

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 \(GC\)](#)

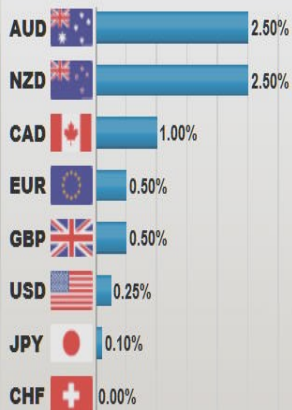
[Coffee \(KC\)](#)

[Sugar \(SB\)](#)


[Wheat](#)

[Cotton](#)

[Rough Rice](#)



The Insider Trader

Issue 101  May 2015

May brings Brighter days – but not so sunny for Financial Markets

May officially marks the beginning of the “Worst Six Months” for the DJIA and S&P. As the old saying goes “Sell in May and go away come back on St Ledgers day” St Ledgers for those that are not familiar is a horserace which will be from 10th September and over that weekend. <http://www.doncaster-racecourse.co.uk/st-leger/>

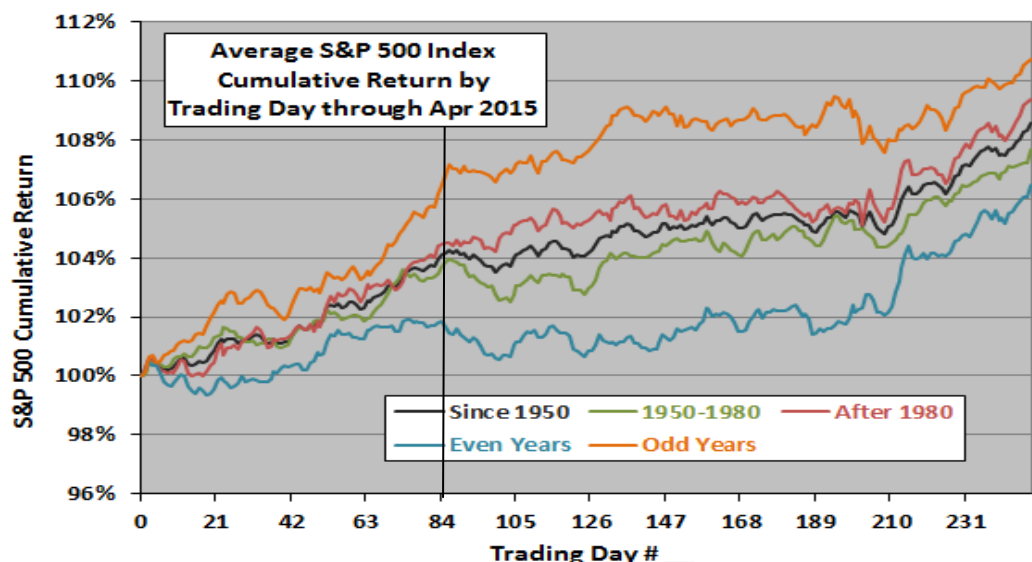
A \$10,000 investment in the DJIA compounded to \$816,984 for November-April in 64 years compared to \$221 loss for May-October. The same \$10,000 investment in the S&P 500 compounded to \$607,883 for November-April in 65 years compared to a gain of just \$8,090 for May-October.

Jeff Hirsch did a great presentation at my recent Financial Day explaining seasonality in depth, of course no system is 100% perfect, but results over time are

impressive as you can see from the returns just mentioned there is a massive difference. I also addressed the common questions “it does not work as well anymore” which is not true, I showed the data broken down in different periods and the overall pattern stays the same. (see below)

Another often missed advantage of seasonal switching is the reduction in market risk, whenever we own stocks we are taking a risk, if we can be out of markets for 6 months then we reduce our risk - **You cannot get killed if you are not on the battlefield.** Agreed you also lose some potential upside but that is the constant risk – reward trade off. Of course there will still be opportunities in individual stocks both long and short – Defensive sectors like consumer staples, health care and

The line on day 84 is around where we are today



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Of course there will still be opportunities in individual stocks both long and short –Defensive sectors like consumer staples, health care and utilities generally act as safe havens during any market turmoil.

What holds up best over the weaker months?

The Dogs of the Dow Stocks hold up well, that is why we do not switch the 10 Dogs and we hold them the entire year. Consumer Staples (XLP) such as food, tobacco also hold up better as do utilities (XLU). I have also bought VXX which should do well if markets become more volatile. As the seasonal chart shows (remember this is a guide not a guarantee) July going through to October can be volatile then we drop into the year end.

