The Insider Trader

Issue 31 May 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	2.50%	AUD	3.00%
GBP	0.50%	USD	0.25%
CAD	0.25%	EUR	1.00%
CHF	0.25%	JPY	0.10%

New Bull market in Shares or just a load of Old Bull?

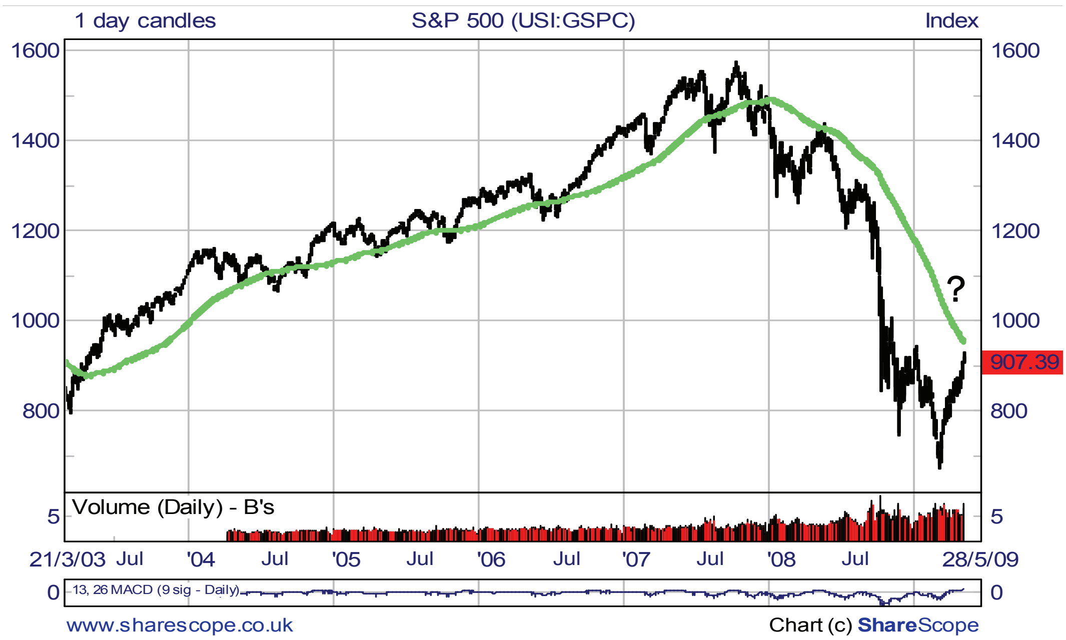
The last few weeks has seen and impressive run up in the global equity markets, the S&P500 has gained over 36% since the March market lows and the general feeling is that "the worst is over" and "the good times" are back.

Before I go any further and give you my reading on the current situation let me say that I am not a bull or bear, I don't get paid to sell shares or have to give the mainstream view and at the same time I am not a doom and gloom merchant.

I trade markets both long and short and I am happy to switch between the two. I have no fixed views and nor should you, nor do I just trade stocks, I am happy to trade stocks, commodities, currencies and bonds and where possible have a mixture of short and long trades. For example, I am currently short T Bonds, long Sugar, long Cotton, short Cocoa, long the Canadian Dollar, long NASDAQ 100 and short Yen to name a few trades.

My aim is to stick to the facts of what I see is happening rather than the emotions and what many think should happen. The overall trend for most global stock markets has been and is still down, if we look at the S&P500 this would have to close at over 1200 for a long term buy signal to be given, we are way off from this. The FTSE100 would have to close over 5200

Below: S&P 500 with my all time favourite 200 day moving average—Watch this carefully in the coming weeks and months as this will act as strong resistance



to give a buy a signal.

What we have witnessed is a classic bear market rally, these up moves suck new buyers back into the market and allow the smart money to sell out. This rally started as they always do when the majority doesn't expect them and are very pessimistic. Of course, shorter term traders can profit from these moves, I did very well from trading Bank Of America during this rally, a stock which I think is a long term disaster but I was happy to ride if for a few weeks and make over 100% profit. I will most likely be short again and ride the stock down again in the coming months. Goldman Sachs was another profitable trade moving for $74 to $140 in the space of a 7 weeks.

We are now moving into the seasonally weaker time of the year and this lasts until around mid October before we see a traditional year end rally. What we may see between now and that time is a lot of range trading for major indices. There is a high probability that the S&P 500 will go back to reach near March lows again before 2009 is out, this could happen around September to October as the reality sinks in that quick fixes don't last!

