

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

 7.50%	 6.00%
NZD	AUD
 4.50%	 1.50%
GBP	USD
 2.50%	 3.75%
CAD	EUR
 2.50%	 0.50%
CHF	JPY

The Insider Trader

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Pain Killer set to give markets temporary relief but it's still a Bear market

Readers of my past updates can hardly say they were not warned about the recent market events, September and October are well known for being rough months in the financial markets so it was hardly unexpected.

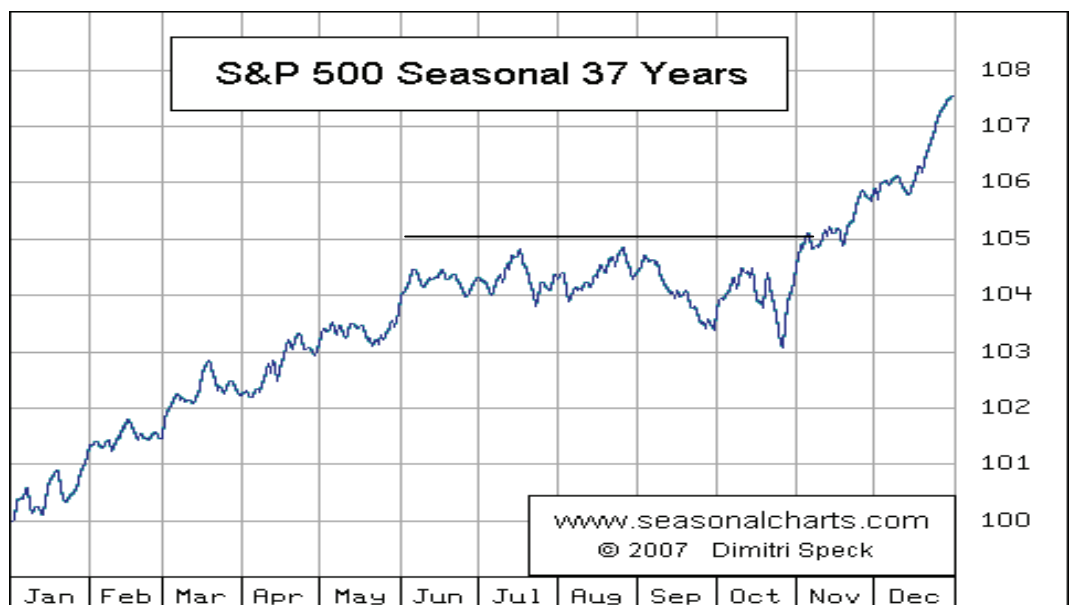
What we do have is a tradable bounce, a contra trend within the down trend; this could last for a few weeks or months, before the reality sets in, which is that no bailout package can solve the US and Europe's problems.

The question that everyone is asking me is, "is this a buying opportunity?" and there lies the problem. If it was a true buying opportunity then no-one would ask the question, they would be so sick and frightened of the markets that they would not dare buy anything, and then you would know it was a true bottom.

I agree the VIX "fear" index did spike up and that does show that sentiment is very bearish but it doesn't mean that it's the start of a new bull market, far from it.

Only time and a return to sensible savings rates, sensible asset prices especially property and a reduction of leverage and credit would make a real difference. What the US treasury is trying to do is impossible; it's like trying to avoid a hangover by remaining permanently drunk. Whilst I am sure the Treasury and other central banks are trying to help by intervention and imposing rules such as banning short selling on Banks, history shows that no one including the Federal Reserve can artificially hold up markets over the longer term, the best course is to let the free markets find their own levels even if this causes some

Chart:: S&P500 seasonality could give a helping hand over the next few months.



shorter term pain.

Recessions, bankruptcies, increases in unemployment whilst not welcome are a necessary part of the economy cycle. Too much greed and happy credit spending has to be accounted for at some time, and that time is now and for some years to come.

The next few months will see all central banks cut interest rates, however, this will make little difference and most banks will not pass on the cuts to the customers. My outlook for the next few years is higher interest rates; the days of cheap credit are well and truly gone. Another change that needs to happen is an adjustment of earnings expectations. Whilst over time the stockmarket is still an excellent place to invest, many still have unrealistic expectations of what companies will earn. Most companies look like they have reasonable P/E ratios, however, The E, earnings in the P/E ratio is questionable and what I see happening is the Price coming down.

For the S&P500 we could see another 30% fall, similar falls on the FTSE100, Dow and most other European markets. **Whilst not wishing to sound alarmist the Dow at 7,500 is not out of the question in the next 9 to 12 months.**

Below: S&P500. One of the sharpest and quickest falls for many years. Some sort of a bounce should be expected, however we could be heading to 2003 lows before this is over.

