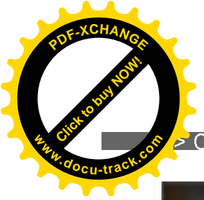
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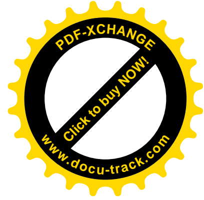
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TradeReview

MAY 2009

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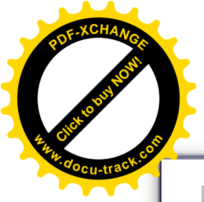
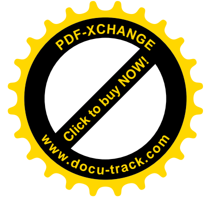
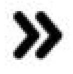



CATCHING A BULL

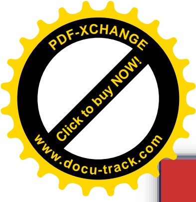
HOW TO PREPARE FOR A MARKET TURNAROUND?

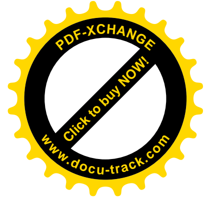


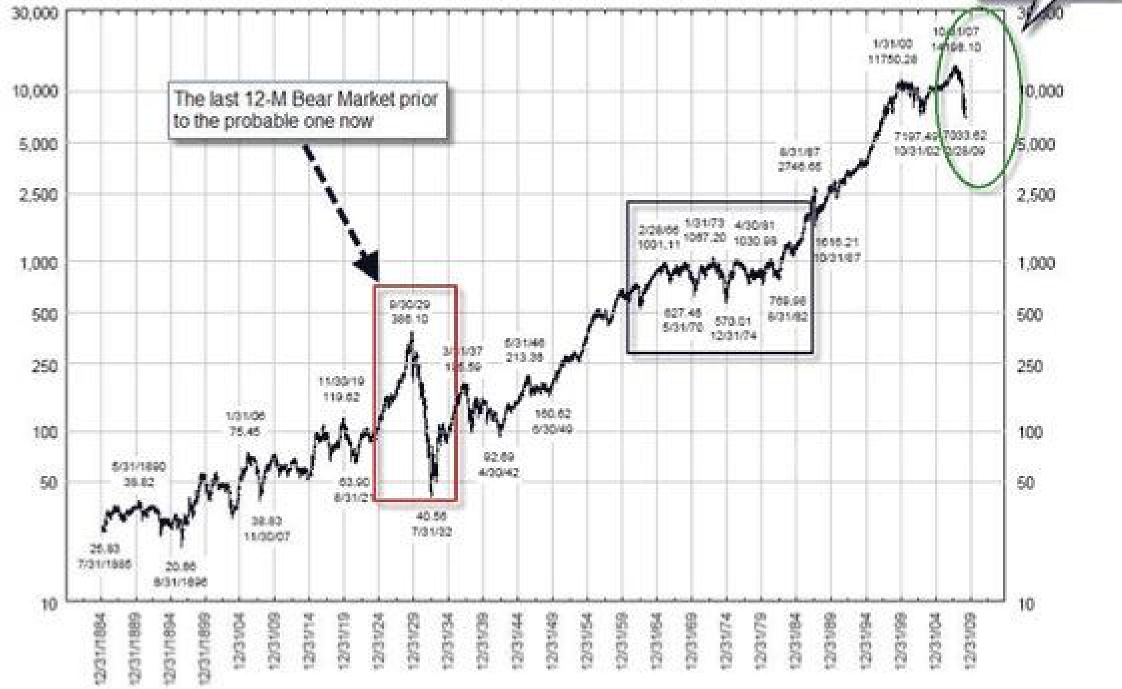
Have we hit the bottom? Is it time to invest again? Have we missed the boat already? What can we do to get ready for a market turn around?

These are just some of the questions baffling many traders and investors these days. After shedding more than 50 per cent of its value from the high of 6792.1 in October 2007 to a low of 3638.1 in March 2009, the Aussie 200 Index has risen by about 22 per cent at the start of May (Aussie 200 trading at 3860 as of 5th May).

Have we hit the bottom? Is it time to invest again? Have we missed the boat already? What can we do to get ready for a market turn around



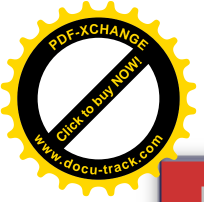
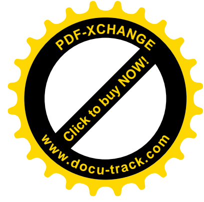




This positive news is more than enough to buoy the sharemarket and the Australian dollar, with both moving higher over the past few weeks of trading. While everyone must be just about ready for some positive news after weeks and months of uncertainty in the market, some market observers are quick to issue a caveat to those who may get too excited with the recent flood of encouraging data.

