

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			
 8.00%	 7.00%		
NZD	AUD		
 5.00%	 2.00%		
GBP	USD		
 3.00%	 4.25%		
CAD	EUR		
 2.75%	 0.50%		
CHF	JPY		

The Insider Trader

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Gold is your best friend in uncertain times

They say that a dog is a man's best friend but for investors in these turbulent times I would say having an exposure to gold is a good equivalent.

The last few months have seen Gold and most commodities come off record highs, hardly a shock to my readers. When ever any market moves up or down so quickly we always get some sort of a correction. What is important to realise is that a correction does not mean that the long term trend is over. If you go back to the bull market in stocks before 2000 you may recall we had many bumps along the way, so it would be foolish to think that commodities would act any differently.

Just when everyone was convinced that Oil prices were on the way to \$200 a barrel and the front pages of

most business magazines were telling us to get out of the US dollar and into Oil - we now see exactly the reverse, the US Dollar bouncing and Oil moving to \$100, still not a bargain but better than \$150.

One of the best commodities to hold at present has to be Gold even with the stronger US Dollar which makes Gold more expensive for overseas buyers Gold so far is holding up extremely well.

Seasonally, September to December Gold tends to do well. The recent summer sell off in Gold was nothing new and anyone buying Gold at below \$800 should be well rewarded in the next few months.

You can back gold in various ways including Spread Bets, Fixed Odds and Warrants, at present I have trades on Gold using all three methods. For most, a cov-

Chart:: Gold seasonal chart, odds of a good September to December ahead.



covered warrant on Gold would be a fairly safe way to get exposure to Gold with a strictly limited risk. The SG \$800 December calls 08 are currently trading at 30p. Code: SK72

What I am looking for is Gold and possibly Silver to decouple from other commodities and move higher even if Oil continues going down. Gold is accumulated as a store of wealth rather than actually used as in the case of copper. Whilst I am long Gold, I am short Copper as I see demand failing for industrial metals until at least early next year.

Reduced risk appetite

From my own research and talking to various banks who deal with wealthy clients; their has been a large shift away from any investment with high risk, in fact one Swiss based bank told me that most clients were holding large amounts of cash on account rather than speculating on the stock market or any other market. You could say that this is a good contrary indicator, as at some stage these clients will get fed up of earning small returns on cash and want to get back into the markets but this could be some time yet, certainly months. What we could see is more wealthy customers looking at Gold as a store of wealth and this could be what propels the next big move up in Gold which could easily take us to around the \$1,000 level before Spring 2009.

What about Gold shares?

Investing in physical Gold and investing in Gold mining shares are two different animals. Just because actual Gold prices go up it doesn't mean that Gold Mining shares will go up, however, we are due a bounce in Mining shares. One way to trade Gold Mining shares is via the Market Vectors Gold Miners ETF (AMEX: GDX) This gives you exposure to a basket of major mining companies including:

Barrick Gold Corporation 12.60%, Goldcorp Inc.10.67%, Newmont Mining7.65%, Kinross Gold Corporation5.70%,

Agnico-Eagle Mines, 5.38%Yamana Gold, Inc.5.27%, Gold Fields Limited ADR4.78%, Harmony Gold Mining Company Limited ADR4.60%, Randgold Resources, Ltd. ADR4.59% and Buenaventura Mining Company Inc. ADR4.32%. The percentages represent the weighting of each share.

As you can see, every time the GDX gets to around the \$32 level we see a strong rebound, so this could be a good trade for the next few months. IG Index and most spread betting companies offer a spread bet on GDX, you could look at the December contract with a stop at around \$28.00.

Update of the British Pound

Back in the February 2008 edition I wrote:

On the subject of currencies the British Pound is looking bearish. After hitting the 2.10 level against the USD we have seen a sharp sell off with the psychological 2 dollars to the pound level being broken. Whilst we will see some attempt to regain the 2 to 1 level I really don't see this holding and am looking for a fall back to 1.90 and then down to 1.80 before the end of the year. You could look to trade this idea with a covered warrant as well. Use the 1.90 GBP/USD PUT which has a Dec 08 Expiration currently trading around 26p

Whilst we recently saw the Pound looking strong against the US dollar the Pound has been hitting new all time low against the Euro. The Pound also is giving sell signal against the Yen, Swiss Franc, Canadian \$ and Australian \$ to name a few.

Gold Miners ETF (GDX) if your interested in finding out

http://www.vaneck.com/index.cfm?cat=3192&cGroup=ETF&tkr=GDX&LN=3_02



Since then the **SX63** has gone from 26p to around 90p. This is where covered warrants beat spread bets. I was bearish on the £ far too early, if I had spread bet this idea then I would of most probably lost money. However with my warrant my 26p was sunk costs and my time value was until December.

