

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](#)


Dates to Watch
December 2007

21st Dec futures and options expire

CENTRAL BANK RATES

| | | | |
|-----|-------|-----|-------|
| NZD | 8.25% | AUD | 6.75% |
| GBP | 5.50% | USD | 4.50% |
| CAD | 4.25% | EUR | 4.00% |
| CHF | 2.75% | JPY | 0.50% |

The Insider Trader

Issue 14  December 2007

End of year rally has started but don't expect an easy ride in the New Year

I tend to find that everything looks better around Christmas and New Year. People are in a better mood, the festive season leads many to eat and drink more than they should and the start of the New Year gives many a psychological boost and a chance to make a new start. 2008 is also an election year with the strong chance of a change in political power in the USA.

Of course the truth is that after the Christmas decorations and lights are taken down and business returns to normal around the 7th January the same problems that were facing global economies will still be there in the New Year, if not slightly worse as consumers will no doubt pile on a bit more debt over the festive session.

For now I see volatility moving down into the New Year and the US and European markets moving sideways to higher. Many traders count heavily on year end bonuses which are

linked to their funds performance. From my old days as a trader I would never take any risky bets in the last few weeks of the year and it would normally be the time that I would take my annual holidays.

I would also use this period for squaring up and coming up with new trading ideas ready to place in the first few weeks of January.

For now I remain long Dow, S&P500 and the NASDAQ and these trades are showing good profits. I also remain Bullish (yes I did say bullish) the US Dollar. We are currently short the Canadian Dollar, Australian Dollar and British Pound. All 3 currencies have been strong against the US\$ throughout 2007 however with the recent extreme bearish sentiment on the Dollar you just knew that it was time for a bounce, and so far its proving a great trade.

\$VIX Volatility Index—Currently short the VIX as we end the year looking for the VIX to be around the 17 mark. You can trade VIX futures via IG Index. [Click here for a link to current VIX chart.](#)



Of course longer term we all know that the US Dollar remains in a down trend however, we could be due for a pause in this bearish trend.

Elections and the US Dollar

When George H. Bush, Sr. came into office in January 1989, the U.S. Dollar was strong, and continued to a high of 106.52 against a basket of foreign currencies into June 1989. But then the famous mantra "Bring the Dollar down so American corporations can compete," took hold, and Treasury Secretary Baker did just that. By September 1992, just two months before the next election, the Dollar had been devalued to a historic low of 78.43, a loss of nearly 30% in three years. Bill Clinton then defeated Bush Sr., and from that historic low, the Dollar began rising, reaching a peak of 121.29 just after leaving office, in July 2001.

That was a Dollar appreciation of over 50%. George W. Bush, Jr. assumed presidency in January 2001. After the initial rise in the Dollar to July 2001, the greenback commenced a descent that continues to this day. The Dollar has fallen to a new historic low of 74.65, a devaluation of nearly 40% under Bush Jr. leadership. What do you think will happen to the Dollar if Mrs. Clinton becomes President? Based on the history the US Dollar could see a good bounce over the next 12 months. Even though the US election is not until the end of November 2008 markets look forward and anticipate.

US Dollar Index. Still in a massive downtrend, but we are seeing a short term bounce which could last a few months.



Oil Prices

As stated in the last edition I have turned short term bearish on Oil prices and when the crowds are calling for \$100 and some even \$150 a barrel in the next few months then you know that its time to take the opposite view. My views are well documented on the subject and I still remain long term bullish on oil, however for now I remain short Oil futures and Oil warrants. **I am looking for \$75 to \$80** a barrel to be reached in the coming months; we will then reassess the situation.

If the US\$ can also stabilise and move up this would also help Oil prices move lower. Oil companies and speculators should also be aware that should Mrs Clinton become president then further pressure would be put on the price of Oil. Bush Senior and Bush Junior have always been friendly to the oil companies and have also turned a blind eye to pollution; however this will change under the new president. Mrs Clinton could increase Tax on oil companies and further encourage alternative energies.



Gold

If my forecast of the stronger US Dollar works out then this would be negative for Gold, however I still see Gold holding up in 2008 and we could easily see \$850 to \$900. Covered Warrants remain a safer way to back Gold and Silver.

