

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 \(KC\)](#)

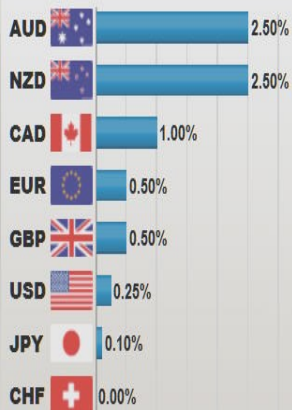
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)



The Insider Trader

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2014 A Year of Pick & Mix & Buying Small Cap Japanese companies

2013 turned out to be a great a year for financial markets with the S&P500 recording a whopping gain of 30% and that was the best year since 1997. The Dow Jones Industrials closed up 26.5%; best since 1995 and the NASDAQ was up the most giving a 38.3% gain thanks to technology and Biotech stocks; that was the best since 2009. Biotech and healthcare have been one of my key themes since 2008 and the IBB (Ishares Nasdaq Biotechnology ETF) put in another stellar year up 57%.

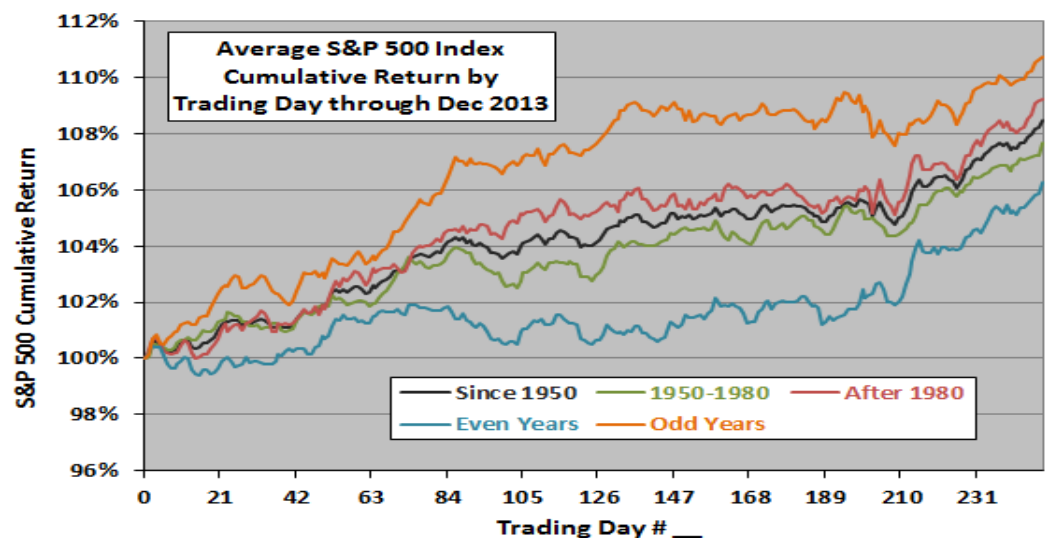
Overall any one just buying a tracker Exchange Traded Fund (ETF) did far better than the majority of Hedge Funds or active trading strategies. But that was the past and in this business you're only as good as your last trade, what I can say are the chances of 2014 reaping the same returns is rather slim. Being an even year this means its ether an

election year or a mid-term election, it is a mid-term election which will be held on 4th November it is a mid-term election which will be held on 4th November, some months away yet but don't under estimate the effect it will have on the markets.

The chart below shows the difference between odd and even years and you will see odd years (orange line) historically do better.

Historically odd years (such as 2013) do better as we have no elections to worry about. So I think 2014 will be more of a traders Pick & Mix year where we focus more on stock and individual names rather than the whole market. We can also look outside the US for some possible opportunities, one area that has caught my eye again this year are Japanese stocks but more specifically the smaller cap Japanese stocks which are less export led and more focused on internal consumption.

Below: S&P500 gains over the last 63 years show that odd years do better than even years, however we should still expect a positive year end after the 4th November mid term elections are out of the way.



As many will already know Shinzo Abe has outlined a growth strategy for long-term structural changes that has the potential to benefit the local economy and industries. He is trying to take a leaf of the US book and let the yen depreciate and so far doing a decent job. The Nikki 225 was up over 50% in 2013 and whilst I don't see a repeat of this gain, I do think we can get 20 to 25% which is not to be sniffed at.

Japanese small caps currently sell at relatively lower prices than their large-cap peers, however, they are not easy to buy but this is where Exchange Traded Funds come in. We can buy a basket of small cap shares without needing a local broker. I like the Wisdom Tree Japan Hedged Smallcap (Nasdaq: DXJS) which is currency hedged and let me explain more as this makes a big difference. The ETF has 520 Japanese stocks with no one stock making up more than 1% so it is nicely diversified. The ETF has an exposure of 26.68% to Industrials, 24.22 Consumer Discretionary 24.22%, Materials 11.78% and 11.36% in Financials.

You can download a factsheet on the DXJS here <http://t.co/osfDYJ8dx9>

When we invest in a market such as Japan we effectively have two trades; the trade on the stocks doing well and the underlying currency in this case the US\$/YEN. DXJS hedges that risk out, after all a 25% gain in Japanese stocks is no good to use if the USD/JPY gains 25% as that would net out any returns in the base currency. Some years ago this happened to me ; I bought a small mining stock in Canadian dollars but the GBP/C\$ also increased and by the time I had paid costs and the currency movement any gains had gone, a lesson I will not forget.

