

## 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	6.75%
 GBP	5.50%	 USD	4.25%
 CAD	4.25%	 EUR	4.00%
 CHF	2.75%	 JPY	0.50%

# The Insider Trader

Issue 15  January 2008

## Put your money where your mouth is in 2008

Welcome to another year of trading financial markets. For most investors 2007 was not a great year in financial markets, the DOW, S&P500 and FTSE100 all turned in rather lackluster gains. The Dow gained just over 6% for the year, S&P500 gained just over 3% and the FTSE100 around the same. Whilst the Western stockmarkets just scraped in gains the Far East did much better with China gaining 100% and Hong Kong gaining 35%.

Of course commodities had an excellent year especial the Agricultural products such as Wheat, Soybeans, Corn, Soybean oil, Palm oil and Rough Rice. The ETFS Agricultural tracker was up over 30% and Soybeans up over 65%.

This year I will continue to focus on Agricultural commodities as the trend in higher food prices will continue.

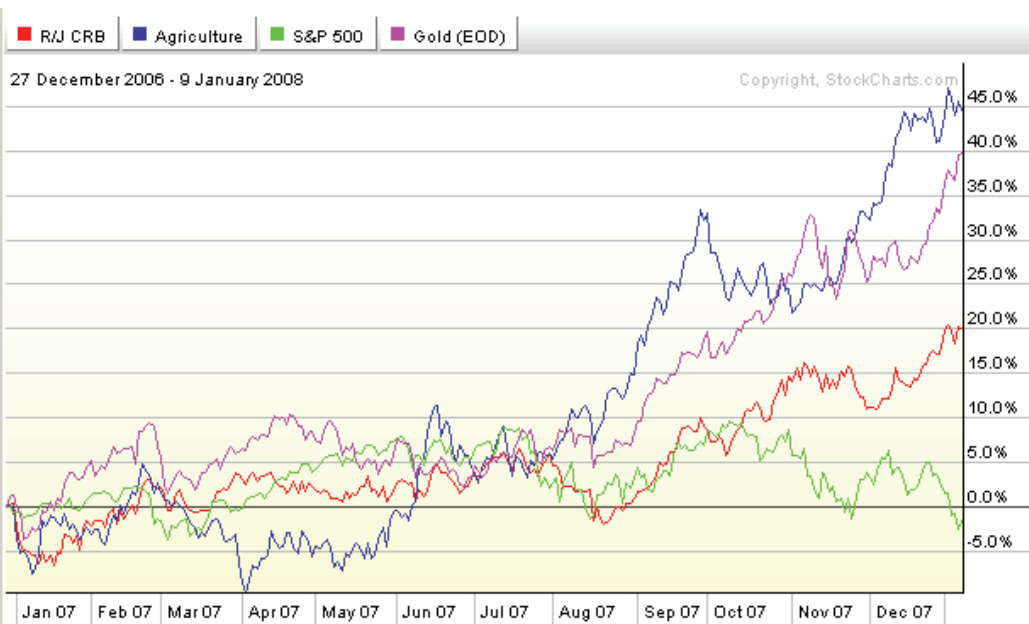
As well as remaining bullish on Soybeans, Corn and Rough Rice I will increase my bets on a few of the soft commodities which have been left behind the last few years. On a 12 month view I see the following commodities gaining at least 20% each and I will be shocked if stockmarkets can match these gains this year.

Let's just recap why I am so bullish on food commodities.

The simple facts of the matter are that the global population is exploding and exponential increases in demand from countries like China and India are straining a system that is already overloaded by demand and difficult farming conditions.

The wheat crop was hit especially hard in 2007 as droughts, floods, disease,

**Agriculture has a very strong 2007, looking for trend to continue with prices of most grains and softs increasing over 20%.**



and even frost have taken their toll. Wheat has risen to \$10 a bushel, and \$13 is entirely possible later this year. Meanwhile, the soybean complex and Palm Oil are also soaring, as pent-up demand, especially from China, is keeping this market very well supported.

It's important to realize that not only do we have exponentially higher demand for soybeans, Wheat, Corn and Rice from a growing world population, but we also have the increased feed demands of a growing cattle population in answer to more demand for beef and pork. Soybeans and Corn are also a beneficiary of the biofuel boom.