So for now a bounce in world markets is likely but that's all it is. "Kid, you're on a roll. Enjoy it while it lasts, 'cause it never does." As Lou Mannheim told Bud Fox, Wall Street

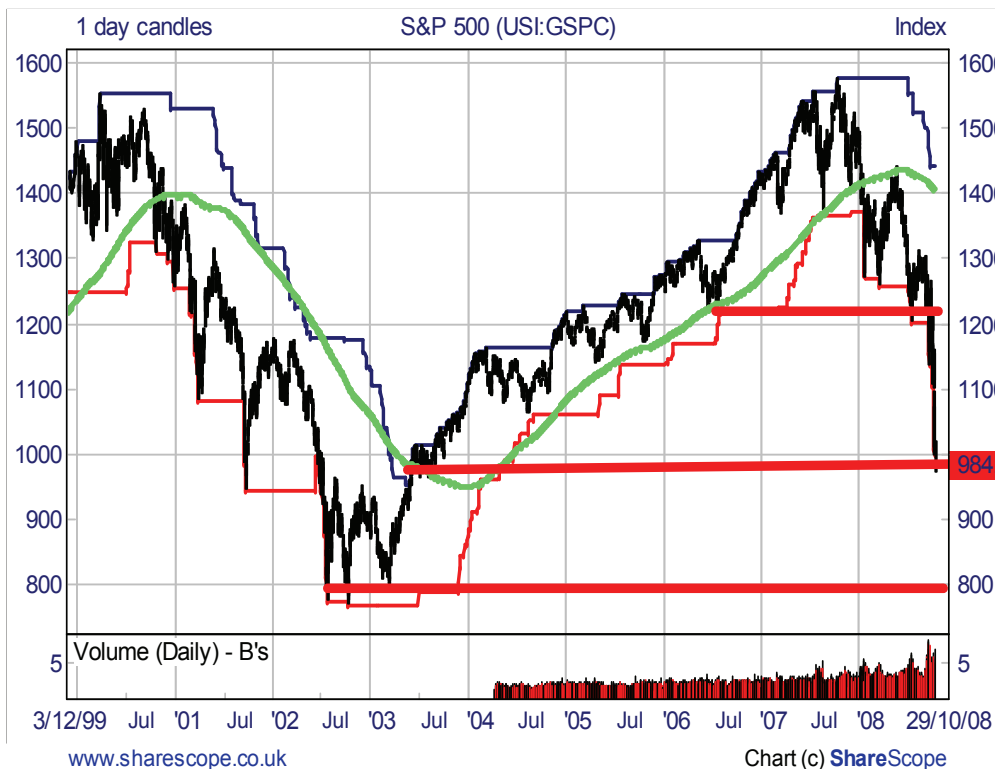
You can look to place a small spread bet on the S&P500 or Dow using a March 09 contract, or look for a Covered warrant such as the S&P500 1350 March09 Call SU50 or the Dow Jones 12500 Call March09 SU47

US\$ Dollar update

Why is the US Dollar going up when the country is in a mess and the government is printing money as fast as they can? Markets have a great way of fooling the majority. The US\$ has had a few strong months and the main reason is that it was so beaten up that when sentiment becomes that bad then you know its time to go the other way. In my case a few months too early, in fact 6 months too early, but thanks to covered warrants I am now finally in profit on my \$/Euro puts SX55. (From a near 99% loss to just over 80% profit in around 2 months.) The warrants are coming to an end on 19/12/08 so the next few weeks could be the time to exit. My 1.35 target is

about to be achieved and we could slip a bit lower but I am happy to take the money and run soon.

The stronger dollar and the problems that hedge funds are facing have also caused the commodities market to suffer. I still remain convinced that commodities are in a long term bull trend and over years we will see higher prices, however, what happened this year where you had billions of dollars of hot hedge fund money pouring into relatively small markets was not normal. Most of this money is now leaving and commodities are starting to return to normal valuations. Those looking for a steady longer term investments should consider the Lyxor CRB ETF (LSE: LCTY) which gives you a good spread of commodities. Returns of 10



to 12% p.a should be expected rather than 30%+

Fertilizer shares

Staying with commodities, in May 2008 I warned "Caution Fertilizer shares can go down as well as up" At the time I wrote: *The recent moves in fertilizer shares are starting to look similar to the DOT COM boom. I was very bullish on Potash Saskatchewan, Mosaic, CF Industries and*

Agrium towards the end of 2007, however since then most of these shares are up 100% and the charts are looking parabolic. Time to cash in and step aside, I would also sell the Market Vectors Agribusiness (Moo) which features many of these fertilizer stocks. I am looking for a sell off of anything from 30 to 50% from the recent highs before we can look at buying these shares again. Potash hit an all time high of \$214 on 22/4/08 I would now look for this to come back down to \$130 to \$150.

Well the crash did happen and the last price on Potash Corp was \$95. Mosaic is down from \$150 high in June to \$30. When will people learn, the names change, the industries change but the boom and bust cycles stay the same. Fertilizer shares had become in the new Internet shares.

Going forward we may see a short term bounce but I would avoid the fertilizer stocks until they settle down a little. Those that went short in May/June should think about covering here and taking an excellent profit.

Financial Trading Day 7th November 2008

I am looking forward to seeing many of you on Friday 7th November 2008 in London, I have a lot to go through and some excellent opportunities to share with you. If you have not already booked your place you do need to be quick as the day is now filling up. Please go to www.Millionairetrader.co.uk