Healthcare (XLV)

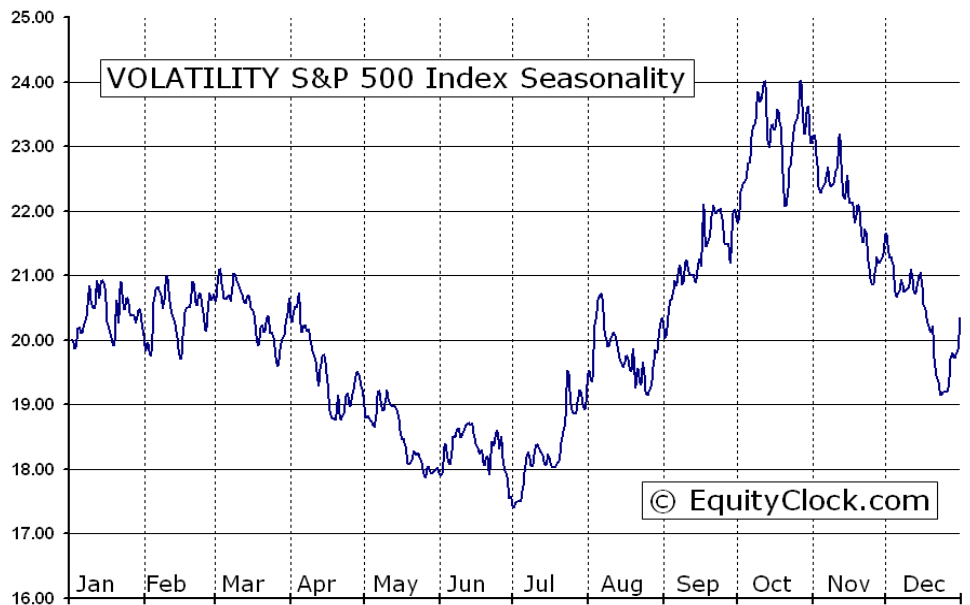
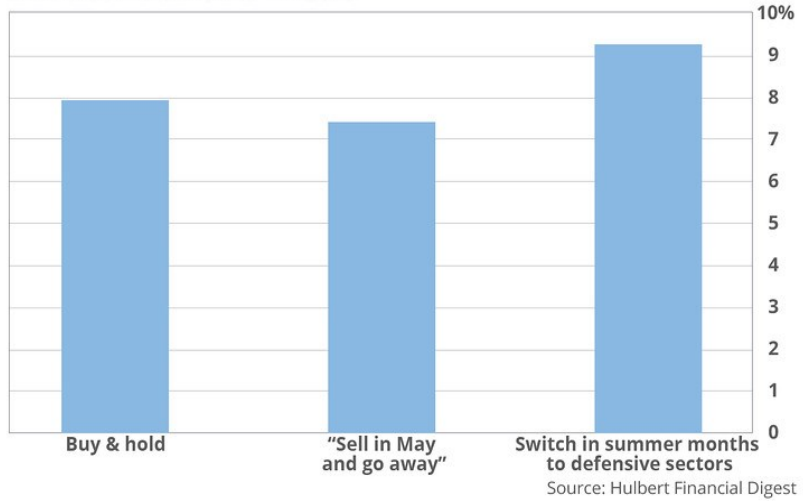
Just to be clear healthcare is not the same as biotech however these days there is some crossover. Some of the names with defensive qualities, paying a good dividend and at reasonable valuations include **Johnson & Johnson (JNJ)**, **Aetna (AET)** and **Athem (ANTM)**. I have owned ANTM and AET for some years ANTM was previously Wellpoint.

Consumer Staples (XLP)

The chart opposite shows the biggest holdings in the XLP ETF overall defensive companies that will hold up well. You will see two major pharmacies in that ETF **WBA** and **CVS** which are solid defensive plays (people still need prescriptions rain or shine!) A smaller more speculative play is Rite-Aid which I still like (**RAD**) and could be taken over at some point.

Cash or defensive sectors in summer?

Annualized return since 1/1/2005



Symbol	Company Name	Index Weight
PG	Procter & Gamble	12.13%
KO	Coca-Cola Co	9.00%
PM	Philip Morris International	7.28%
WMT	Wal-Mart Stores	6.90%
CVS	CVS Health Corporation	6.50%
MO	Altria Group Inc	5.11%
PEP	PepsiCo Inc	4.58%
WBA	Walgreens Boots Alliance Inc	4.38%
COST	Costco Wholesale Corp	3.70%
MDLZ	Mondelez International Inc	3.42%

EBAY – Old Tech – Good Value buy ahead of the split

About:

eBay Inc. operates as a technology company that enables commerce and payments on behalf of users, merchants, retailers, and brands of various sizes in the United States and internationally. It operates in three segments: Marketplaces, Payments, and Enterprise. The Marketplaces segment operates ecommerce platform, eBay.com; localized sites, including eBay.de and eBay.co.uk; vertical shopping Websites, such as StubHub; and classifieds Websites, such as alaMaula, BilBasen, dba.dk, eBay Classifieds, eBay Kleinanzeigen, eBay Annunci, Gumtree, Kijiji, iBazar, 2dehands.be, 2ememain.be, LoQUo, Marktplaats.nl, and mobile.de, as well as provides advertising services. The Payments segment operates Paypal, which enables individuals and businesses to send and receive payments online and through a range of mobile devices.

