The

Insider Trader

Issue 26 December 2008

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	5.00%	AUD	4.25%
GBP	2.00%	USD	1.00%
CAD	2.25%	EUR	2.50%
CHF	1.00%	JPY	0.30%

Want to know what the markets will do in 2009? It's all about the US$ Dollar

As we come to the close of a year that most involved in the financial markets would wish to forget, I am pleased to say that those who followed my lead over the last 12 months have a lot to be thankful for.

No one is saying it was a perfect trading year and hindsight is a luxury we just don't have but on the whole I have to say that I'm pleased with my performance this year. A few bold trades such as being Long the US$ against the Euro and £ paid off very well, as did being short Unleaded Gas and the FTSE250. Of course one side effect which I had not seen coming was how weak Gold would be. With the global financial markets in meltdown mode I was expecting Gold to be the choice trade and whilst gold acted well in the first half of the year, the second half rally did not arrive. The strength in the US Dollar has put an end to any sustainable rally in Gold for now.

So what should you look for in 2009?

Let the US$ tell you the direction of global markets. Below you can see two charts; one is the US Dollar Index (a basket of currencies against the Dollar). We also have the S&P500. As you can see the Dollar gains strength and the S&P500 started to go into free fall.

Whilst a collapsing currency does not help anyone, a strong US$ is also not good for the stockmarket or commodities market. It makes buying US goods and shares more expensive.

The strength in the dollar seems irrational. The U.S. Treasury has committed to printing trillions more dollars in an effort to bail out anyone that holds out their cap and screams loud enough. This will weaken the currency but as we know what happens short term and long term are two different stories. At the same time we

Chart:: US Dollar Index with S&P 500 below. The US$ needs to start weakening again to help markets come back.

have witnessed one of the fastest unwinding of trades that I have seen in my career and as the US Dollar is still the currency used to trade commodities, bonds and most international trades by default you have to buy Dollars to unwind your trade. We also see a massive unwinding in the Yen carry trade and money going in to US treasury Bonds which again require a purchase of dollars.

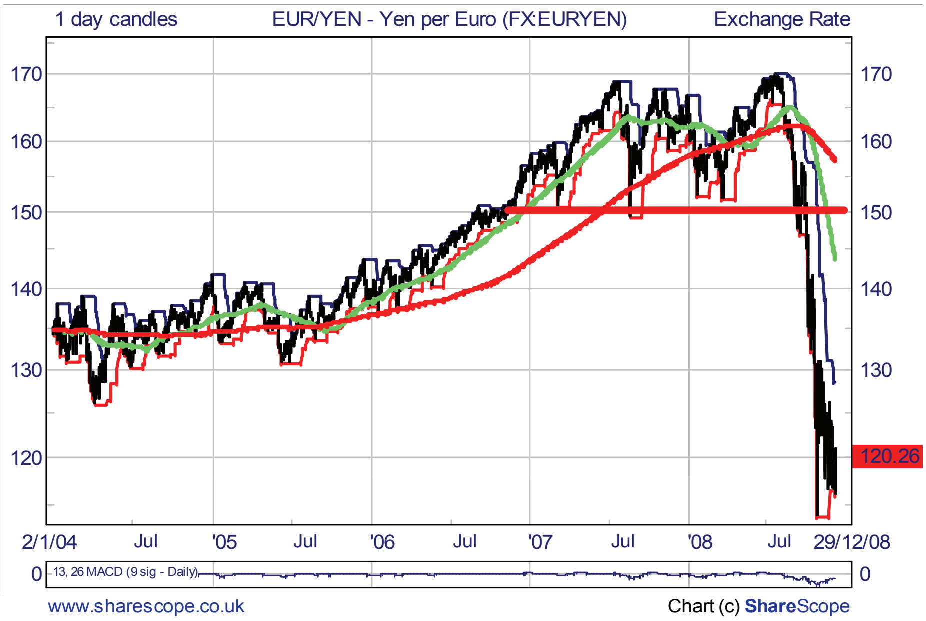
If we take another look at the US Dollar index chart we can see it is starting to consolidate, by all means it's still strong but the last few weeks have seen the start of a sideways range.

If the Dollar can now start moving down again, then this could be a boost for stockmarkets and commodities especially Gold. If the Dollar starts making a new move higher than expect to see new lows on all major indices and for Gold to continue falling.

