

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 \(KC\)](#)

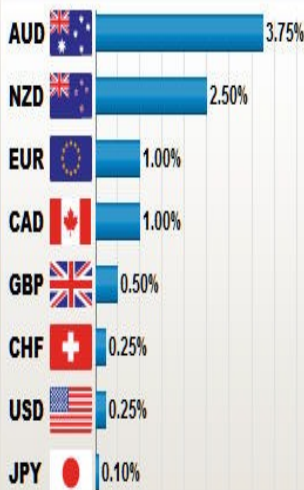
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)



The Insider Trader

Issue 79

November 2012

Seasonal Buy Signal Given – Its time get back into the Stockmarket



Regular readers will know that I am a big fan of seasonality in the financial markets. For those new to the concept; various studies and academic papers, including those done by the Stock Trader's Almanac show that the stock market has a very clear bullish and bearish period. The old adage "sell in May and go away," is more than an old wife's tale; with over 100 years of data backing up - the seasonal bias is more than random.

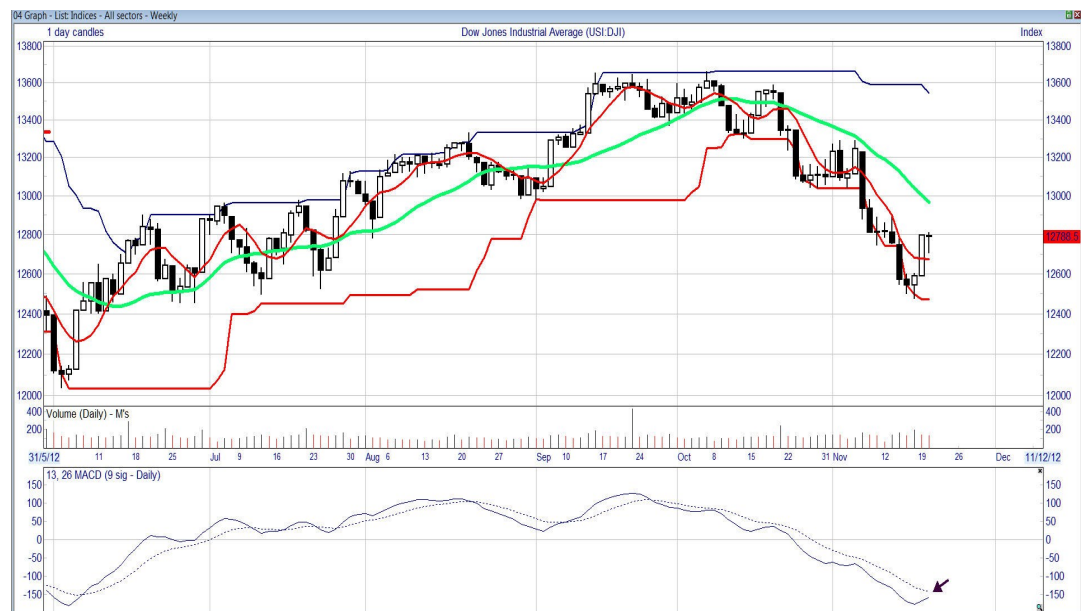
Professor Ben Jacobson, Abdullah Mamun and Nuttawat Visaltanachoti have an interesting paper on the subject see: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=784186

It's important to realise that "seasonality is a guide not a guarantee" it's like going to Vegas and seeing a slot matching that says it pays out 97%, it doesn't mean that if you put \$100 in you will get back \$97 because the 97% is an average over

time, normally many years, so your \$100 could win you \$10,000 or most likely you will end up with nothing. So if a market has a seasonal tendency to go up in November to April it doesn't mean it has to go up in 2012/2013. I have seen many traders give up and curse a trading system just because it does not work for one year even though it may have a 20 year positive track record.

The good news is that the US election is now out of the way and regardless of your political views the fact that it was a clear win without resorting to recounts (remember Bush/Gore in 2000?) removes one market worry. Of course, the world economies are far from rosy and President Obama has plenty more challenges ahead but overall the US markets which are the main ones I follow, are looking

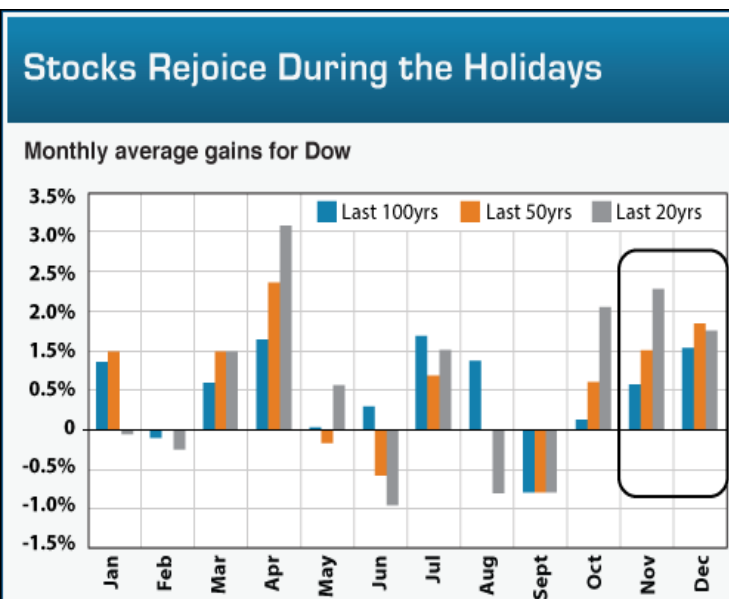
Below Dow Jones with standard MACD 13,26,9 just about to cross.