If you have been with me for some years you know that I have been a fan of EBAY and back on the 21st January 2010 I stated "Ebay – Outstanding Business at a bargain price" since that time the stock is up 142% however the last few years its been fairly sideways, **but that is all about to change.**

Ebay which as you can see from the above also owns a variety of other ecommerce companies such as Gumtree and Stubhub. The crown jewel is **Paypal**.

Ebay/Paypal are due to split into two companies within the next 3 to 4 months no set date has been announced, also we don't know the exact terms but lets say if you are an Ebay shareholder you get 1 new share in paypal, Ebay shares will then go down but **over time I expect the value of both parts to be worth at least 30% more than we are trading at today.**

Paypal will be accepted on Amazon.

As you may be aware Amazon customers cannot use paypal as it is owned by a near rival but once the companies legally split, then Amazon is very likely to

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JAN

Ebay – Outstanding Business at a bargain price



I am today placing an outright buy on Ebay (Nasdaq: EBAY) with a price target of \$35 before the end of 2010. Ebay reminds me in ways of Yahoo, a great company that lost its way over the last few years, however its coming back. If it sticks to what its good at which is the core Ebay and paypal areas then this company will roar back. Now Skype has been sold the key is to continue global expansion and attracting higher end business merchants.

Not only do you have a business which stands to gain regardless of good or bad business conditions you also have a free option on a takeover bid. At this price Ebay would make a great

Accept Paypal which will be a good boost.

Takeover potential for both halves

As we have seen in the past with spin offs within 18 to 24 months it is not uncommon to see one or even both of the newly spun companies to be bought out. Paypal could end up being owned by Visa. Amex, Mastercard or another financial company that would not want to own Ebay. On the end Ebay can be bought out by an Ecommerce company such as BABA which has the cash to do it and by buying Ebay it takes out a competitor and gets an inroad to the US market.

And another spin off possible

The company announced 2,400 job cuts, or 7 per cent of its workforce, and is now looking to spin off another part of the business called **eBay Enterprise**, which helps retailers with their e-commerce strategies. Source: Company's fourth-quarter earnings report (Jan. 21) that it is "exploring strategic options for eBay Enterprise, including a sale or IPO."

The value will not appear over night but right now Ebay is on a forward P/E of 17, has a strong cash balance and in a very buoyant and richly valued Ecommerce space it remains good value.

You can spread bet Ebay but do remember this is likely to be a 12 to 18 month hold, I just hold shares.

Two Powerful Industry Leaders



Business Overview	<ul style="list-style-type: none"> • Marketplaces: Connecting commerce globally • Enterprise: Solutions for retailers to compete in an omni-channel world 	<ul style="list-style-type: none"> • The way to pay across online, mobile and offline
Key Brands		
Competitive Position	<ul style="list-style-type: none"> • Commerce leader with unique capabilities across product selection, global distribution and omni-channel technology 	<ul style="list-style-type: none"> • Payments leader with unmatched payments platform, global scale and risk management

Transaction Overview

Transaction Structure	<ul style="list-style-type: none"> • Tax-free spinoff to eBay shareholders 							
Timing	<ul style="list-style-type: none"> • Separation expected to be completed in the second half of 2015 • Subject to market, regulatory and certain other conditions 							
Key Steps to Completion	<table border="1"> <tr> <td>Capital Structure</td> </tr> <tr> <td>Operating Agreements / Transition Services Agreement</td> </tr> <tr> <td>SEC Review Process</td> </tr> </table>	Capital Structure	Operating Agreements / Transition Services Agreement	SEC Review Process	<table border="1"> <tr> <td>Organizational Structure</td> </tr> <tr> <td>Stand-alone Financial Statements / Audits</td> </tr> <tr> <td>Board Approval</td> </tr> </table>	Organizational Structure	Stand-alone Financial Statements / Audits	Board Approval
Capital Structure								
Operating Agreements / Transition Services Agreement								
SEC Review Process								
Organizational Structure								
Stand-alone Financial Statements / Audits								
Board Approval								
Closing Conditions	<ul style="list-style-type: none"> • Final approval by eBay board of directors • Favorable opinion and/or rulings on tax-free nature of transaction • Effectiveness of Form-10 registration statement filed with the SEC • Other customary conditions 							

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.