Negative on UK Retail

I am extremely negative on the UK retail sector. I have not gone out and shorted the sector yet however once we get in to the New Year I will start opening new shorts. The obvious candidates to short are Next plc (NXT), Marks & Spencer (MKS) You could look at a covered warrant Put. The 550 June 08 PUT could be worth a trade, ticker code SL02

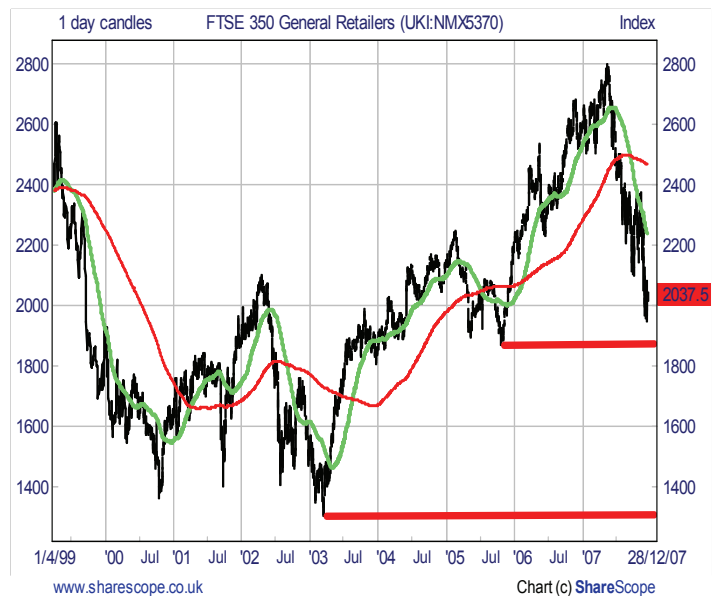
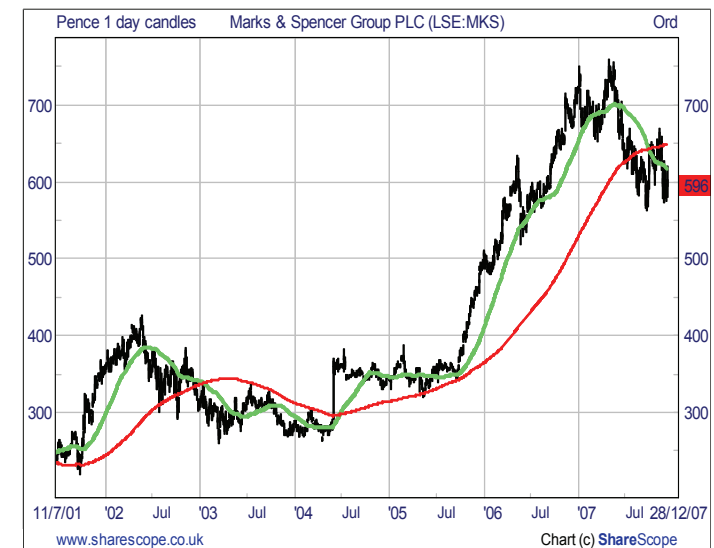
Just to be clear its general retailing that I am negative on, not food retailing. Also companies such as Tesco which have a strong international presence are defensive and will hold up. Consumers will switch to cheaper alternatives.

Home Retail Group (LSE: HOME)

HRG are the parent company for Homebase and Argos in the UK. The company was formed out of the demerger of GUS around 14 months ago. The trend is negative and I expect this to continue in 2008.

In my view the UK will face a server downturn in consumer spending in 2008 and even if the Bank Of England carries on cutting interest rates it will not be a quick fix. The middle income market that is exposed to high amounts of debt will feel the full brunt.

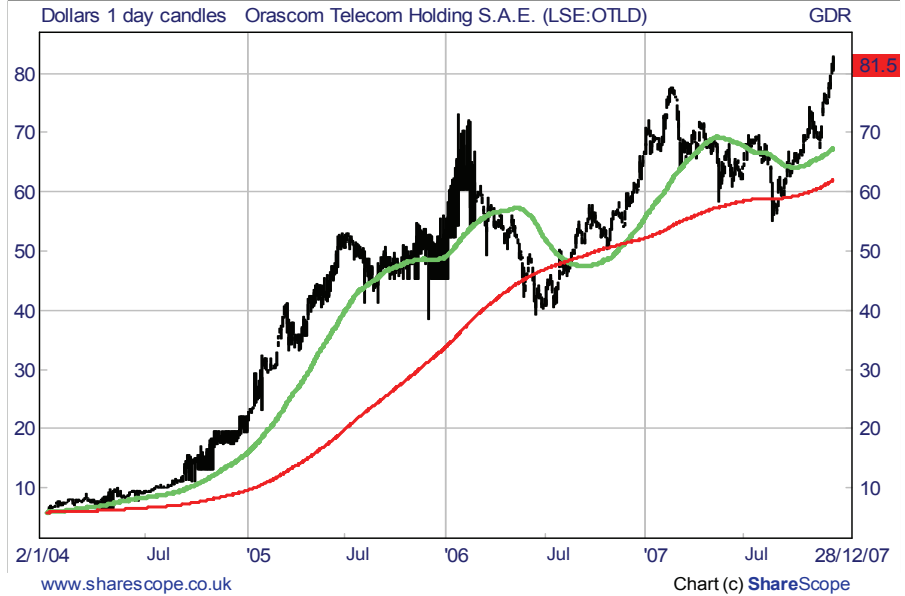
In the first quarter of 2008 I expect the FTSE250 to issue a sell signal which will be the first time since 2003. We could now see the FTSE100 hold up better as money flows to large cap shares, whilst the FTSE250 and smaller cap shares are sold off.