Top Holdings

As of 01/10/2014

Name	Weight
1. Tokai Tokyo Financial Holdings	0.76%
2. Iida Group Holdings Co Ltd	0.69%
3. Ube Industries Ltd/Japan	0.66%
4. Denki Kagaku Kogyo K K	0.62%
5. Minebea Co Ltd	0.57%
6. Azbil Corp	0.56%
7. Coca-Cola West Co Ltd	0.54%
8. Autobacs Seven Co Ltd	0.53%
9. Square Enix Holdings Co Ltd	0.52%
10. CyberAgent Inc	0.50%



Above: Weaker Yen has helped the Nikki 225 gain, the ride could become bumpy over the coming few months however I still see higher year end prices for Japanese stocks.

Now nothing is guaranteed and I don't expect Japan to go straight up but I do think 2014 will be a good year for Japanese small caps and I can see a 25% gain here. Rather than be clever and try to trade in and out and perfectly time the market, I would buy some of the DXJS and just hold it for the rest of the year and then we can take another look at year end.

Biotech don't expect 57% in 2014

We are just a few trading days into 2014 and the IBB ETF is current up around 6% already however whilst Biotech should have a good year it would be wrong to expect another 50%+ year but I do think we can have some individual shares that will continue to produce great gains.

Meridain Bioscience (Nasdaq: VIVO)

About: Meridian Bioscience, Inc. (Meridian) is an integrated life science company. The Company is engaged in developing, manufacturing, selling and distribution of clinical diagnostic test kits, for certain gastrointestinal, viral, respiratory and parasitic infectious diseases; the manufacture and distribution of bulk antigens, antibodies, polymerase chain reaction (PCR)/ quantitative polymerase chain reaction (qPCR) reagents, nucleotides, competent cells and bioresearch reagents used by researchers and other diagnostic manufacturers, and the contract development and manufacture of proteins and other biologicals under cyclic guanosine monophosphate (cGMP) conditions for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines. The Company operates in three segments: U.S. Diagnostics, European Diagnostics and Life Science.

A theme I covered in previous newsletters is profiting from the tools and devices that biotech companies need in other words it's like selling picks and shovels to gold miners in the gold rush. The big name in this field is **Thermo Fisher Scientific (NYSE:TMO)** which had a great 2013 up around 60% and the up trend continues. Meridian Bioscience is a smaller player trading at a fair valuation and I can see more upside. Currently \$27 I think we can see this stock in the \$40's by year end. Another stock I have mentioned in previous updates and has been a regular on the 100% buy list is Grifols SA (GRFS) and is sitting at a new all time high. Its listed in Spain but also has a US listing as an ADR.

VIVO - Meridian Bioscience Inc - Monthly OHLC Chart



Below: 2 weeks into the year and nearly all the biggest gainers are healthcare which includes pharmaceuticals and biotech.

Best Russell 3,000 Stocks YTD (% Change)					
Stock	Company	Sector	Price	YTD % Chg	2013 % Chg
ICPT	Intercept Pharmaceuticals Inc	Health Care	466.30	589.81	99.42
CNAT	Conatus Pharmaceuticals Inc	Health Care	14.06	117.83	-
NBIX	Neurocrine Biosciences Inc	Health Care	19.00	103.32	24.87
EPZM	Epizyme Inc	Health Care	37.21	79.21	-
CYTK	Cytokinetics Inc	Health Care	9.12	40.29	64.14
CTIC	Cell Therapeutics Inc	Health Care	2.64	38.22	46.92
SGMO	Sangamo Biosciences Inc	Health Care	18.58	33.69	131.11
MNI	McClatchy Co/The	Cons. Discret.	4.48	31.76	3.98
AMPE	Ampio Pharmaceuticals Inc	Health Care	9.48	31.42	98.61
FEYE	FireEye Inc	Technology	56.70	30.27	-
IMMU	Immunomedics Inc	Health Care	5.96	29.46	57.53
ZGNX	Zogenix Inc	Health Care	4.45	29.36	158.65
MGNX	MacroGenics Inc	Health Care	35.48	29.35	-
ECYT	Endocyte Inc	Health Care	13.73	28.65	18.93
KEYW	KEYW Holding	Industrials	16.98	26.12	5.91
PCYC	Pharmacyclics Inc	Health Care	132.80	25.59	83.07
APFC	American Pacific Corp	Materials	46.48	24.75	141.32
RCPT	Receptos Inc	Health Care	36.04	24.25	-
XOMA	XOMA Corp	Health Care	8.33	24.22	180.42
GALE	Galena Biopharma Inc	Health Care	6.20	24.19	224.18
GEVA	Synageva BioPharma Corp	Health Care	80.36	24.17	39.81
FCSC	Fibrocell Science Inc	Health Care	5.01	24.05	8.27
NEO	NeoGenomics Inc	Health Care	4.47	23.62	45.97
XON	Intrexon Corp	Health Care	29.22	23.32	-
GCAP	Gain Capital Holdings Inc	Financials	9.24	23.04	83.62
GTXI	GTx Inc	Health Care	2.03	23.03	-60.71
P	Pandora Media Inc	Technology	32.67	22.82	189.76
FRO	Frontline Ltd/Bermuda	Energy	4.57	22.33	14.72
ENOC	EnerNOC Inc	Industrials	21.05	22.08	46.47
EHTH	eHealth Inc	Financials	56.72	22.05	69.18
AYI	Acuity Brands Inc	Industrials	132.53	20.97	61.41
OMED	OncoMed Pharmaceuticals Inc	Health Care	35.54	20.90	-
SNTA	Synta Pharmaceuticals Corp	Health Care	6.29	20.23	-41.91

Risk Warning All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds or stocks outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.