Combine all of these factors and throw in a little disease and bad weather in 2008 and everything points to higher prices. Also fertilizer prices have increased sharply in line with Oil prices. Many have been writing about Peak Oil and global warming, well in my view even more important is Peak Food and I really cannot see a quick fix to this.

Lets look at a few commodities which have not seen big gains yet.

**Cotton**

As Oil prices remain high this should finally start to help Cotton. Many synthetic fabrics use oil and we should see a switch to more cotton clothing. Cotton is fairly bombed out at 68 cents. I am looking for 95 cents plus this year. Cotton can be traded via a spread bet or you can buy via a stockbroker using ETFs Cotton Ticker LSE: COTN

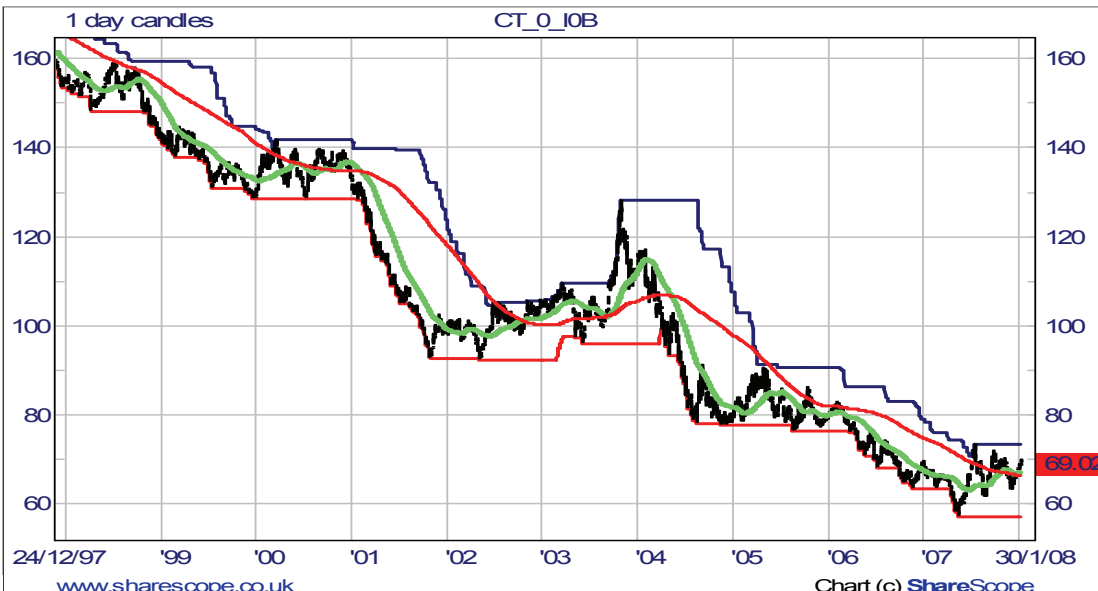
Cotton in a major downtrend, but 2008 could start to see a continuation of the reversal and higher prices.

**Sugar**

Sugar is an unloved commodity. Many forget that Sugar can be used for Ethanol and is infact a very good fuel substitute. We also have worldwide consumption of sugar in food increasing. As stated in past articles I see the calorie intake of the Chinese and Indians increase with a move to more processed and richer foods. We have finally broken over the 10 cents mark and I am looking for 15 to 17 cents to be hit in 2008. You can spread bet Sugar or buy via a stockbroker using ETFs Sugar ticker LSE:SUGA



If you fancy making a simple one trade purchase and forgetting about it for the next 12 months I suggest buying the Forward Agriculture ETF listed in the [LSE: FAGR](#) which is a basket of the following commodities, Soybeans 28%, Wheat 23%, Corn 15%, Cotton 10%, Soybean Oil 10%, Coffee 8% and Sugar 7% . The ETF is based on 3 month forward contracts. Recently trading at \$13 a share.



I also need to warn you whilst I remain bullish on these commodities you should expect some volatility along the way as nothing goes in a straight line. Buying and holding an ETF takes away the worry of day to day volatility and having to roll contracts over.