FTSE250 Unless we see a very strong up move this index will give a signal to close out long and go short. Above: FTSE350 General Retailer now in a bear market and could be going back to the 2003 lows. Expect so short term strength but the trend is down for at least the next 12 to 18 months.

Orascom Telecom Holding S.A.E.

(Orascom Telecom) is an international telecommunications company operating global system for mobile communications (GSM) networks in seven high growth markets in the Middle East, Africa and South Asia, having a total population under license of approximately 460 million with an average mobile telephony penetration of approximately 22%. Orascom Telecom operates GSM networks in Algeria (Djezzy), Pakistan (Mobilink), Egypt (mobinil), Tunisia (Tunisiana), Iraq (IraQna), Bangladesh (Banglalink) and Zimbabwe (Telecel Zimbabwe). Orascom Telecom had over 50 million subscribers as at December 31, 2006



The company has had a strong run however I am looking for this to continue. You can spread bet via IG Index, March 08 is currently quoted at 8200. If you need a chart go to www.bigcharts.com and use the ticker UK:OTLD and you will find it in sharescope plus

SECTOR ETFs

| | <u>Last</u> | <u>Change</u> | <u>52-Wk</u> |
|--------------------|-------------|---------------|--------------|
| Oil Service (OIH) | 182.75 | -0.45% | 25.47% |
| Big Pharma (PPH) | 82.96 | -0.05% | 8.93% |
| Internet (HHH) | 61.40 | -0.57% | 15.81% |
| Real Estate (IYR) | 69.62 | 2.85% | -19.25% |
| Financial (IYF) | 99.15 | 1.91% | -14.59% |
| Semis (PSI) | 17.48 | -0.40% | -0.96% |
| Healthcare (IYH) | 72.78 | 1.17% | 10.12% |
| Utilities (XLU) | 44.18 | 0.52% | 19.79% |
| Defense (PPA) | 23.66 | 0.98% | 28.80% |
| Nanotech (PXM) | 16.30 | 0.18% | -7.75% |
| Alt. Energy (PBW) | 25.42 | 3.21% | 41.22% |
| Water (PHO) | 21.65 | 0.93% | 16.65% |
| Insurance (PIC) | 17.81 | -0.84% | -1.49% |
| Biotech (PBE) | 19.41 | -0.41% | 3.74% |
| Retail (PMR) | 16.56 | 0.49% | -14.86% |
| Software (PSJ) | 20.33 | -0.25% | 5.94% |
| Big Tech (QQQQ) | 52.33 | 0.02% | 19.75% |
| Construction (PKB) | 18.84 | -0.26% | 12.68% |
| Media (PBS) | 14.67 | -0.61% | -7.39% |
| Consumer (IYC) | 64.22 | -0.12% | -4.76% |
| Transport (IYT) | 84.39 | 1.76% | -1.96% |
| Telecom (IYZ) | 29.64 | 1.61% | 2.88% |
| Industrial (IYJ) | 73.30 | 1.45% | 12.15% |
| Basic Mat. (IYM) | 75.50 | 1.67% | 24.71% |

That's it for this month and this year, wishing you a great Christmas and healthy and prosperous 2008



WORLD MARKET ETFs

| | <u>Last</u> | <u>Change</u> | <u>52-Wk</u> |
|------------------|-------------|---------------|--------------|
| USA (SPY) | 150.91 | -0.02% | 6.91% |
| Canada (EWC) | 32.12 | 0.47% | 23.59% |
| Japan (EWJ) | 14.20 | 1.87% | 1.43% |
| China (FXI) | 195.74 | 5.92% | 99.33% |
| S. Africa (EZA) | 143.06 | 1.82% | 27.85% |
| S. America (ILF) | 259.45 | 5.68% | 54.80% |
| Singapore (EWS) | 14.70 | 2.44% | 31.37% |
| Taiwan (EWT) | 16.17 | 3.45% | 8.74% |
| Russia (TRF) | 71.60 | -0.01% | -8.51% |
| India (IFN) | 65.45 | -0.08% | 36.35% |
| S. Korea (EWY) | 68.39 | 3.75% | 36.64% |
| Israel (ISL) | 24.53 | 0.53% | 31.18% |