These observers warn that we may be falling into a cycle of boom and bust (again) too soon. For them, an over 20 per cent rise in the local market in just a few weeks may be too quick. Their thinking is that all the seemingly positive news may be too alluring for people to get them back into the market only to be stuck when another fall comes along.

In this issue, the Trade Review tracked down some of the most active traders and market observers (from within Australia and overseas) to get their views on current market conditions. Their opinion may be different from yours and mine, but it may be worth considering their views and reading of the market knowing that they've seen a number of market rallies and crashes over the years.

Ray Barros, a professional trader and fund manager says the key question to ask is whether this current market correction will follow the path of the 1966 – 1982 correction (approx. 23 per cent drop) or that of the 1929 – 1942 correction (an estimated 89 per cent drop).

According to Barros, "The key levels for the S&P 500 are a bullish monthly close above 894 level. An early indication of such a close would be two consecutive daily closes above 946."

He adds, "If we see these closes, then the probabilities favour a 1966 to 1992 type scenario. In the S&P, this means we see a retest of the 1576 to 1461 say over a 2-year period. The resistance at 1304 to 1177 will be a benchmark worth noting. If the rally to 1576 to 1461 is to fail, it is likely to fail in this area."

Though a pure technical trader, Barros has some interesting insights when in comes to fundamental factors affecting the markets. He admits he is still bearish from a fundamental point of view.
Barros says, "There are two strands to my thinking. The first is the money supply. The trillions being spent by the US Government – trillions is does not have – that is funded by the 'printing press' (quantitative easing) will eventuality make its way into the Consumer Price Index (CPI). The US Federal Reserve will then be faced with the option of raising rates or accept high inflation with the risk of hyperinflation. At the time the US economy will probably still be fragile. This increase in rates will cause a double-dip recession."

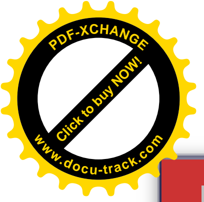
"The second is the US policy of debasing the US dollar. At some point it will work. The decrease in the dollar will place greater pressure on US rates. The US foreign debt holders are already agitating against the US dollar policy. Should the US$ tumble, I expect to see the Fed hike up rates in an attempt to hold the investors," adds Barros.

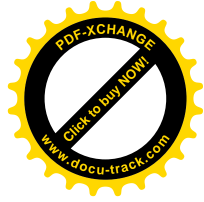
A prolific author and educator, Barros says there are already signs that sharemarkets are turning or have already turned. He says, "We are seeing that now (market turning up). Markets move on the perception of fundamentals. Investors and traders perceive that a bottom is in place and are afraid to miss out. So they pile in and there is many an investment dollar waiting to enter the market."

However, as a technical trader Barros says, "But I trade technicals and not fundamentals. Where they diverge, I reduce my exposure."

Whether the market has turned or is still consolidating for a more sustained turnaround, Barros says there are two cardinal maxims that traders should consider to be successful. He says, "In any market condition, you need to have:
* Winning psychology plus Risk Management plus a strategy with an edge

* You must have a positive expectancy: (Average Dollar Win x Win Rate) - (Average Dollar Loss x Loss Rate) = Positive Return.
The problem with many traders is they generally break both maxims."





Peter Mathers, a trader and educator, says the market turnaround has started in early March 2009. According to him, "The market has already turned and the move up is already half way through."

However, from his point of view, Mathers says the recent move up by the Dow Jones Index from 6500 to 8409 level "is an emotional event triggered by the powers that be."

He adds, "If the powers that be can hold the market via debt or printing paper, offering the appearance of confidence the mass will follow. However, this can only last a short time, after all we are unwinding well over 50 years of credit debt and this unwinding cannot be handled in two months of printed paper.

"Once portfolios appear back into some type of positive territory traders will reach for their cash. If most do this then the market will be sold off, in the sell-off the powers that be will assume it is technical and will be slow to act or create fresh new policy and further failure will be evident."

Based on his years of trading and observing the markets and dealing with traders and trader psychology, Mathers says emotional speculation, ie, confidence, may be the single biggest factor that will drive the Dow Jones Index towards the 10,000 level again.