**End of the FTSE250 Bull run**

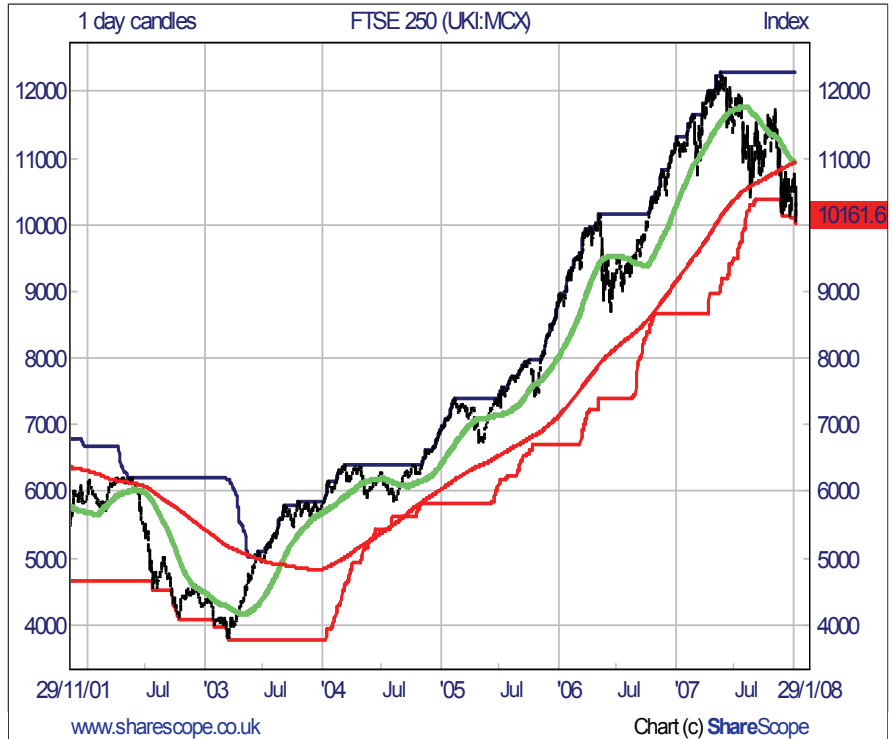
Readers will know that I have been a fan of the FTSE250 which has had a great run since 2003. The trend has now changed and I am afraid the outlook for medium sized companies is not looking good. I have now closed out all of my FTSE250 long trades and have started to go short. Even if the FTSE100 continues to hold up I see a divergence with the FTSE250 going lower in 2008. As traders he must be happy to turn from bullish to bearish and profit from both sides. IG Index offers a spread bet on the FTSE250. Another way to short the FTSE250 is buying a Put [SG covered warrants](#), have a look at the SA39 12,000 PUT which expires June08.

I am looking for the FTSE250 to drop by around 2000 points over the next 12 to 18 months. If you look back since 2003 we have come from 3,624 to the high of 12,220. We have since moved back to 10,200. Of course the FTSE250 will not just drop 2000 points in a strength line, trading is never that easy however I can see the market move back in steps to the 8000 mark erasing the last few years of gains.

I also don't see a great outlook for the FTSE100 however the high weighting of Mining and Resources shares will help to soften the blow. I see a shift to Big cap shares with international earnings which will help the FTSE100 and DOW30 companies.

**GOLD**

What can I say apart from an excellent trade. [Our SK72 warrants](#) are now at or near a record high. Of course the problem if that's the right word is that we have made too much money too soon! We should expect some profit taking in Gold in the next few weeks. \$800 should hold up. Our trade is up over 220% in the last 5 months. What I suggest is selling 40% of your holding and letting the rest run, these means your capital is returned plus a bit of profit.