ready to move higher again in the coming months even with the recent increased volatility and sell off in November. Another factor which can also help is the year end effect which normally sees many in a better mood, market volatility tends to go down in December with funds using the last few weeks of the year to square up positions which normally has a positive effect on markets.

Show me the money

These are the results on the Dow Jones or Wall Street Index as many Financial Spread Betting bookmakers refer to it as. The reason I am using the Dow and not S&P500 is that I have more data on the Dow but certainly the last 20 years the S&P500 has moved in lock step. For November the average return is a positive 1.5% and for December its 1.8% and they are fairly consistent over 100, 50 and 20 years of data so before anyone says it's stopped working I don't see any evidence of weaker results in more recent years.



The reason I am using the Dow and not the S&P500 is that I have more data on the Dow but certainly the last 20 years the S&P500 has moved in lock step. In 2011 buying on the 1st of November and selling on the 1st of May made over 13% or over 1500 points, however, I would not expect a repeat of such a good return this time. The first year of the new presidential cycle is normally a weaker year for markets as the re-elected president is likely to make hard decisions quickly.

Still if we just trade in line with the average returns I expect to see the Dow touch 13600 towards the end

of the year or first few weeks of January 2013. For those following the S&P500 we could see 1450 to 1460.

You can look to back the expected up move by buying an Exchange Traded Fund such as the DIA which tracks the Dow Jones or SPY which tracks the S&P 500. You can also use a Spread Bet and you would look at the March 2013 contract. You must remember with a seasonal system you are exiting based on time rather than a set level or indicator, so you will need to be able to ride out any short term volatility. Those with Schwab can use the **SCHB Schwab US Broad Market ETF** which is commission Free and currently has an annual management fee of just 0.04% see: <https://www.schwabets.com/>

If you want more risk then the X3 leveraged ETF SPXL which will move 300% the daily move is one to consider.

Hold on.. The Obama win is good news for the Stockmarket...

After the recent reaction on Wall Street with the Dow Jones falling over 650 points in 10 days you may jump to the conclusion that four more years of Democrats is bad news for the stockmarket but the stockmarket favours the Democrats.

I crunched data going back to 1921 using the Dow Jones Industrial Average and found that the common view of Republicans are better for business and stocks did not hold true. In fact the average return for the Dow Jones over the period

was a positive 12.4% with democrats in power whereas under the Republicans its 6.9%. Many forget that when Obama took office the first time around the Dow was trading at 8800 against the recent 12600 that's a near 43% gain. Under the last Republican president George Bush Junior (2005 to 2009) stocks were down 18% and in his first term they were flat. One of the best presidents for the stockmarket in recent years has been Bill Clinton (Democrats), in his first term markets soared 95% and followed on with 67% in second term. (See next page).

Obama friendly for some Healthcare Stocks



If President Obama will be remembered for anything from his 8 year term I believe it will be [The Patient Protection and Affordable Care Act](#) commonly known as Obamacare. Had Romney won, this act would have been repealed or certainly heavily watered down. The aim of the bill is to get more Americans to take affordable private cover, provide tax credits and force insurance companies to make health insurance easier to obtain for those with existing conditions. The plan starts to phase in for 2014 and could bring in up to 30 million more patients. Regardless of the bill the US healthcare industry needs to reform and with an ageing population spending will continue to rise.

Tenet Healthcare (NYSE:THC)

ABOUT: Tenet Healthcare is an investor-owned health care services company whose subsidiaries and affiliates own and operate acute care hospitals, ambulatory surgery centers, diagnostic imaging centers and related health care facilities. Its core business is focused on providing acute care treatment, including inpatient care, intensive care, cardiac care, radiology services and emergency medical treatment, as well as outpatient services

Annualized Market Returns Under Each Party			
Years	Democrats	Years	Republicans
1933-1952	12.1%	1921-1932	6.6%
1961-1968	11.0%	1953-1960	5.5%
1977-1980	6.7%	1969-1976	5.4%
1993-2000	19.9%	1981-1992	13.5%
2009-2012	12.2%	2001-2008	3.3%
Median	12.4%	Median	6.9%