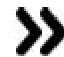
On a more concrete level, Mathers says China will play a major role. He adds, "If we see China protecting their assets and their loans by diversifying into global resources and creating their own currencies swaps, this may fuels certain sectors and create the loop of investor and media frenzies."

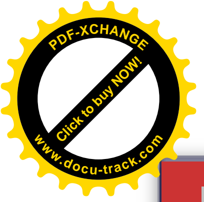
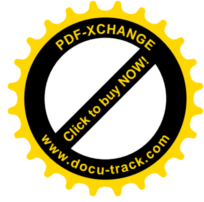
He also says, "When Obama and Rudd say that the economy it back on its feet, that's the time to be concerned and be a contrarian, this is likely to be at 10,000 level for the Dow Index."

As an educator and trader coach, Mathers uses what he calls TradingLevels as a market analysis tool.

According to Mathers "the Dow Jones Index has touched and found support on what he calls Medium TradingLevel (ML)65/6500 our long term strategy to TL1/10,000 on the Dow is to scale positions into the local market, we have been doing this and will continue to do this."

Mathers adds that, "Scaling into market above whole numbers or what we call TradingLevels® is a logical mathematical way forwards. Scaling into a market is a type of pyramiding but less financial risk, adding above support, large whole numbers."



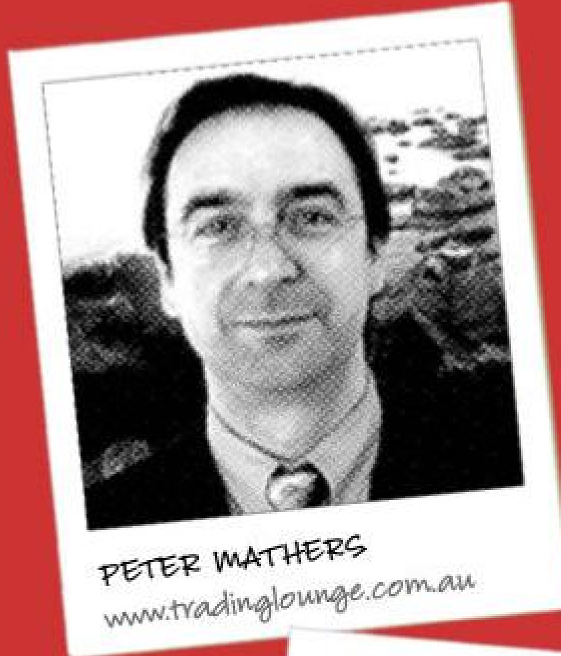
When it comes to missing the market's potential move up, Mathers says this is "fear-based trading."

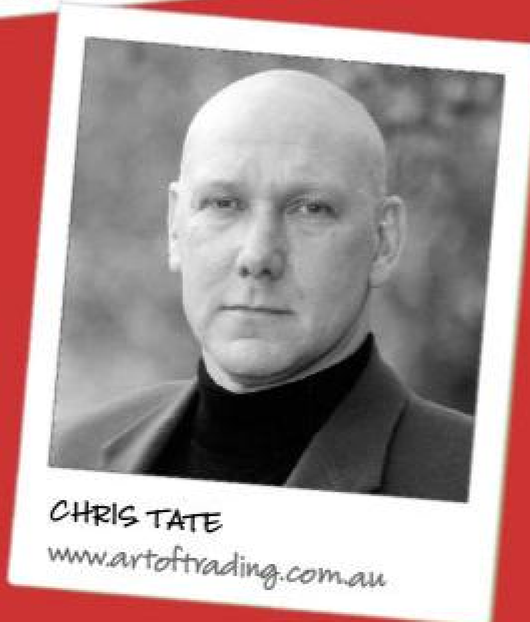
He says, "This view (of missing a market move) comes from market observers that haven't traded a bear market. They don't have a method to move in to the market and they have a fear based motive."

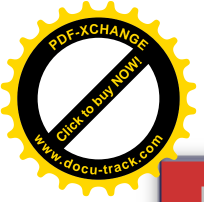
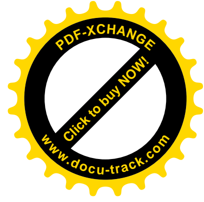
Chris Tate, a pure technical trader and author, says any attempt to predict the market is a fruitless activity. Using two different charts generated by a simple random number generator, Tate shows how a minor change, in this case the introduction of a price shock of 3 per cent, could completely alter the trajectory of price over the life of the chart.