**M&S Covered Warrants**

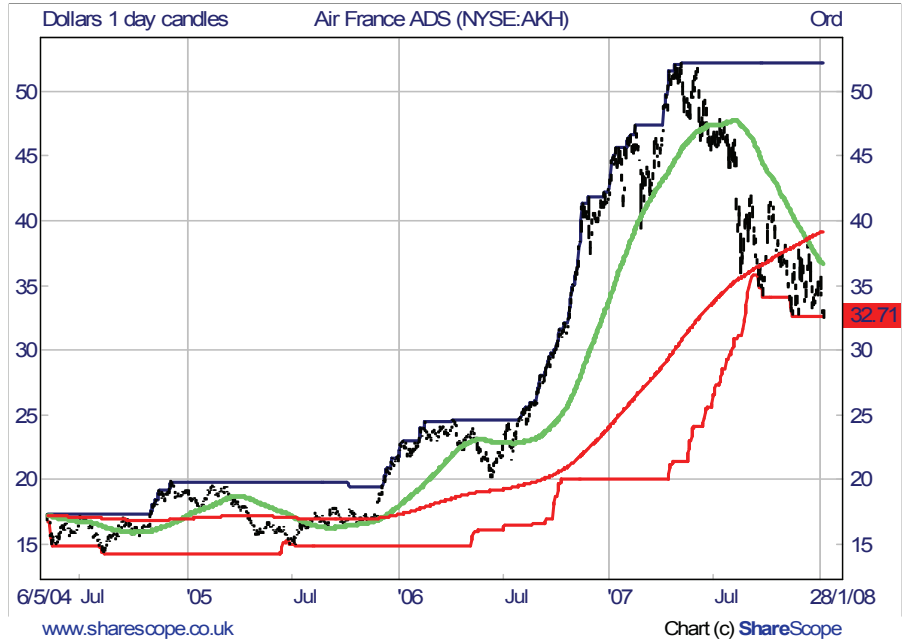
Those that had any doubts of how powerful a covered warrant can be should look at our recent [M&S SG Warrant put trade](#). I suggested buying the SL02 towards the end of December, since then thanks to the fall in M&S shares the warrant has gain well over 220%. I think you will agree that this is an excellent return and whilst M&S should drift lower, I suggest taking some profits from this trade.

Remember a few years ago Philip Greene offered to buy M&S at £4 a share so at current levels M&S could become a take over target again.



### Air France-KLM

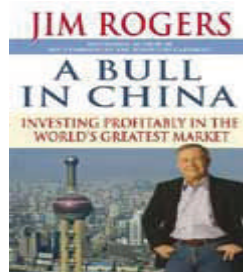
Investors in Airlines have to be brave. If you consider the risk factors such as security, High Oil prices, high investment in new planes, Labour costs and unions (especially in France) it's a wonder anyone invests. To make things worse airlines need a strong economy as they need premium business traffic to keep making a profit. The airline business is extremely competitive, for example a return Economy ticket from Heathrow to New York JFK can be bought for around £250 plus tax. If you check back the price of the same ticket 15 years ago was around the same, good news for the consumer but bad news for the airlines.



Air France shares had a good year in 2006 and then broke lower in 2007. I expect this lower trend to continue in 2008 and expect the shares to drop down to around \$20 (15 euros) from the current \$30 (20 euros). Even if Oil prices drop which would help, lower load factors will offset this. Air France can be traded via IG Index using the French listing. [Click here for price & chart in Euros](#)

### SECTOR ETFs

	Last	Change	52-Wk
Oil Service (OIH)	182.01	-1.24%	42.78%
Big Pharma (PPH)	82.63	0.34%	6.52%
Internet (HHH)	55.94	1.69%	3.96%
Real Estate (IYR)	69.62	2.85%	-19.25%
Financial (IYF)	99.15	1.91%	-14.59%
Semis (PSI)	15.13	0.93%	-14.52%
Healthcare (IYH)	72.78	1.17%	10.12%
Utilities (XLU)	43.44	-0.62%	20.23%
Defense (PPA)	21.19	0.67%	12.35%
Nanotech (PXN)	14.82	0.82%	-14.04%
Alt. Energy (PBW)	24.92	0.77%	46.85%
Water (PHO)	20.10	-0.40%	11.48%
Insurance (PIC)	16.83	1.02%	-6.97%
Biotech (PBE)	19.02	1.60%	5.26%
Retail (PMR)	14.45	0.63%	-28.43%
Software (PSJ)	18.40	0.66%	-4.71%
Big Tech (QQQQ)	47.99	0.15%	7.55%
Construction (PKB)	17.05	2.40%	5.64%
Media (PBS)	13.26	1.92%	-18.40%
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%



New book by Jim Rogers for more details and to order go to [www.tradersbooks.com](http://www.tradersbooks.com)

### WORLD MARKET ETFs

	Last	Change	52-Wk
USA (SPY)	141.29	0.66%	-0.18%
Canada (EWC)	31.27	0.45%	29.48%
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)	69.99	1.82%	-4.37%
India (IFN)	62.30	0.16%	46.69%
S. Korea (EWY)	68.39	3.75%	36.64%
Israel (ISL)	24.30	1.50%	33.52%