

Markets at a glance

Trendspotter

Signals (click on links to obtain up to-date signal)

Dow Jones (DJ)

[Sell](#)

S&P 500 (SP)

[Sell](#)

FTSE 100 (X)

[Sell](#)

DAX (DY)

[Hold](#)

£/US\$ (BP)

[Buy](#)

US Dollar Index (DX)

[Sell](#)

Crude Oil (CL)

[Buy](#)

Gold (GC)

[Buy](#)

Coffee (KC)

[Sell](#)

Orange Juice (OJ)

[Hold](#)

Sugar (SB)

[Buy](#)

Wheat

[Sell](#)

Dates to Watch November 2007

19th Oct futures and options expire

27th— end of seasonal weak period

CENTRAL BANK RATES

 NZD	8.25%	 AUD	6.75%
 GBP	5.75%	 USD	4.50%
 CAD	4.50%	 EUR	4.00%
 CHF	2.75%	 JPY	0.50%

The Insider Trader



Issue 13

November 2007

Time to check your Oil



If you go back a few months ago you will recall I advised that everyone should have an exposure to oil and suggested a monthly buy and hold strategy using Exchange Traded Funds to accumulate a long term position. At that time oil was trading at less than \$60 a barrel and was not really making any headlines. Well, how a few months can change everything, now everyone has an opinion and forecast and is jumping on the oil bandwagon.

I still remain bullish long term on oil and commodities, however, the last few weeks just don't seem right to me and when everything seems so bullish you normally know its time for a fall. My fair value studies show that \$70 would be around the correct level. That's still well up for the year. Yes we can get to \$120 a barrel and stay above that level, however, it's not time yet.

Of course, the weaker US dollar makes the value of a barrel of oil cheaper in Pounds and Euros but the current price still does not stack up.

To me this is a speculative run up rather than a true dramatic fundamental change. We know China and India are rapidly devouring oil, however, this has been known for some years. What I am concerned about is the move since August 2007 to date. What has changed so dramatically in the last few months that's worth a 35% increase?

Many say supplies of oil are tight, I disagree. Oil is plentiful and if you do your research just a few months ago we had too much oil in Cushing where US WTI is stored. This caused Brent Crude to trade out of step with US WTI. Whilst many quote OPEC, one has to remember countries such as Russia, Mexico, USA, UK and Norway are not in OPEC and are at free will to pump and sell as much as they can. Of course, longer term I agree we will have to live with

Weekly chart on US WTI Oil shown with 20 week Simple Moving average. A move back to the \$77 level could happen in the coming months. I then expect the up trend to resume.



higher oil prices but I am talking about the next few months here not the next decade.

What's also interesting is that major financial companies are now becoming physical oil holders. Companies such as JP Morgan and Goldman Sachs don't just trade futures they actually take delivery of oil and have access to huge oil and gas takers. So if a contract comes to expiration at a price they deem is too low, they can take delivery of the oil, store it and then sell it on in due course.

The oil market is relatively unregulated and it's not hard for a big oil player to manipulate the market as required. The recent large losses by many hedge funds and investment banks in sub prime markets leads them to make bets in other markets to make up lost income and right now energy is a very hot market with these big players using complicated derivatives and using their storage capacity.

Many have called on OPEC to release more oil but as they correctly stated - this would not bring the price down as they are not in control of the market, it's the few big speculators.

So what's the plan and how can we back a contra view?

If you want to back this idea I suggest using covered warrants not spread bets and I also only advise you to put a small amount of risk money into this idea.

Right now you can buy an SG covered Warrant with a 10th June 08 expiration at around 2.5p. The strike price is \$60 and this is Brent Oil. The current Brent is trading around \$93. If Brent hits \$70 between now and the end of March 08 then this warrant would be worth around 7p giving a massive gain of over 170%. Obviously if it starts getting closer to June and oil goes higher or remains around these levels then of course your warrant will be worth zero and your premium is lost.

It's going to be interesting to see how this plays out but my bet is that oil will be nearer to \$70 than \$100 in the next few months.

Gold update

Those that followed me into gold in August at \$660 are now sitting on a very nice profit with the current price at over \$800.

Is the Gold market overdone? Yes, a little but the trend is still up and the \$1000 level in the next 12 months is not out of the question. From now until the end of the year we do remain in a sweet seasonal spot for gold.