He says, "This leads me to my first reason as to why markets cannot be predicted. Small perturbations in the initial seed conditions can and will create dramatic alterations in outcomes. This is one of the cornerstones of chaos theory – it is also impossible to account for all these tiny changes and to be aware of the magnitude of their impacts. Financial systems are enormously complex entities where small changes that we may be completely unaware of can have dramatic consequences in the future."

As a technical trader and a former scientist, Tate says there's only one thing that will make the markets turn higher again.





He says, "This may seem like a simplistic answer but the only thing that will make the market turn higher is more buyers than sellers and within this definition the buyers need to be more aggressive in their pursuit of upward prices than the bears are in their desire to sell into strength.

The only vehicle traders have for both competition and expression of their views is price - the group that is most aggressive and dynamic in expressing its view will become the dominant group and price will head in that direction."

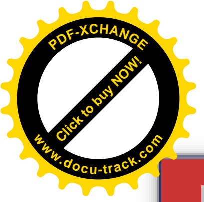
According to him, "The bears have been in charge for sometime now with the bulls only just beginning a resurgence in the past few weeks. Only history will tell whether this rally becomes a sustained climb or is simply another bear market rally that we will look back on in the future."

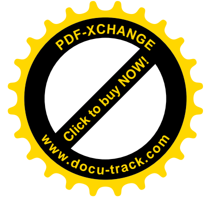
When it comes to preparing for a market turn around, Tate says there are a few things traders can look to and consider. For one, they can use a simple trend analysis which may show the number of stocks making new highs or other signals that may show an upward move in the market.

However, Tate says, "This is not a concern since if you have a trend trigger it will automatically orient you in the direction of the predominant trend."

RANDOM PRICE CHART

RANDOM PRICE CHART WITH 3% PRICE SHOCK





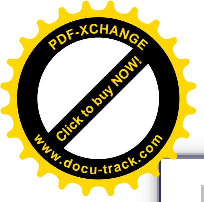
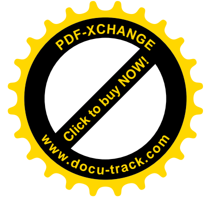
Another factor to consider according to Tate is, "The notion of how we structure our portfolios – if they have been out of the market for sometime with the bulk of our holdings in cash. If you have been trading short through this period then your system will simply swing about and you will not need to answer this question. For those who have been in cash, the question is a complex one. I don't believe in simply lumping all your money in the market on the first few signals you receive. I am a fan of staged entry that is dictated by the market – you set a maximum level of exposure or risk at any one time and you enter the market according to changes in this risk profile."

A veteran trader who had experienced the ups and downs of the market over the years, Tate says, "A change in market sentiment represents an opportunity for the astute trader. Unfortunately many do not recognise this opportunity until it is too late or they have been so shocked by the ferocity of the decline that they are paralysed into inactivity."

He emphasizes that, "The most important thing for a trader to realise is that the market is in a state of flux and no condition is permanent. Bear markets are followed by bull markets and vice versa. This is simply the natural order of markets."

According to Tate traders should not waste their time trying to predict the markets. He says, "The simplest and by definition the most reliable tool that traders can have to alert them to a change in the prevailing long term trend as opposed to counter trend bounce is a weekly chart with a reasonably long term moving average on it."

He adds, "When you look at a chart you see the representation of the prevailing psychology in the market at that very moment. You see it in a form that is uncluttered and that very rarely needs further manipulation."

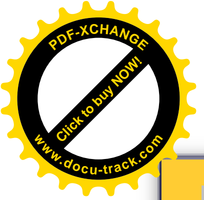
ON THE RIGHT TRACK:

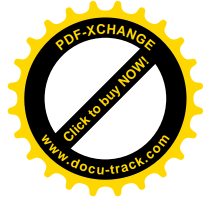
HOW WORLD ECONOMIES AND MARKETS WILL RECOVER FROM THE GLOBAL FINANCIAL CRISIS

The key to understanding the global financial crisis is to accept that a collective delusion played a significant role in derailing the financial system. To make matters worse, this collective delusion was fed by widespread miss-pricing of assets and mislabelling of risk.

Many people blame the collapse of the US housing market as the cause of the crisis. In retrospect it was merely the catalyst. The underlying theme was one of greed and an excessive exposure to overpriced, risky assets on behalf of fund managers and investment banks.

It's therefore not at all surprising to see why many a commentator are focusing on confidence as now being the key factor that needs to be restored to more reasonable levels. The market has lost the confidence that firms have the asset backing to remain as a going concern. Simply put, the balance sheets that recorded these assets were at one point so misplaced in their valuations that market participants have lost faith in the system as a whole.





