The Insider Trader

Issue 35

September 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%

Happy Days Are Here Again?

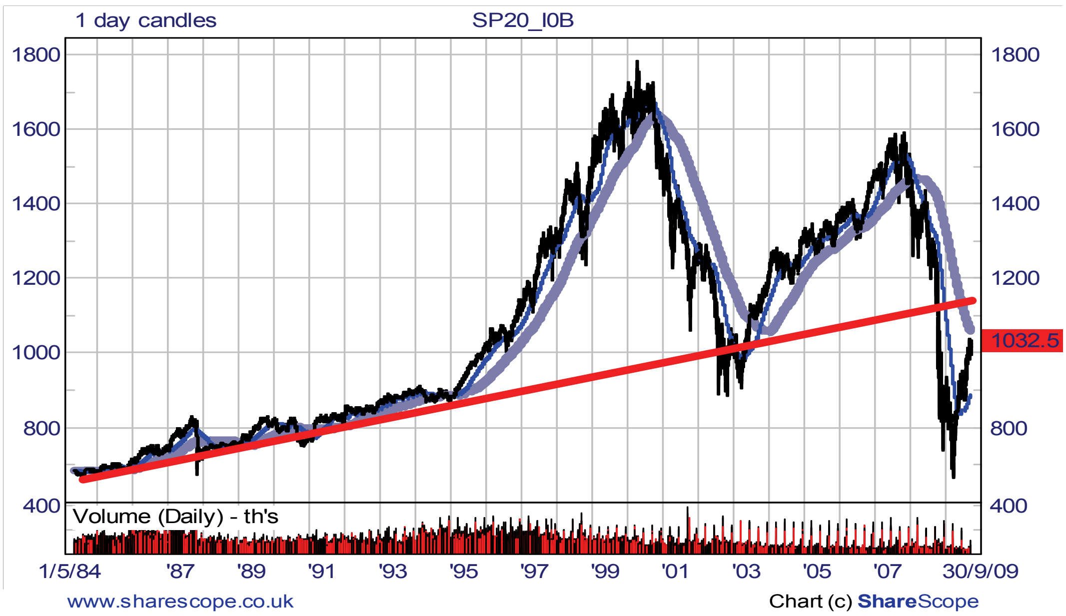
All together now *"Happy days are here again, the skies above are clear again, so let's sing a song of cheer again, happy days are here again"* By J Yellen and M Ager (1929)

Whilst most of us were not around in 1929 the song is fairly familiar but many may not realise that it was first released in October 1929 just before the stock market crash which started the great depression. It was used in 1932 by Franklin D. Roosevelt and became a theme song for the Democratic Party to symbolise better times ahead.

Whilst the recent Global stockmarket bounce since March is impressive I don't buy into the "happy days are here again" mainly because it's just happened too quickly and true bottoms don't form in a few months - they take years if not decades to form.

Now before I sound like a perma bear, I am not. I see plenty of trading opportunities both on buying and selling, as financial traders I honestly think we are blessed to live in these interesting times. Let's put this into perspective, it took investors over 3 years to make 30% in Bank of America between 2004 and 2007. It took traders 4 months to make 210% on the same stock between March and July 2009. Now is the

Below S&P500 from 1984 to date. If we break and hold above the 420 day MA this will be a long term buy signal the last one given out in 2003 and closed in 2008.



time to start getting out of higher risk stocks and taking less risk, do you really think that Bank of America will go up another 200% in the next 5 months?

Recent moves up in the stock market are nothing more than manufactured short term gains, with much of the summer trading volume coming from zombie penny stocks such as Fannie Mae (FNM), Freddie Mac (FRE), CIT Group (CIT) and Sirius XM Radio (SIRI) being flipped like coins. These are not the type of companies that lead a new bull market and these are certainly not being bought by long term investors.