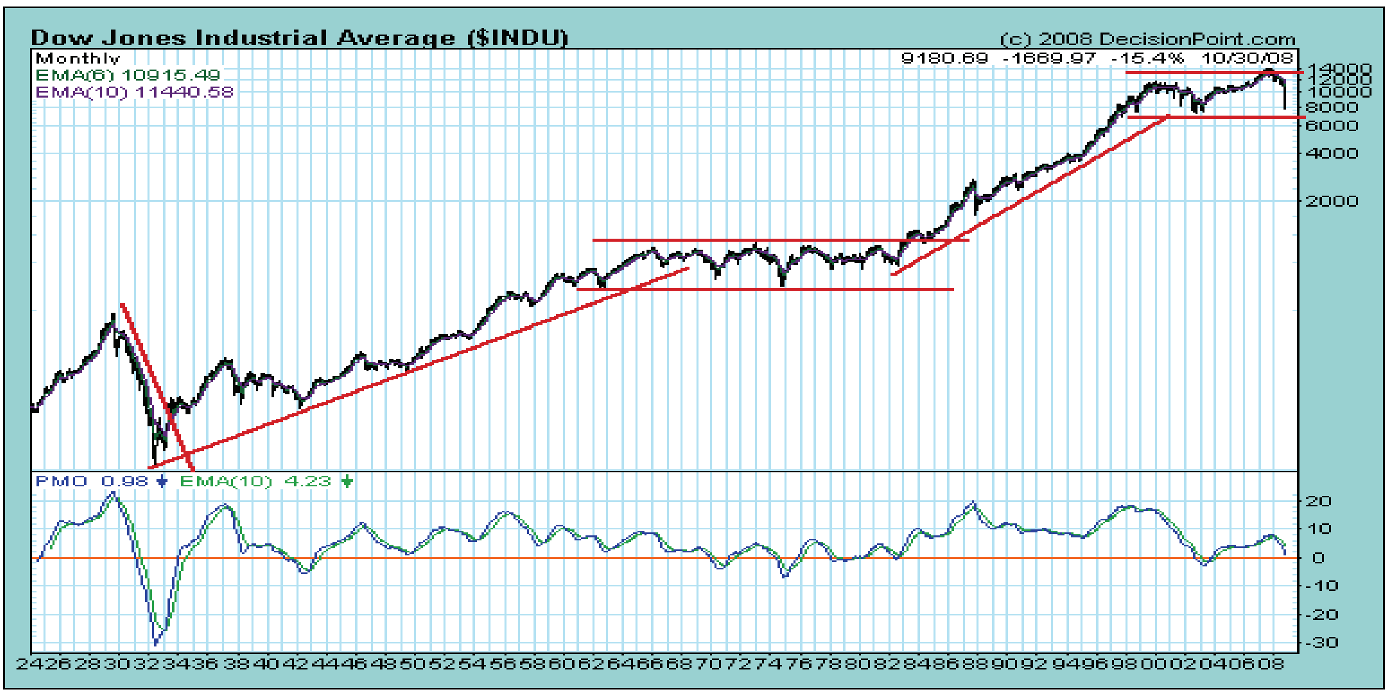
Another chart we need to watch is the **Euro/Yen**. The cheap money borrowed in yen and then invested in other markets has come to a crashing halt. We may see a short term bouce maybe back to 130 to 135 but that's about it, and that's not good for those looking for a new bull market in shares.

A range bound market

My best guess for markets in 2009 is going to be a range bound one. Sharp rallies and then falls but over all 6 to 9 months down the line the major indices will be around the same levels they are now. Markets can consolidate for far longer then most realise. If you look at a long term chart of the Dow (see below) you will see a range from 1958 to 1982. 24 years of well, much of nothing. We then have the bull markets from 1982 to 2000 and then the range which we are in now. So is it possible that between 2000 and 2020 that markets don't make any progress and we will not see the 1550 S&P500 level or



Below: A very Long term chart of the DOW Jones Industrial Average.



Genentech (NYSE: DNA)

Many of you know I am bullish on Biotech for the next few years. Genentech is a major player in this area. The company is currently 56% owned by Swiss pharmaceutical giant Roche. Roche announced some months ago it was seeking to buy the outstanding shares at $89 which Genentech said was too low. Of course financing any takeover at present is not that easy but Roche is not some two bit start up. Investors currently think that the bid will not happen hence the shares are trading at $71. I remain a bit more optimistic and think the deal could still happen but may take a bit longer. What happens if the deal does not come off? Well Genentech will still remain a quality biotech company with a 56% shareholder/partner. So the downside risk is not that big. The upside is Roche comes in with the $89 or better.

Anyway I am Long Genentech June 09 and with a stop at $62 I will just wait and see how this unravels. Also its one of the few shares that still has a positive 377/100 cross.

Staying with the same theme:

Teva Pharmacutical (TEVA)

Any company that goes for 5$ in 1998 to over $43 in 2008 and holds its gain gets my attention and respect. I mentioned Teva on my November trading day, Its on DVD4 if you would like recap. The 377/100 has just marginally crossed and the 100 turning up again. At this point still have to stay long.

Yahoo! for 2009 (YHOO)

I never thought that I would say Yahoo! is a value stock but after the recent falls that's exactly what it is. A quick background, Yahoo was a leader on the internet but then lost the lead to Google, but I see Yahoo starting to make a comeback. Microsoft bid over $30 at one stage but the then CEO Jerry Yang said the offer was too low.

Yahoo! Is now sitting at $12 and Jerry Yang is no longer CEO instead you have ruthless investor Carl Icahn sitting on the board with a large stake. Icahn is not in this for the long term, as soon as an offer of $20 to $25 comes up he will convince the board to take it and make a nice profit.

Yahoo has no debt around $3 billion in cash and is still a major internet media company.

So my play is spread bet or buy Yahoo stock NO STOPS so you buy at $12 that's your total risk and I honestly don't see Yahoo going to 0. I would then forget about the trade and lets see what happens by this time next year, I expect something to happen quicker. My best guess Yahoo is taken over or it makes a good come back, either way I am looking for 100% return on my money in less than 12 months and that's nothing to be sniffed at in the current climate.

That's it for this month thank you for your support in 2008 and wishing you seasons greetings and a healthy and prosperous 2009.