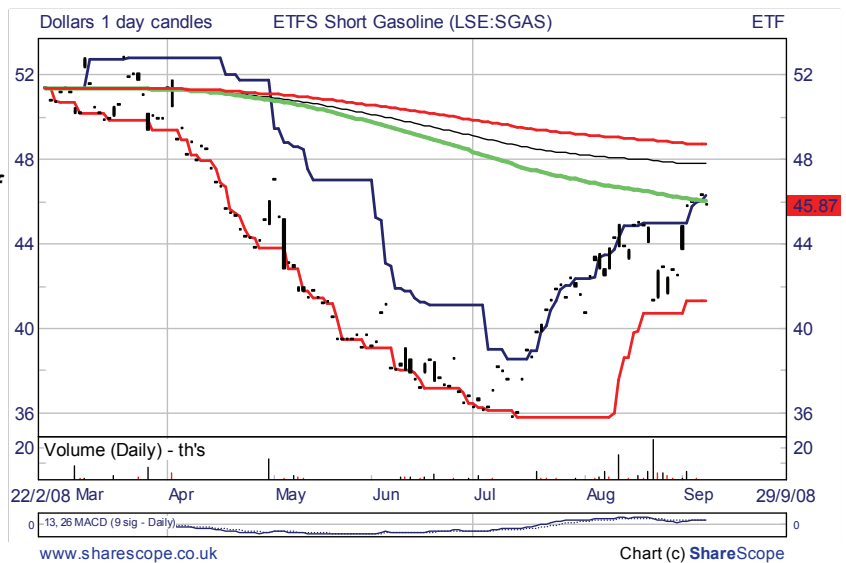
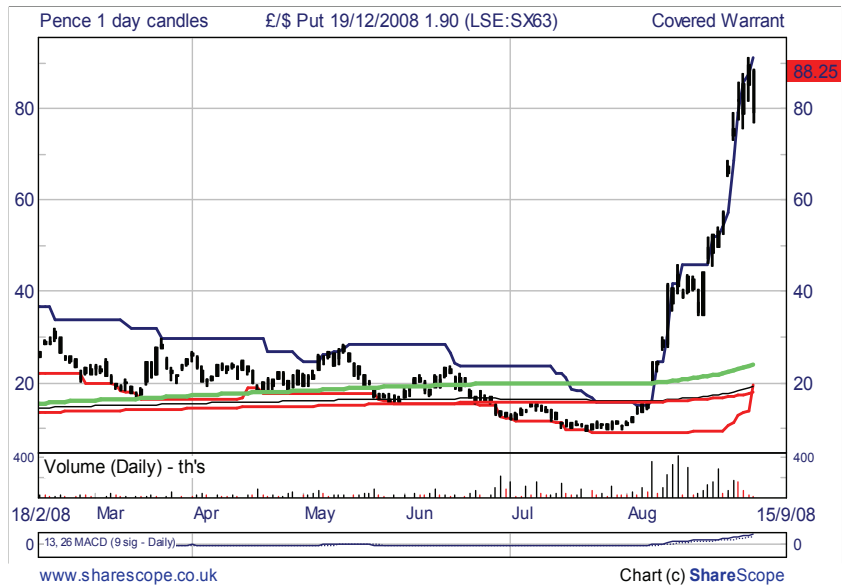
So what next? At GBP/\$ 1.75 you should expect some sort of a consolidation, however I still don't see any reason to be a buyer of the pound. So for now I would say close half of your trade, this gives you your capital back plus a nice profit and let the other half ride. The Euro/\$ has held up better than expected but I still look for 1.35 as my year end target. My SX55 trade is now back to even at around 16p and still has some way to go.

Unleaded Gas (Petrol) UPDATE

Back in June I made a bold prediction about Unleaded Gas.

Unleaded gas set to get cheaper between now and December 2008, \$2.70 a gallon. This is one of the boldest predictions I will make this year and that's RBOB Unleaded Gas or Petrol (to those in the UK will go down toward the end of the year). And here is the main reason, one of the world biggest refineries is about to open in India. The plant operated by Reliance Industries is set to change the whole dynamics of Unleaded Gas.

Its now early September and UG is at 2.65 a gallon so its fallen quicker than expected. I still suggest buying the **short ETFs Gas (SGAS)** listed on London Stock Exchange, this exchange traded fund will move in the opposite direction to Unleaded Gas, If UG goes down then this ETF will go up. We could now see UG move to \$2.40. I warn against spread betting UG, stick to the ETF is easier to trade with less swings.



UGAS. Moves up as the price of Unleaded Gas goes down. Looking for a move back to \$50.