Source: S&P Capital IQ

President	R/D	Term	Beginning Dow	Ending Dow	Gain/Loss
Kennedy/Johnson	Dem	1961-65	615.9	874.1	+ 41.9%
Johnson	Dem	1965-69	874.1	945.1	+ 8.1%
Nixon	Rep	1969-73	945.1	1020	+ 7.9%
Nixon/Ford	Rep	1973-77	1020	1005	- 0.1%
Carter	Dem	1977-81	1005	964.0	- 4.1%
Reagan	Rep	1981-85	964.0	1211	+ 25.6%
Reagan	Rep	1985-89	1211	2168	+79.0%
Bush Sr.	Rep	1989-93	2168	3301	+ 52.3%
Clinton	Dem	1993-97	3301	6448	+ 95.3%
Clinton	Dem	1997-01	6448	10786	+ 67.3%
Bush Jr.	Rep	2001-05	10786	10783	-
Bush Jr.	Rep	2005-09	10783	8776	- 18.6%
Obama	Dem	2009/12*	8776	12930	+ 47.3%

* To the close Nov. 7, 2012.

Over the six Democratic terms the Dow gained 255.8%, or an average of 42.6% per term.

Over the seven Republican terms the Dow gained 147.1%, or an average of 21.0% per term.

As more people are covered by health insurance this will be good news for Tenet. The stock is on a 150/16 buy signal and after being in a 5 year range I believe we are finally going to see better days. The company recently completed a 1:4 reverse stock split and confirmed they'd be buying up to \$500 million in stock, issue \$800 million in new debt, and use \$400 million toward potential acquisitions.

A well respected value hedge fund Glenview Associates have been buying stock the last few months and now own around 13% of the company. Glenview also own smaller positions in HCA (HCA), Health Management Associates (HMA) and LifePoint Hospitals (LPNT)

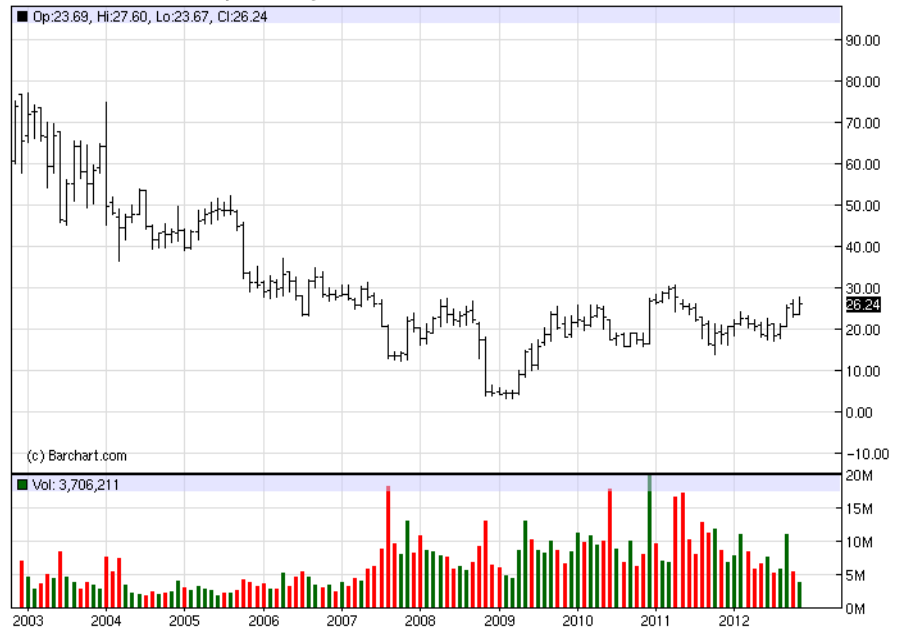
It's currently trading at \$26, however, I can see Tenet moving to \$35 to \$40 in the next 2 years. It's not an overnight turn around but it really has potential.

Gilead Sciences (GILD)

About: Gilead Sciences, Inc. (Gilead) is a research-based biopharmaceutical company that discovers, develops and commercializes medicines. Gilead's primary areas of focus include human immunodeficiency virus (HIV)/AIDS, liver diseases, such as hepatitis B and C and cardiovascular/metabolic and respiratory conditions. The Company has operations in North America, Europe and Asia Pacific. The Company's products include Atripla, Truvada, Viread, Complera/Eviplera, Emtriva, Hepsera, Letairis, Ranexa, Lexiscan/Rapiscan, AmBisome, Vistide, Macugen, Cayston and Tamiflu. In January 2012, the Company acquired Pharmasset, Inc.

Gilead has been a great success story. Even after the near 70% up move in 2012 the company is still on a reasonable valuation, P/E 23 coming down to 17 in 2013. It has a very strong pipeline including hepatitis C treatments which it acquired when it took over Pharmasset. GILD is heavily weighted in the major Biotech ETFs including **IBB** (7.29%) and **BBH** (12%). A note on biotech, yes the last few months has seen a pull back in the ETFs but overall they remain in a strong uptrend. IBB is still up 25% this year.

THC - Tenet Healthcare Corp. - Monthly OHLC Chart



GILD - Gilead Sciences - Monthly OHLC Chart



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.