This created a sense of fear and panic in the market and combined with the distress calls of Bear Stearns and IAG, and the collapse of Lehman Brothers, the banking system in the US crumbled. At the core of the banks problems are the so-called toxic assets on banks' balance sheets (including CDOs) and credit default swap (insurance on debt) obligations that couldn't be met.

Once the banks found themselves in a distressed state, credit markets froze. The US Federal Reserve stepped in to prevent systemic risk from creating a total financial meltdown.

The problem now though was obvious: what incentive did financial institutions have to behave lawfully if they knew the government would eventually bail them out? This is known as Moral Hazard, and had to be managed very carefully.

The stock market reacted violently to the credit crisis with the Dow Jones Industrial Average hitting record lows. It was only when the US government and Federal Reserve stepped in to shore-up the top investment banks that some semblance of normality returned.

And this is where the core issues lie. The US government had decided that the banks had been so disabled by the credit crisis that they injected capital and bought stocks in some banks. This was the immediate solution and prevented a complete system shutdown. At a very basic level the banks needed to be bailed out, and the US government and US Fed were the only institutions capable of doing this.

Unfortunately though, the contagion had now caused a banking crisis in Europe, and the UK. China's interdependence on the US had also caused growth to stall. The world was moving into a synchronised recession.

That is the backdrop. The way forward, however, will depend on a number of factors. Key to a recovery will be a stabilisation in the US housing market and the restoration of confidence.

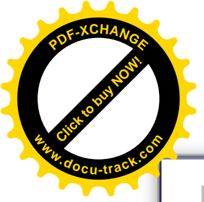
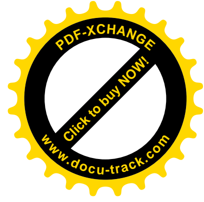
Lending will become easier in time if the banks have the asset backing to do so. This will be helped by an improvement in the underlying markets that these assets are attached to, namely the US housing market. In the meantime it will be the US government that provides the security for money lent.

Part of the recovery process will also be to restructure the inadequate regulatory framework. This will begin in the US. Regulatory authorities need to have a better working knowledge and influence over exotic derivative instruments and private equity firms.

The world is already showing signs of recovery but we will not see sustainable growth return until credit starts flowing again, and, more importantly, it starts flowing at an appropriate rate between parties who are backed by good quality liquid assets.

Until that time, economic growth will remain weak at best and markets will remain volatile.

Moving forward, unemployment will need to be watched closely. This is the sting in the tail. Governments and central banks are currently trying every monetary, fiscal and environmental solution known to man to curb this extension of the problem. Until companies begin to re-hire though, economies will remain weak.

COACHING HIGH PERFORMING TRADERS

STEVE WARD

TRADERS OPERATE IN A MUCH MORE DEMANDING ENVIRONMENT COMPARED TO ATHLETES

In the movie Analyze This, Mafia don Robert De Niro sought the help of psychiatrist Billy Crystal because of his (De Niro's) anxiety attacks. De Niro was having panic attacks and was getting 'too emotional', which is unbecoming of a Mafia boss. In his own mind, De Niro was not performing to expectation and he needs to address the issue pronto. He needs to get his confidence back or else his standing in the mob community will be question.

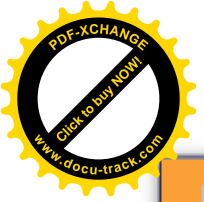
While he doesn't have any Mafia boss as a client, Steve Ward, a UK-based trading psychologist, says he faces similar situations (to what was portrayed in the movie) when dealing with traders who consult with him. Currently, Steve is the resident trading psychologist and performance coach at Trade With Precision, a London-based group of professional/private traders founded by New Zealander Nick McDonald (www.tradewithprecision.com).

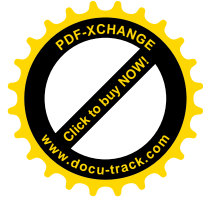
"One of the major reasons traders come to consult with me has got to do with confidence. They're afraid to put on a trade," said Steve who has been coaching traders for over six years now.

"Another big reason is inconsistency. Some traders come to me saying they couldn't maintain a consistent trading performance. They would have good trades and then they would have bad trades that offset the good ones," Steve said.

According to Steve, confidence and consistency in trading can be achieved by focusing on some specific aspects of trading. For example, he said some traders don't have a structured approach to trading. "They trade haphazardly and this may create gaps in their trading performance. If they address these issues one at a time and they see the corresponding change and improvement in their trading they would be more confident and consistent," Steve said.