So as we go into the darker winter nights my basic theme is to get out of anything that has gone up 100%+ in 5 months, and switch to dividend paying stocks with solid earnings and demand. One such stock being Altria (NYSE: MO) which I have owned since 2003.

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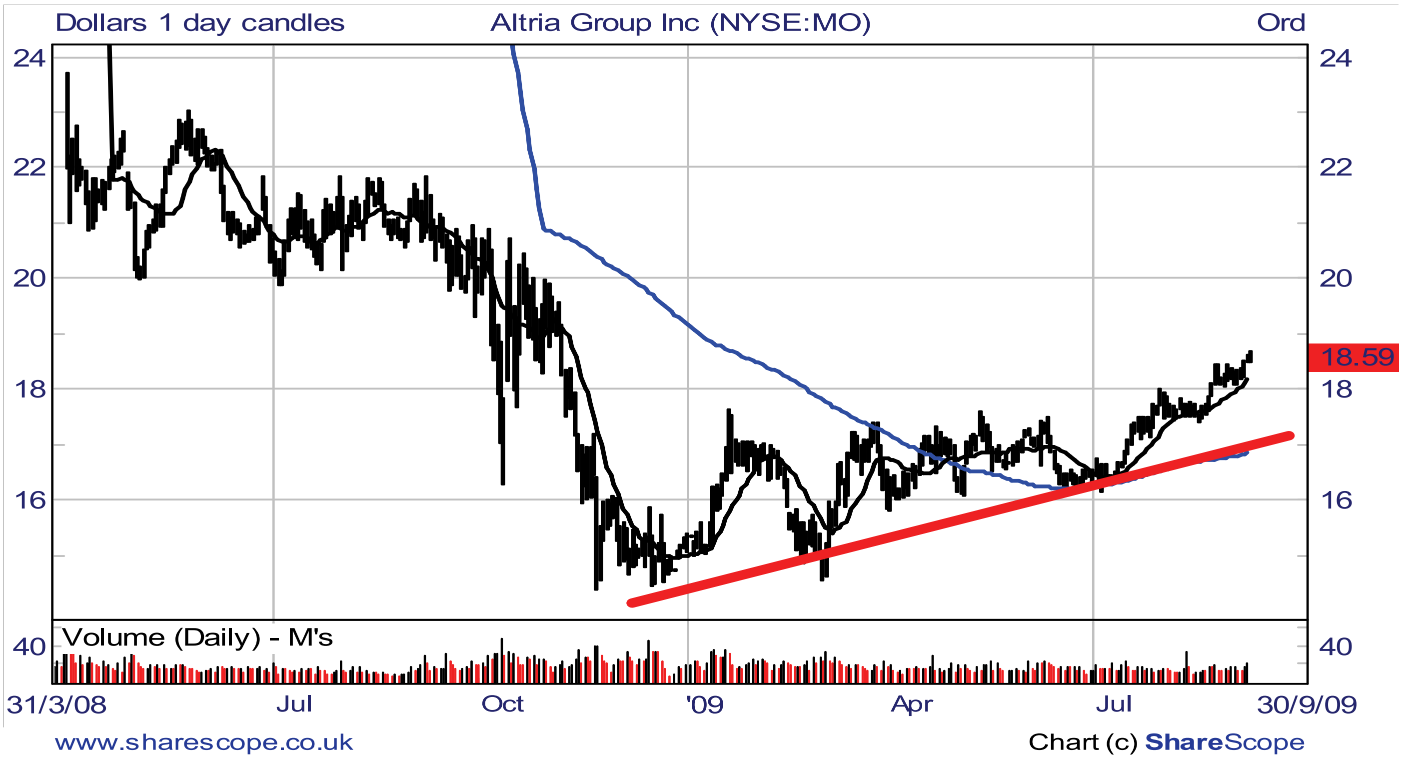
Altria is the US side of the former Philip Morris with the International higher growth side being spun out into Philip Morris International (NYSE:PMI). Whilst I also still hold PMI and Kraft I topped up on Altria as it's currently paying a 7.48% dividend and continues to be a steady earner. As well as Tobacco Altria also own a 28% stake in beer company SAB Miller (LSE: SAB) which is also doing well and is not far off an all time high. Altria also recently took over UST the world's leading smokeless tobacco manufacturer. At $18 it's the type of stock you want to hold in the coming months.