The idea that the March low was a bottom and we are now just going to go straight up is not what happens in the real world. From experience, lows take time to form with lots of false starts which will cause maximum pain for most investors. The level I would watch is 950 on the S&P 500, this was the January 2009 high and the current 200 day moving average level. A close above this level would mean that we have some serious strength in the markets and a run up to 1000 would be possible. On the Downside a move below 800 would mean we are heading back down to the new lows. Let the price tell you what is really happening rather than what you think should happen.

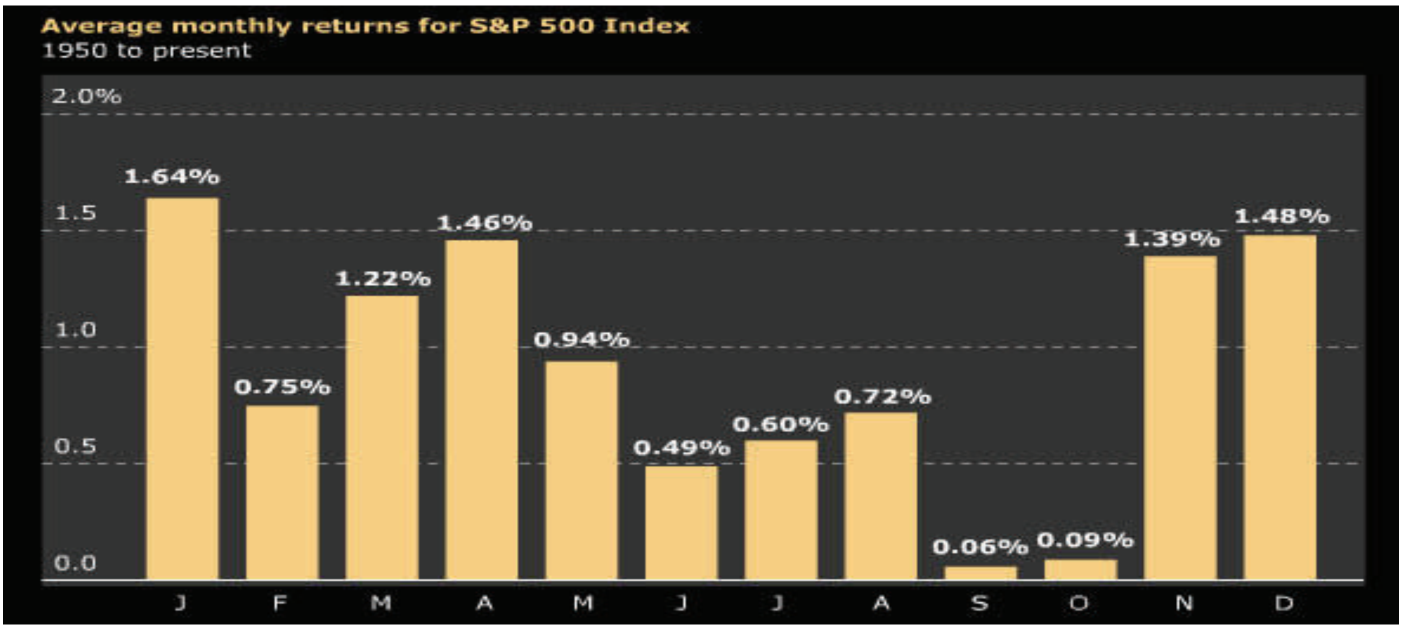
This rally started with the US Financial stocks reporting better than expected earnings, I use the word earnings loosely as if it was not for the government bailouts (TARP) money, most of these financial companies would be bankrupt today. Also many one off items and accounting changes helped to make these banks look far stronger than they really are. This has bought the financials some time, but what about the next quarter and the one after that?

Another factor helping markets and the banks is the near 0% interest rates around the globe. Many are putting money back into the stockmarket because keeping money in cash is providing negative returns if you account for inflation.

For the next few months the best opportunities could be in soft and agricultural commodities as well as looking at individual shares both long and short and ignoring the over all indices. Many of the soft commodities have come back to life such as Soyabeans, Cotton and Sugar. There has been little interest in commodities apart from Oil and Gold over the last few months. Many were burnt from the massive falls last summer and are in no hurry to get back in; however, this is where I see opportunities.

Insiders using recent run up to sell

Most company directors, executives and company founders take a lower salary but have stock or stock options in the company. At some stage they have to sell stock to release cash, so it's important to understand that an insider selling their own shares is a normal occurrence, however, the last few weeks has seen a large number of US company directors cash-



ing out of shares.

