

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](#)

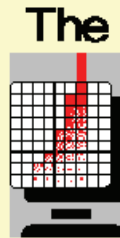
[Rough Rice](#)

CENTRAL BANK RATES

NZD	2.50%	AUD	3.25%
GBP	0.50%	USD	0.25%
CAD	0.25%	EUR	1.00%
CHF	0.25%	JPY	0.10%

Insider

Issue 37



Trader

November 2009

DOW 10,000 again or was that Dow 7,500?

Break out the Champagne the Dow Jones Industrial Average has made it back to 10,000 but don't get too excited as it first reached that milestone over 10 years ago. In other words, buy-and-hold stock investors have suffered through a market that has produced zero gains over the past decade. The FTSE100 is not much better, with all the smoke and mirror of the companies changing that make up the members of the FTSE100 it's still just around 5000 the same level it first hit in 1997.

But it gets worse; if you take the Dow at 10,000 today and you adjust for inflation and the dollar falls is only worth around 7,500 so you have not stood still but lost money. **This is an important lesson to all investors the Dow could go to 30,000 in the next 10**



years but if inflation soars and purchasing power plummets then your Dow 30,000 means nothing. Now before you say what about dividends, agreed both the Dow and FTSE100 would have given you a divided yield but so would a good high interest savings account. The conclusion is that buying and holding large cap stocks may work over 100 years but certainly does not work over 10 years.

Gold would have been a far better investment during the last 10 years. An ounce of Gold is up around 100% over the last decade; now to be fair we also need to factor

Dow Jones/Dollar Index—When 10,000 is really 7500



in loss of purchasing power, so let's take off 40% i.e. the US dollar now buys 40% less than it did in 1999. So that leaves a gain of 60% which is still far better than the stock market and you have preserved purchasing power. If I had to say for the next 10 years which will be the best investment out of FTSE100, Dow or Gold I would have to say Gold.

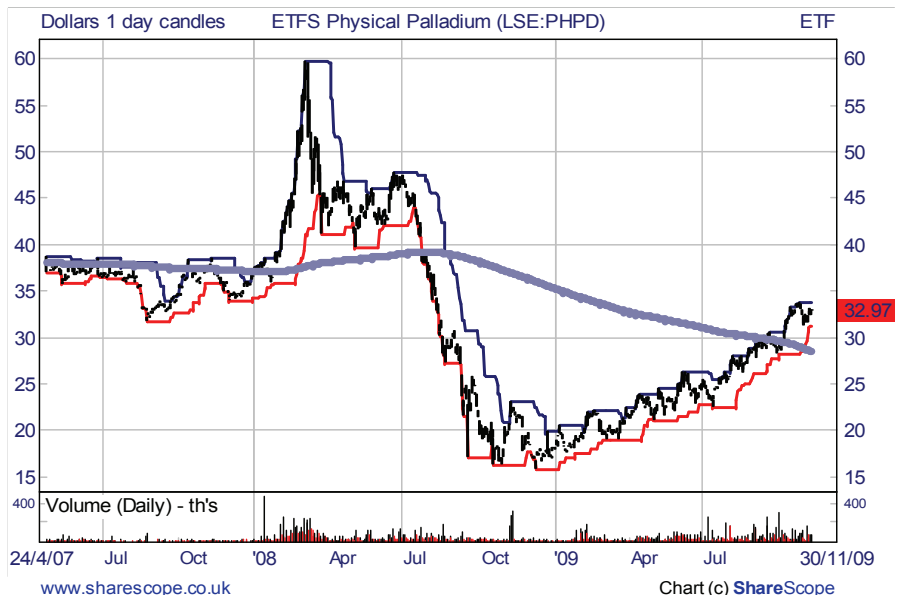
I would buy physical gold and store it myself as I don't trust banks or Etf's long term. Also an ounce of Gold when the Dow previously hit 10,000 the first time was \$460 so it would cost you 21.7 ounces of gold to buy the Dow 10000/460 at over \$1000 an ounce today 10000/1000 will cost you less than 10. Of course gold can pull back, maybe even back to \$750 at some stage but over the next decade I see higher prices. **Remember the price of anything only matters when you come to sell it and if you own physical gold you have no expiration date. The same goes for Silver, Platinum and Palladium.**

Of course, we still have lots of opportunities to make money in global markets, even in a sideways market you will have shares going up and down, also as I have stated in previous editions, its a big world and the smart money is not in the UK, US or Europe it's in Brazil, South Africa, Africa, India and Asia as they are seeing the true growth. Australia, New Zealand and Canada are also doing better as they have raw materials that the emerging markets need.

I still remain long term bullish on commodities especially agriculture and in that I also include sugar, cocoa

and coffee. It's the easiest way to get global exposure.

My seasonal system has now given a buy signal, on the S&P500 if you recall historically October to April is where stock markets make most of their gains. This year with all the Frankenstein market manipulation seasonality has been thrown out but it would be wrong to give up on a system because of this. I still take the view that this rally does not stack up and the rally since March is nothing more than a quick fix liquidity rally which comes from investors having to put money into the stock market and riskier assets because they are being paid near zero on



Whilst Gold has been making headlines Palladium has been moving up nicely and I have been buying it steadily.

on savings. If anyone wants to argue that this is a real rally in stocks and corporate bonds, then put interest rates up to around 5% and see how much money flows back into cash deposits. For now with zero interest rates and the Fed printing money, stocks are safe for the next few months.

