The Insider Trader

Issue 27 January 2009

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	1.50%	USD	0.25%
CAD	1.50%	EUR	2.50%
CHF	0.50%	JPY	0.10%

Markets get ready to swallow the Obama Quick Fix Pill

Welcome to 2009, it's a New Year but with the same old problems, however, the financial markets especially the credit markets have started to settle down and look ahead to what President Obama, Tim Geithner (new Treasury Secretary) and the team can do in the coming months and years.

What you have to remember is that stockmarkets reflect the future and not what's happening today, so it's very possible for a market to start moving higher even though the current financial news seems terrible. We also need to remember that markets can move based on "perceptions" rather than reality. We all saw how quickly the Crude Oil market lost any resemblance of reality last summer before coming back down to earth.

So right now I see a "hope" rally in global markets which should last at least a few months. The psychological boost of a new President has a value which I don't think the markets have reflected yet.

It's clear that Obama and company mean business and will throw a lot of money at getting the US and in turn the World economy, moving again. The minor detail is that the US has no money so it's going to be all printed and borrowed money, but short term it will be the quick fix pill that the financial markets want.

It's far too early to say that the Bear Market is over in shares and my indicators still have a long term sell on all the major Indices but shorter term we have certainly made lows which are holding up. After a few months of a "hope" rally I expect it to fizzle out as reality sets in that there is no quick fix and it's going to take years for a real recovery to come back and that recovery has to be led by the Asian markets.

Below: S&P500 with 50 dma and 20 day price channels. Narrow range between 850 to 950 holding up. Sideways trading continues.

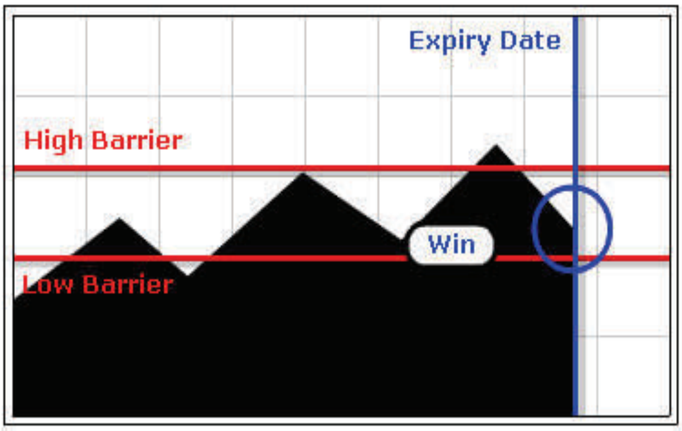
How to Profit and Survive in 2009

Pick your stocks and moments. Rather than just looking at the Dow, S&P500 or FTSE100 look at individual shares both on the long and short side. The same applies for commodities. Towards the end of 2008 all commodities traded in the same direction, (down) this year I see opportunities to be long and short individual commodities for example long Corn and short Silver.

I also suggest trading a good spread of markets and using covered warrants, ETF's, Fixed Odds and Spread Bets.

Even if the overall major Indices go in to a large trading range (sideways) you will still find individual shares trading in good Up and Down trends and this is what you want to focus on. Also you can use barrier range bets with www.betonmarkets.net which have worked very well.

Just to refresh on an **expiry range bet**



You set 2 levels for example Wall Street 7900 low and 8900 high and then set the day lets say 9 days. With this bet it does not matter if Wall Street goes below 7900 or above 8900 so long as that by the end of the bet Wall Street it lower than 8900 and higher than 7900 the bet will pay out.. Another bet is a Barrier Range bet, same principle but higher risk and reward because this a "never" bet which means that Wall Street must never touch 7900 or 8900. If it touches then your bet closes out at a loss.

Euro/Dollar

Let me start by saying I am no fan of the US dollar and over time the path of least resistance is down for the Dollar Index, but certainly for this year I see a new short term bull market in US Dollar. I know it doesn't make sense; here we have a currency which is paying literally no interest and a new President who has made it clear he will print money and allow the budget deficit to balloon even more than it already is.

So why would you want to own the US Dollar?