Research done by Bloomberg showed that April saw the heaviest selling since October 2007, the month the bull market peaked. One sector which has seen some insider selling is US retail shares such as Bed Bath and Beyond Inc (BBBY) The Company recently had a strong run up and founders Warren Eisenberg and Leonard Feinstein used the opportunity to sell over 2 million shares at $30.90. The chart shows that they may have timed their sales well and I am looking for BBBY to sell off back to the $24. If markets start selling off this could be a good short trade.

Cameco (NYSE CCJ) or (TSX: CCO) is a world leading uranium miner with the worlds largest uranium reserve being located in Saskatchewan in Canada.

Nuclear power is clean, safe (if run correctly) and cost effective. The only downside to Nuclear Power is the initial outlay is high and it takes around 10 years to get a project going. China has 11 Nuclear power rectors in operation, 12 under construction and at least 12 about to start construction. My view is China will follow France and go heavy into Nuclear Power. whilst the USA messes around with stupid wind and solar projects.

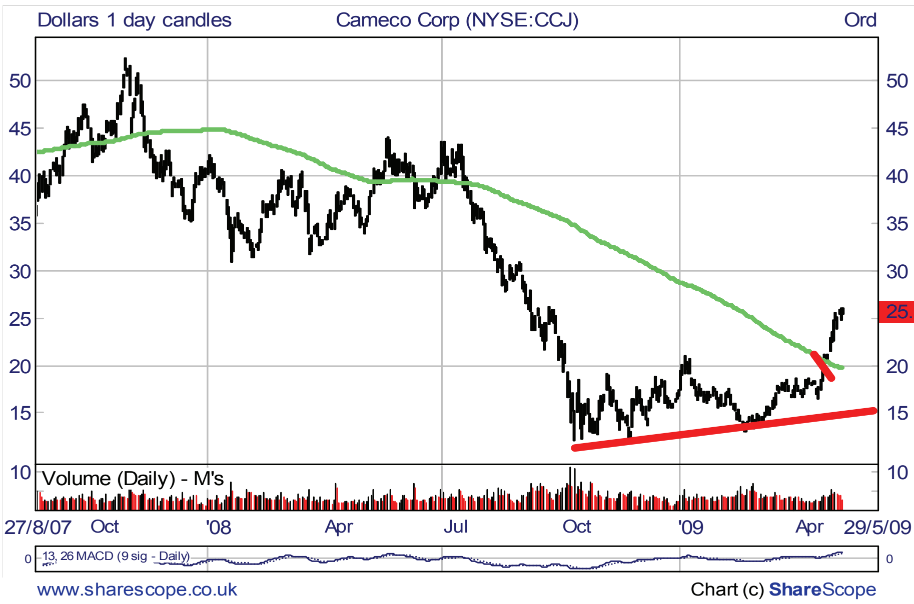
There is a Nuclear Energy ETF (NLR) which covered a basket of companies in this sector. You can read more at www.vaneck.com .

A smaller company play which is listed in the US and Canada is Denison Mines

(AMEX: DNN), this is a far more speculative play but one that could be a big winner in years to come. Denison has fallen from $14 down to around 30 cents at one stage before recovering to the current $2. The recent news that Korea Electric Power Corp has bough at 19.9% stake and have agreed to buy 20% of the production to 2015 has helped to stabilize the business. We could see this stock back up to $5 plus. (chart on next page)

Uranium Prices

I am still long term bullish on Uranium and in my view Nuclear energy will be the best option going forward. Wind and Solar energy sounds great but its not a serious alternative—Nuclear is—just look at France 80% of there power comes from Nuclear.