Much is being made out about the rally from the March 2009 lows, however, a better focus would be the rate of return since January 2009, which as I write is up 15% year to date on the S&P500 and 17% for FTSE100, not bad but not so spectacular.

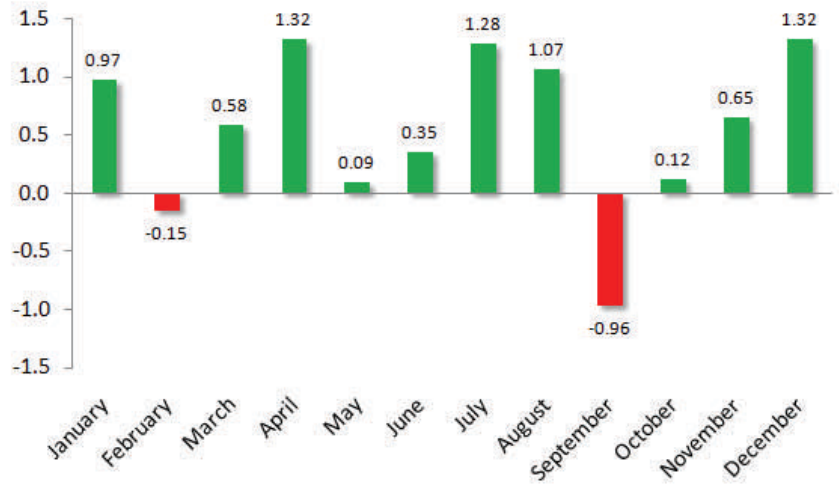
Everyone hates the US dollar but what's the alternative?

How many of you reading this article are on an operating system run by Microsoft Windows? The answer is the majority and you're not reading it on a MAC, OS2, Linux or any other system. Also most people I know that have a MAC also have a PC.

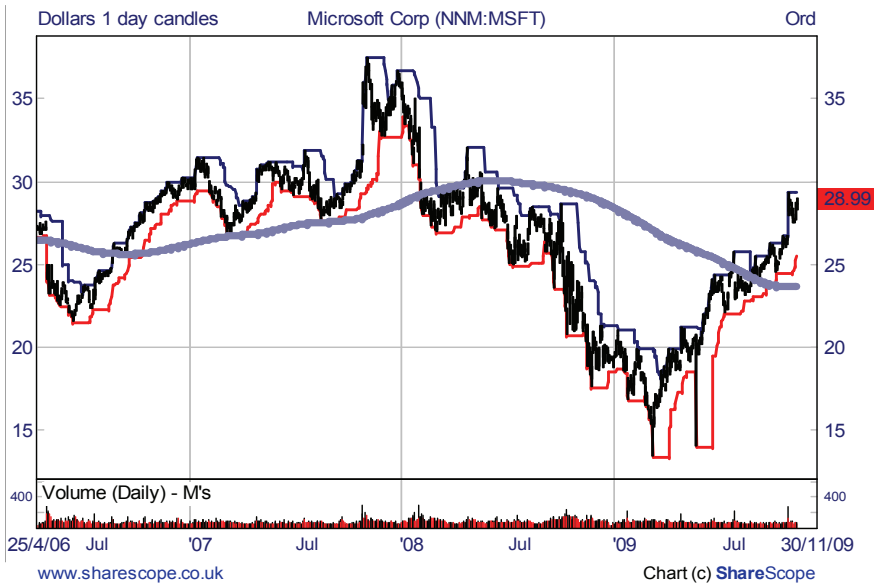
I am often told that Windows is dead; well that's not what I am seeing. So it's the same for the US Dollar, the Dollar is what Windows is to global operating systems. I'm sure at some stage we will get a new global currency hopefully one that's backed by real assets, right now there is no alternative and the Euro is certainly not it.

On the point of **Microsoft (MSFT)** for the last few years it's been fashionable to be anti Microsoft, many switched to Apple Macs and away from Internet Explorer as they were fed up of Microsoft but I see a turn in sentiment and a revival. Microsoft is a multinational company and has dominance in many markets. The new Windows 7 operating system whilst not perfect is far better than Vista. The recent run up in the stock is justified but I would like to buy some on a pull back at around \$25 and would look to hold this going out 12 to 18 months. In a similar space **Yahoo** which I featured last December at \$12 now \$16 is on a

DJIA Average Monthly Performance Over Last 100 Years



With September and October passing with no shocks markets look se for a final year end rally.



on a strong turnaround and is coming back into favour with great new leadership from Carol Bartz.



AAA US rated stocks

Only four nonfinancial companies in the US are still rated as AAA by Standard and Poors these are:

Mircosoft (MSFT) , Johnson & Johnson (JNJ), Exxon Mobil (XOM) and Automatic Data Processing Inc (ADP)

Whilst rating agencies have lost a lot of credibility after the mess they made with rating financial products you have to respect an AAA rating and the four survivors do have strong financial balance sheets and these companies have the least chance of defaulting on credit/bonds.