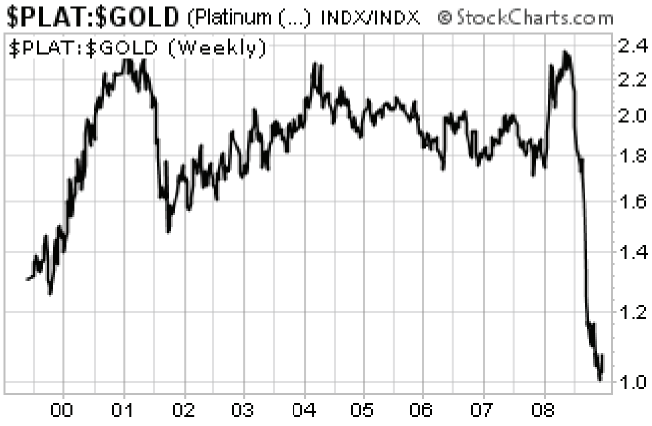
Well it's the best of a bad bunch at present. The Euro at 1.36 is still overvalued and we need to see this down to 1.25 or even back to 1:10. One of the safest ways to trade this is with a Covered Warrant. You can go for a long dated **Put which is the SB69 1.25 expires 18/12/09** of course you can trade out earlier.

Red line is the Warrants and the Blue is the Euro/USD

Gold starting to look dull

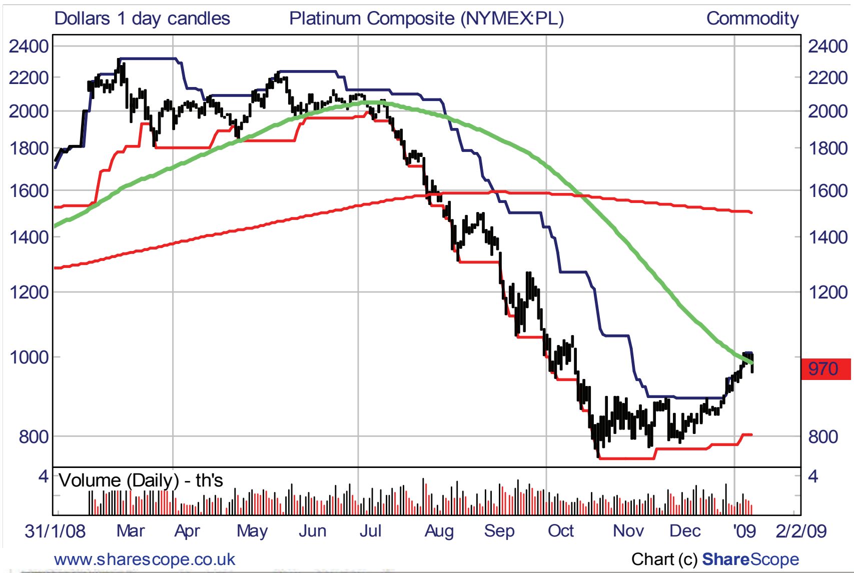
I am currently out of all long trades on Gold apart from some long term Gold bullion which I own. Whilst I am still long term bullish on Gold and I am sure at some stage this year I will be a buyer again, for now I see no reasons to hold it. The 377/100 system gave a sell out just before Christmas, I held of from selling out because seasonality at the end of year is strong. Now that's out of the way. What I see for Gold is a trading range between **$900 and $700.** One the downsides of covered warrants are trading ranges and time value. If Gold stays in a range its possible that whether you buy Puts or Calls you end up losing money as time decays against you. For now I think your money is better placed elsewhere. On metal I am looking at but its not time yet is **Platinum.**

Back in December something amazing happened which was the first time I can remember you could buy an ounce of Platinum for the same price as an ounce of gold. The ratio shown on the next page shows the normal relationship.



As you can see above Platinum is historically cheap compared to Gold. Of course no one is saying it cannot become cheaper.

I will let you know when and if I start buying Calls and or ETFs for now its interesting to watch. When the US Dollar does finally start to collapse the Platnium, Gold and all commodities will start to benefit.



.Oil Prices Where now?

Just as many where trying to call the tops we now have the many trying to call the bottoms. One thing for sure is down at $38 you can only drop another $38 and I don't see oil trading at 0.

One thing that has become clear and that's OPEC has no control of the Oil prices and their stupid cartel meetings are just an excuse for a party. The free market in the end wins and short term speculators with large leverage accounts can move Oil prices but in the end demand and supply comes back into play.