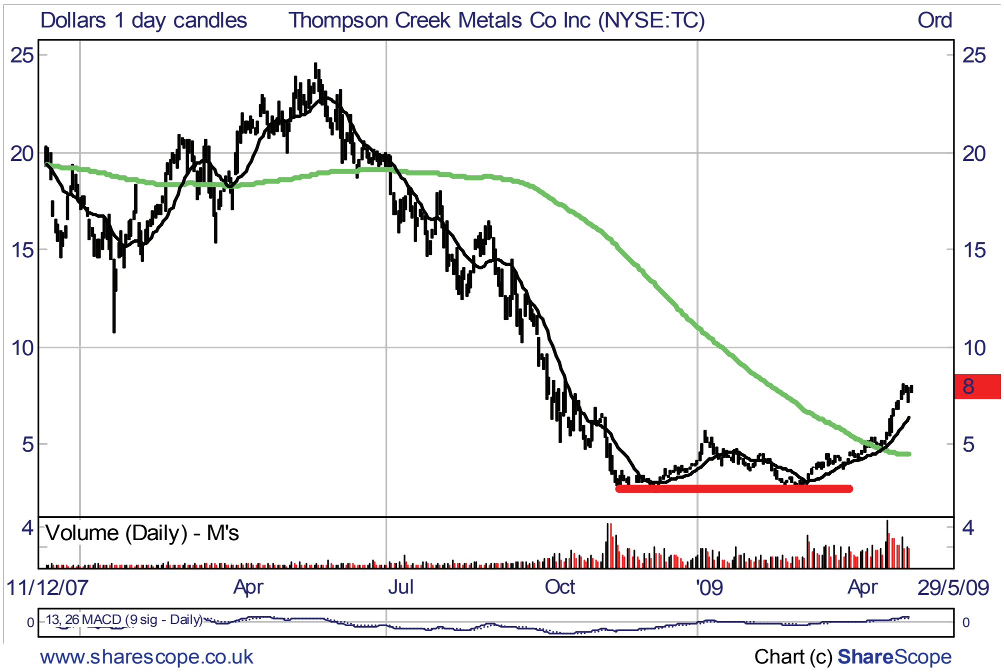


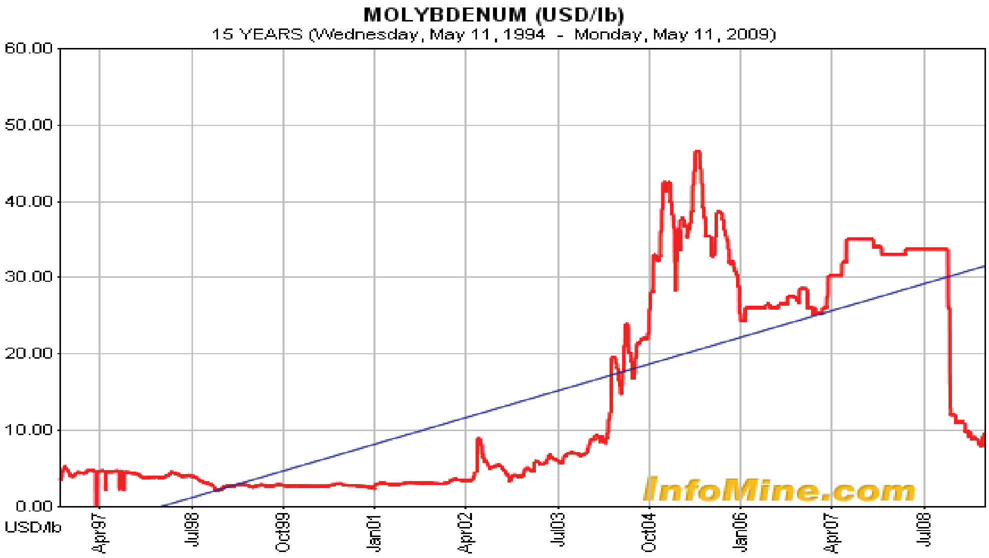
Thompson Creek Metals

This company is listed on the NYSE under TC and the TSX. The main focus is mining Molybdenum. Molybdeum is used for strengthening steel and is added to help make steel less corrosive.

Prices of Molydbenum have collapsed from $30 down to $9 and we are back to 2003 prices.

My view here is that with little new supply coming to the market the price of Moly can start to move up to the $15 to $20 level over the next 1 to 2 years. I am looking for TC to get back to $15 and it also has the possibility of being bought out by a larger player. The share is up 180% from the recent low but still down 68% from the highs. This is the sort of company to buy a few shares and forget about.


Dollars 1 day candles
Thompson Creek Metals Co Inc (NYSE:TC)
Ord
25
20
15
10
8
5
4
Volume (Daily) - M's
11/12/07
Apr
Jul
Oct
'09
Apr
29/5/09
13, 26 MACD (9 sig - Daily)
0
www.sharescope.co.uk
Chart (c) ShareScope


MOLYBDENUM (USD/lb)
15 YEARS (Wednesday, May 11, 1994 - Monday, May 11, 2009)
60.00
50.00
40.00
30.00
20.00
10.00
0.00
USD/lb
Apr97
Jul98
Oct99
Jan01
Apr02
Jul03
Oct04
Jan06
Apr07
Jul08
InfoMine.com


Dollars 1 day candles
Denison Mines Corp (AMEX:DNN)
Ord
14
12
10
8
6
4
2
2.21
Volume (Daily) - M's
27/8/07
Oct
'08
Apr
Jul
Oct
'09
Apr
29/5/09
13, 26 MACD (9 sig - Daily)
0
www.sharescope.co.uk
Chart (c) ShareScope