Conseco Inc (NYSE CNO) \$5.30

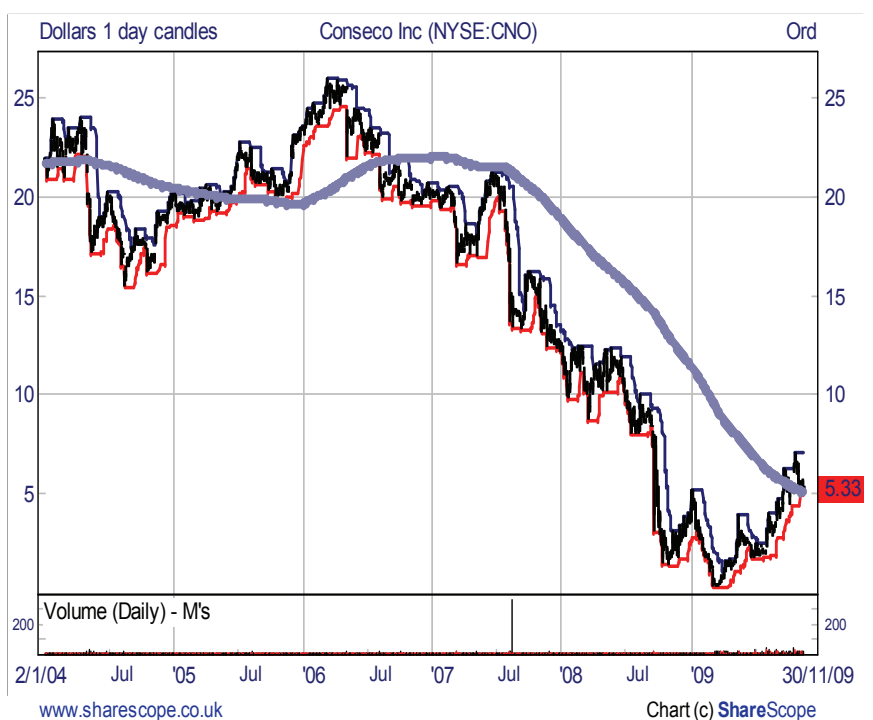
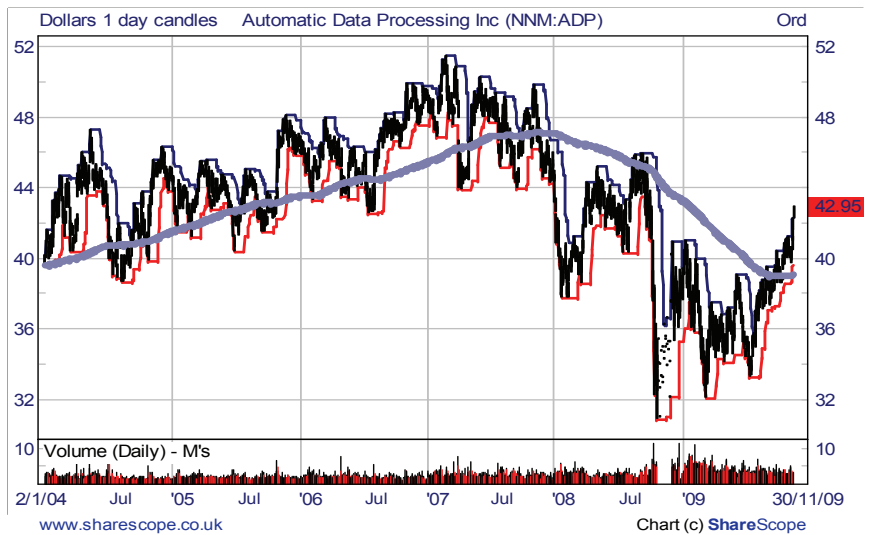
This is a company I have been buying the last few days, you can also spread bet. I am looking at around 12 to 18 months for this to turnaround but I think its going to be worth the ride and can see at least 100% profit.

Conseco was on the way to bankruptcy however they managed to raise \$77 million from the smartest hedge fund manager in the world and that is John Paulson of Paulson Co, they now own 9.9%

Taken from 4th November release

We have continued to make progress and after the quarter ended we undertook a series of transactions to enhance Conseco's liquidity and capital positions," Prieur said. These transactions included entering into a stock and warrant purchase agreement with Paulson & Co. Inc. to sell Paulson 16.4 million shares of common stock and warrants to purchase 5 million shares of common stock, and announcing a private offering of up to \$293 million of 7% convertible senior debentures to fund the purchase of our existing convertible debentures. Upon closing of the private sale of common stock, Paulson will own approximately 9.9% of Conseco's outstanding shares.

They are also raising another 200 million this may depress the share a bit short term but longer term and with Paulson holding near 10% the future is far brighter and you can see that the chart has turned around and started to build a base. Of course this is still a high risk trade so as always only invest risk capital as this is a stock



that is coming off life support.