monday 1<sup>st</sup> September 2008 I don't see any clear direction for the major indices, we could see a slightly positive slant for the US and European markets. The Nasdaq100 looks the strongest of the indices as Technology continues to hold up well, also the Nasdaq100 does not have much exposure to financial or energy shares.

The FTSE250 continues to look very weak. We are seeing a short term bounce, after a 2,500 point fall this is expected, however, after this bounce has run out of steam expect the next move to be down again into September/October. The next move down should take out the 8,000 level. The best way to trade a move down is using the SG FTSE250 Dec08 warrant, the 9,000 Put SQ29 at around 90p.

**FTSE250 Below. July was an excellent month for our short trades, since the low around the 15/7/08 the index has found some "bargain hunters" and we are seeing a bounce, this could take us back to 9,400 however I really don't see anymore and September/October could see us move back to 8,000.**