What's been interesting with Gold is that any sell offs have been met by strong buying.



Why Gold can easily hit \$1,000+ in the next 12 months

Around 5 years ago if you wanted to invest in metals you could either spread bet, trade futures or buy physical metal. Whilst Spread Betting has grown in popularity the last few years it must be remembered that the majority of private investors do not use spread betting they have either online or telephone stockbroking accounts. However thanks to introduction of Exchange Traded Funds anyone can now own a few £100's worth of Gold, Silver or about any other commodity you can think of. This goes for UK, US and European investors.

Now remember the ETF issuer has to back the fund with Gold the pressure of all these new metal buyers is puts a very good foundation in the Gold price.

Silver is playing catch up to Gold but is still looking strong and I expect Silver to have a good year in 2008

Seasonality

We are now in a seasonal stronger time for the stock-market. As we head towards Christmas and year end markets tend to become calmer and volatile drops. Whilst its hard to predict the size of the gain we do think that the market will gain over the festive season and close around 13,300. Not as strong as many may of hoped for but still 7% Year on Year return. The best way to back seasonality is using a fixed odds bet with www.betonmarkets.net

Volatility

November so far has been a volatile month, however as the graph below shows once we get past the next week or so volatility should start to drop and December is one of least volatile months.

An idea could be to sell the volatility index between now and the first week of January. IG Index offers bets on the VIX index.

Senior (SNR) LSE Industrial Engineering

Whilst I am not a fan of investing in the airline business I do believe the demand for aviation of the next 10 to 20 years will be massive, with the demand for new planes coming from China and India more than making up any slowing order from the west.

Senior is an international manufacturing group with operations in 11 countries. Senior designs, manufactures and markets high technology components and systems for the worldwide civil aerospace, defence, diesel engine, exhaust system and energy markets.

The Group consists of two divisions:

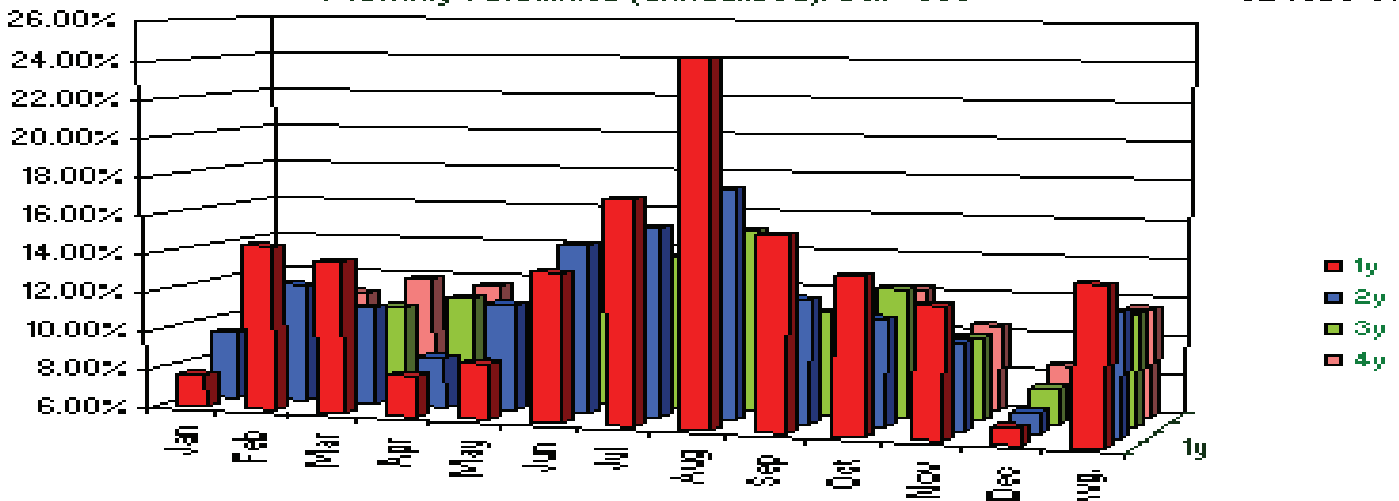
Aerospace - 51% of Group turnover - Engine structures and mountings, fluid control systems, metallic high-pressure ducting, composite low-pressure ducting.