Over the years and after coaching many traders, Steve observed that "A lot of traders are so focused on their profit and loss (P&L), which is the ultimate outcome of trading. I'm not saying that focusing on your P&L is a bad thing. However, you also need to focus on how you create the outcome."





An active trader himself, Steve was a former psychologist and coach to top performing athletes, and he sees the similarities between athletes and traders.

"They (traders and athletes) operate in highly competitive environment and they need to maintain a high level of consistency and competence to succeed in their respective areas," Steve said.

However, he said, "Traders operate in a much more demanding set up. They operate in a constant and relentless amount of pressure, particularly those who trade actively. The market is a very demanding place and you're dealing with risk and pressure from day to day."

"If you compare that with athletes and in sports performances when there are a lot of 'known' factors, you could see that it is very demanding to be a trader."

As an example, Steve described the training and routine of a swimmer. "Take a 100-metre freestyle swimmer who only needs to focus on one swimming style.

You also know that the swimmer will only be swimming for 100 metres so he/she can train and target his/her performance according to those known factors."

"With trading, traders are dealing with many factors that are mostly out of their control.

They are dealing with a market that can move quickly and they also have to deal with other factors in their environment while trading," Steve said.

Currently and in between his coaching and trading FX and indices, Steve is writing his upcoming book, High Performance Trading, which will be published in November 2009. It will surely be packed with useful and practical examples of how high performing traders deal with the markets.

Steve said that while athletes need coaches and psychologists to help them with their performance, traders can also benefit with some help from a trading psychologist and coach.

However, he hastened to add that coaching is not for everyone either. Steve said there have been a few instances when he's turned down some potential coaching clients.

"Before I take on anyone as a client/customer I usually have a phone chat or an informal meeting with them just to find out how they're going with their trading in general. I don't necessarily zero in on the psychology of things straight away. After this initial session I would usually have a good feel if the person will benefit from a coaching program or not," Steve said.

If Steve thinks that a trader will benefit from a coaching program, another session will be set up to review trading statistics that may include the trader's win/loss ratio.

Then a plan of action and corresponding goals will be agreed upon that would give a trader access to Steve's time either through phone calls or face-to-face meetings.

Based on his experience coaching traders, Steve said he would normally recommend a coaching session for those who have more than a year's trading experience.

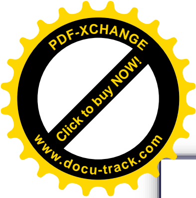
"They need to have some trading experience that we can work with. For some people, it's not the psychology that is a problem, sometimes they just need more trading skills," Steve said.

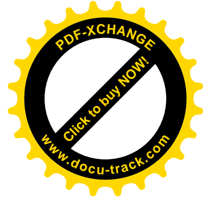
According to Steve there are at least three important things traders need to consider that will help them with their trading psychology. These are developing your competence, risk management and expectations.

"Traders need to keep on developing and working on their competence. They need to recognise that they need to constantly learn about the market, learn about trading and learn about themselves," Steve said.

He said it is also, "Important that traders set the appropriate risk levels that match their personality and needs. Some traders take too big a risk that only creates too much anxiety and a high level of stress for themselves."

When it comes to expectations, Steve it is important to set a realistic level of expectation. "Some traders expect to be a millionaire tomorrow. I've seen and met so many people who want to get rich very quickly and they think trading will deliver that quick riches. But I say you have to work on your execution first."



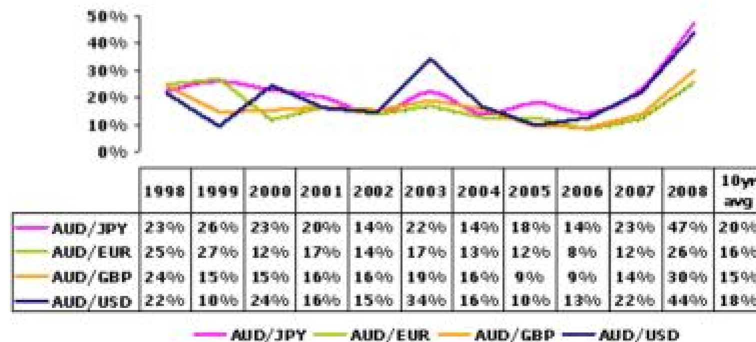


CURRENCY MARKETS – HI VOLATILITY WARNING!

It comes as no surprise to many that 2008 was the most volatile trading year for the Aussie dollar in the last ten years as measured by the OzForex CVR Index. The recent turmoil in financial markets has seen trading conditions not witnessed since World War II, possibly even the great depression, triggering a series of events that saw the AUD capitulate from near parity to 60 cents in quick fashion.