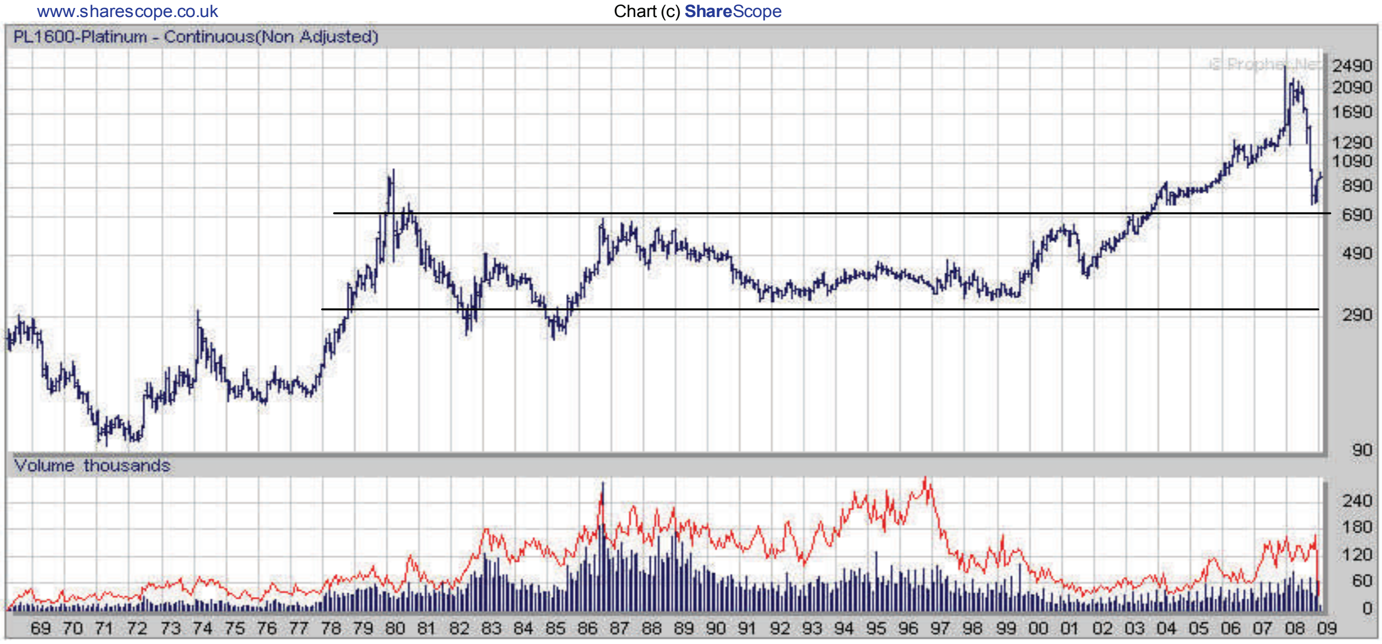
What is very clear is that the current prices do not reflect the futures price. Right now the Feb contract is at 3770 and the March contract is 4400, that's a massive spread for one month. Normally this should be around $1 difference.

What does this mean?

Short term there is too much oil, but looking out supply is tightening and the Dec09 futures are showing prices of $57.

Right now there is no practical trade for us on oil but we will get some opportunities in the coming months and I will look to use warrants to back oil.

Below: Long term Monthly chart of platinum going back to 1969. the $700 level is likely to hold up as good support . This chart also reminds us of how long markets can stay in ranges (see December 08 edition)



Bullish on low cost Airlines

I am starting to become bullish on Airlines mainly the low budget ones. As jet fuel has started to drop back to levels not seen for some years, this is great news for the surviving airlines. Another positive is that in the current client nobody is going to launch a new airline, so the survivors are in good shape. My favourite budget airline **is Jet Blue (JBLU)** which operates in the USA. Shares have recently hit a 52 week high at $7.50 however I am looking for at least $10 to $11 by the end of the year.

You can spread bet Jet blue with most financial bookmakers. I also like **Southwest Airlines (LUV)** currently at $8.50 and I'm looking for a run back up to $12 to $13 by the end of the year.

Ryan Air (RYA)

I featured Ryan Air on my trading day. The trend still looks good here and its such a lean and well run operation, if oil can average $75 to $80 for the next 12 to 24 months then these guys are laughing and the share price could easily go back to £4.50 to £5.00

EasyJet (EZJ) have also made a good bounce from the low but not looking as strong as Ryan Air.

As for the full service airlines **British Airways** still relies heavily on business class traffic and that's not coming back anytime soon.

.Tiffany & Co (NYSE: TIF SHORT TRADE $22.50)

Tiffany & Co hardly needs an introduction and is one of the world best know jewellers with the aqua coloured boxes.

The problem with Tiffany it still very reliant on US sales and whilst margins are typically high at 56% sales are slowing with the exception of Asia Pacific.

Whilst Tiffany is a strong brand that will certainly continue to grown in Asia it still has problems in the USA and Europe.

Looking for the stock to give back its recent bounce and move back to $17