Flexonics - 49% of Group turnover - Flexible exhaust connectors, engine emission pipework, diesel fuel systems, metallic and fabric expansion joints, flexible metallic hoses, ventilation ducting.

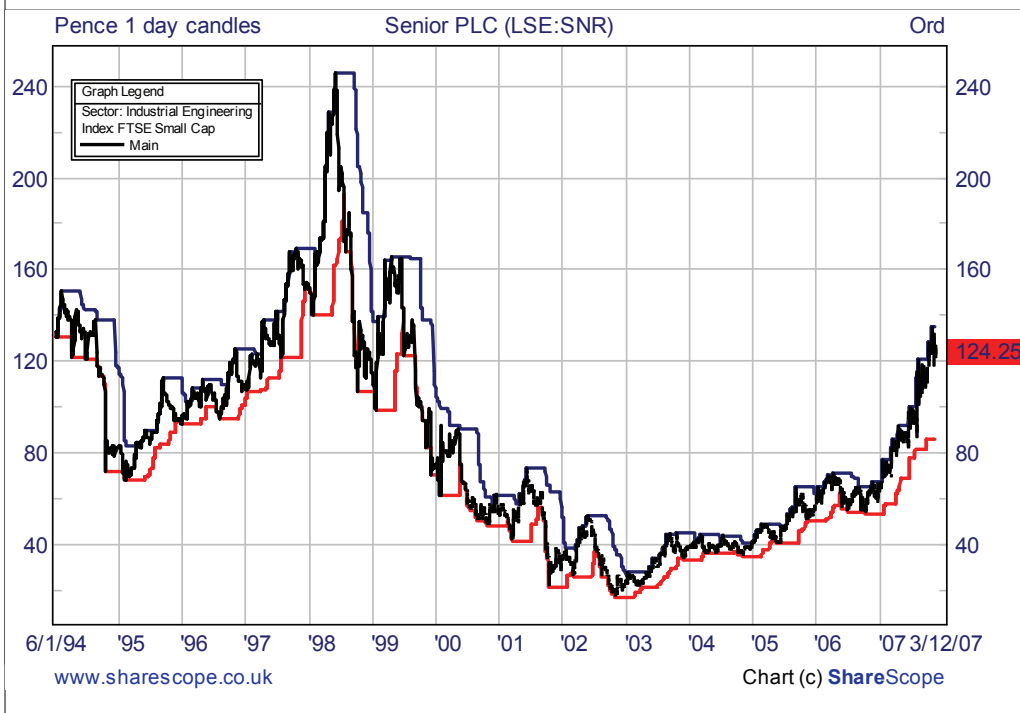
AMT which is owned by Senior has substantial content on the aviation industry's most popular aircraft, such as the Boeing 737 and Boeing 777, as well as positions on future aircraft, such as the Boeing 787.

Monthly Volatilities (annualised): S&P 500

02-Nov-07



The share has had a good year moving from 65p to the current 120p price however I see this trend continuing and I am looking for a move to 180p to 200p by this time next year. Its also still a fairly small company with a market cap of 500 million so a takeover bid would not be out of the question, GE could easily take this company over.



Supermodel Bundchen wants to be paid in Euros

On a lighter note Bloomberg reports that Gisele Bundchen wants to remain the world's richest model and is insisting that she be paid in almost any currency but the U.S. dollar.

When Bundchen, 27, signed a contract in August to represent Pantene hair products for Cincinnati-based Procter & Gamble Co., she demanded payment in euros, according to Veja, Brazil's biggest weekly magazine. She'll also get euros for the deal she reached last October with Dolce & Gabbana SpA in Milan to promote the Italian designer's new fragrance, The One, Veja reported. Bundchen earned \$33 million in the year through June, Forbes reported in July.

'More Attractive'

'Contracts starting now are more attractive in euros because we don't know what will happen to the dollar,' Patricia Bundchen, the model's twin sister and manager in Brazil said.

My View is well know and I have been warning against the Dollar collapse for the last 4 years. Bundchen would do very well to be paid in her native Brazilian Currency the Real which is looking very strong. The Brazilian economy and stockmarket are doing very well.

I do however think that the we will have a strong counter move rally in the coming months were the US dollar and the Yen will have some sharp gains. When everyone knows the dollar is going down then you know we are close to a trend change.

That's it for this month, wishing you a successful trading month.