The OzForex CVR Index takes the opening price of each year and analyses that years range (difference between the highest and lowest rate) recording the volatility of the range from its opening price. The results highlighted the fact that the average volatility range for the AUD/USD over the last 10 years was 18% whilst for 2008 the range was 44%; this is a 144% increase on the average.

The table on the right highlights the general trend and increase in volatility displaying the relative 10 year averages and the 2008 volatility ranges.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	10yr avg
AUD/JPY	23%	26%	23%	20%	14%	22%	14%	18%	14%	23%	47%	20%
AUD/EUR	25%	27%	12%	17%	14%	17%	13%	12%	8%	12%	26%	16%
AUD/GBP	24%	15%	15%	16%	16%	19%	16%	9%	9%	14%	30%	15%
AUD/USD	22%	10%	24%	16%	15%	34%	16%	10%	13%	22%	44%	18%

Volatility in 09

The big question for the markets in 2009 will be whether or not this volatility will continue and if so what will be the outcome for the currencies. Already in 2009 we have seen a CVR of 19% and with uncertainty in the global economy still prevalent markets will remain nervous and volatility relatively high.

While OzForex expects volatility to continue in 2009 it is unlikely we will see a second consecutive year with a CVR at 40% or higher as the unexpected events of 2008 are once in a generation type events for financial markets. We do however expect the above long term average volatility to continue with a more likely scenario being a pullback and CVR index to record a 2009 result between 25 and 30 percent.

In the context of these expectations and with general analysis of currency markets suggesting a bottom in the global economy in Q3 or Q4 this year the AUD/USD should experience some upside whilst trading within a wide range between 65 and 80 cents throughout the 2009 calendar year.

What does high volatility mean for me?

An increase in volatility can have a severe impact not only on financial market participants such as traders and businesses but on the broader economy or Main Street as it has been referred to in recent times. As such authorities around the world often refer to excessive volatility in currency markets as being undesirable with some having taken the extreme steps of controlling the currency.

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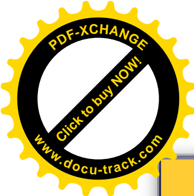
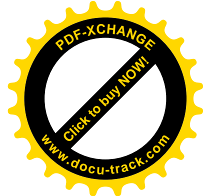




For those in business who are forced to live with a volatile currency and the inherent variations in earnings there are tools that can assist in the process, hedging tool such as forward contracts or options.

In the case of those looking to speculate volatility is essential; however it does come with greater risk. Many technical analysts will urge the "trend is your friend" philosophy and whilst this is a wise approach in general if markets are volatile, whilst at the same time lacking any true direction, this can result in a high churn rate whereby the success rate is low. An alternative method often referred to as the contrarian approach implies going against the trend which is also very risky if caught on the wrong side of a trending market but is worth some consideration if executed with a certain strategy and some solid rules.

Contrarian approach in volatile markets
It does take a certain type of person to feel comfortable with such an approach, this generally someone who likes to go against the crowd but is also happy with more risk. Nevertheless this is not to say that it is only these characteristics that make a successful contrarian as any disciplined trader who can formulate and stick to a trading plan may be able to succeed.

The most important consideration for speculators should be longevity; this is critical and with many coming and going the seasoned professionals continuously adjust their trading plans in accordance with prevailing market conditions. I have listed three simple yet important rules for those considering the contrarian approach.

Three important rules for contrarian trading

1. Reduce trade sizes

In volatile markets it is often wise for traders to take smaller than usual positions with a view to preserving capital. Some of the reasoning behind this is the fact that with larger moves there are greater percentage gains on offer with the dollar result just as attractive for smaller trade sizes. This also allows the trader to set wider stop losses (see point 3 below).

2. Average into positions

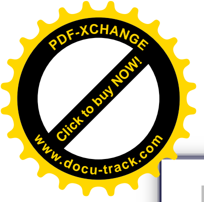
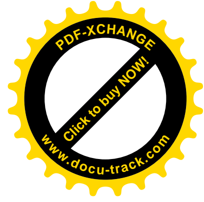
After deciding on the trade size and given the increased risks associated with this approach it is not uncommon to break the trade up into 2, 3 or even 4 parcels so as to come to an average entry price. The underlying philosophy here is that it is very difficult to pick an exact top or bottom and that currencies are always overshooting technical levels.