In the commodities market I don't like the look of Crude Oil and have built up a short position from $73 a barrel. A premium has been built in for higher demand and for possible hurricanes, so far I see neither and I am looking for $55 to $60 before the end of November. You can back the fall in oil prices using a Covered Warrant, Spread Bet or Inverse ETF. Longer term I see higher Oil prices but certainly for the next few months I see a glut of oil which will bring the near term prices down. I am also looking for a fall in Unleaded Gasoline (Petrol) and you can look to back this by buying the inverse Exchange Traded Fund (LSE: SGAS) or you can spread bet RBOB gasoline

Below Altria after the spin off from Philip Morris. A great stock I intent to hold for many years to come.

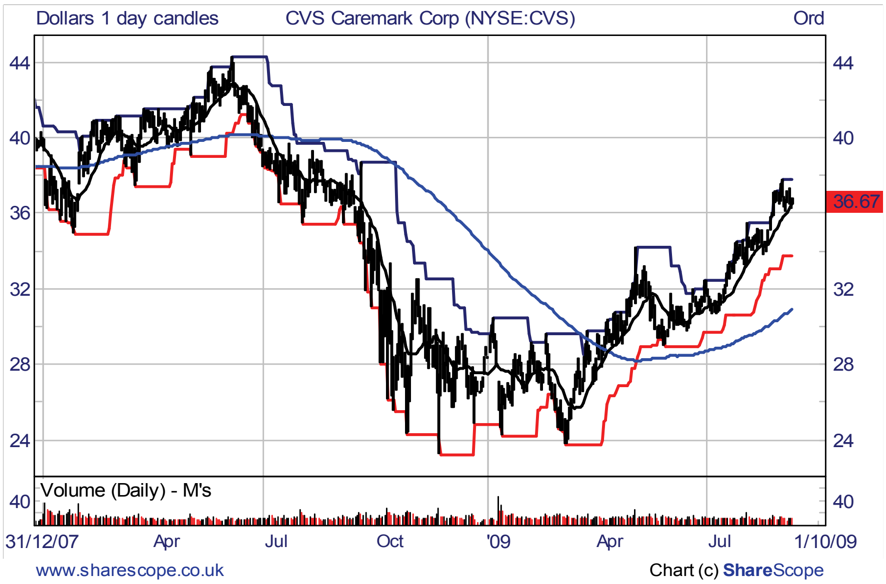


but it is volatile so the ETF is easier. From the current $1.75 a gallon level we could see a fall back to $1.30 with a lower demand for driving and too much refinery capacity.

Pharmacy stocks

One of the few bright spots in the retail sector is Pharmacy stocks. The following companies are based in the US. The first is **Walgreens (NYSE WAG)** which operates 6,996 drugstores (chemists) throughout the US. They also operate care clinics and wellness centers inside large companies. The stock is currently trading at $33 on a P/E 16.

The second stock **is CVS Caremark (NYSE: CVS)** which also has around 6900 drugstores in the US with over 4 million customers each day. 500 stores have retail based health clinics for quick check ups and offer vaccinations. CVS are currently trading at around $37 with a P/E of 15 with a market cap of 57 billion against Walgreens 33 billion. Whatever happens with the Obama health care bill this area is safe and both stocks offer good predictable earnings pattern and will benefit from what could be a very busy season ahead for flues and other viruses.



Unleaded Gasoline (RBOB) looking weak as we go into October and November as driving demand goes down. Also if refineries draw down less crude watch Oil prices fall as well.