3. Leave wide stop losses

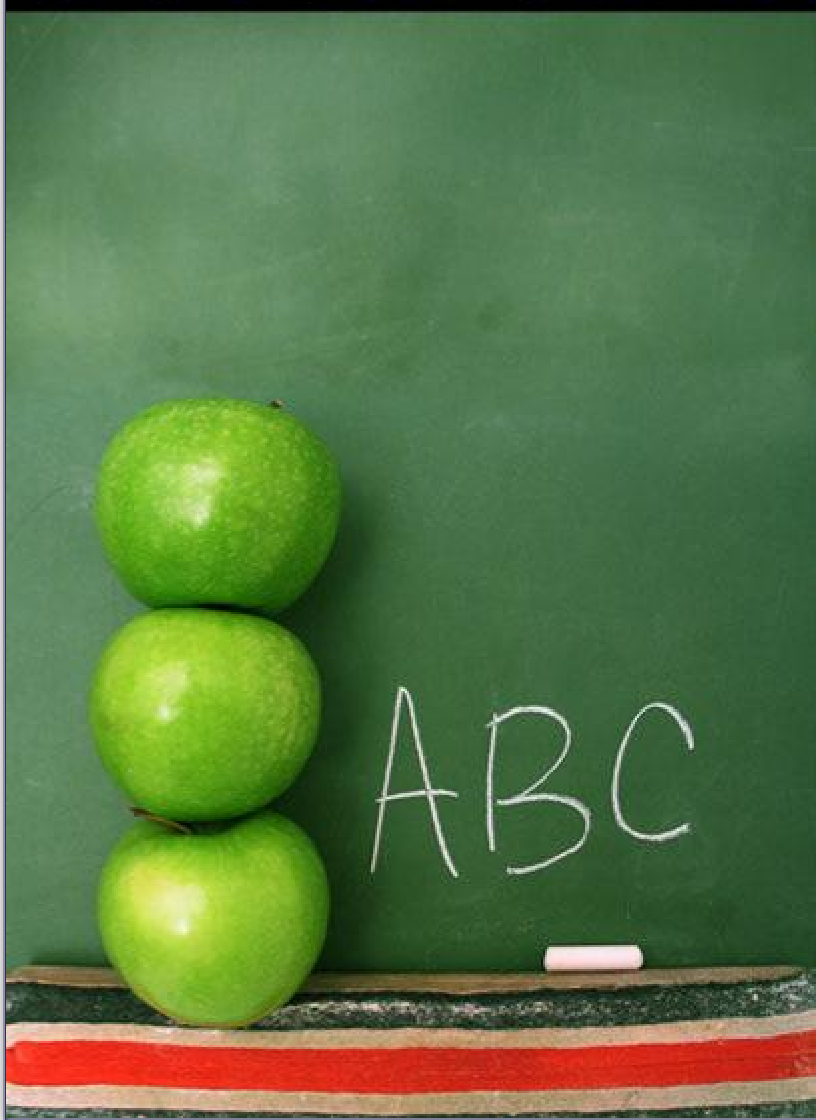
A wide stop loss implies giving the trade a greater chance of surviving. So instead of leaving a stop loss order 20 points outside the entry point one might consider a 100 point or even wider stop loss instead. This can give the trader the benefit of not getting their stop caught in the crowd of other stop losses and also.

For those either already attempting the contrarian approach or for those considering it then these three rules may just help ensure some longevity.

For further information on transferring money overseas at competitive rates or utilising 'Limit Orders' contact OzForex by visiting www.ozforex.com.au/partner/cmctrade or call 1300 300 424

THE BASICS OF INVESTING

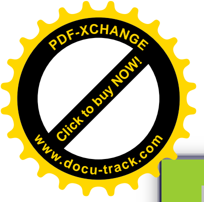
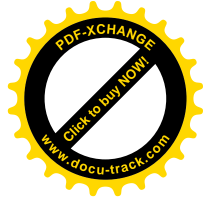


With the world's heads of state (during the G20 Summit in London in early April 2009) agreeing to boost the global economy by another US$1.1 trillion and with some of the major stock exchanges reacting positively to the news, some people are now asking: Is now a good time to invest? And how do I get started?

This may surprise you, but the most important rule of finance is that it's always a good time to invest. And in saying that you have to remember there are a myriad of different options available to you. At a very basic level, for the investor who's more inclined to take on risk, the equity market would be the preferred option. For those wishing to do something slightly more adventurous than stuffing money under the pillow, a term deposit may be something to consider.

Let's assume for now that you are not opposed to accepting a small amount of risk and you think you'd like to invest in the share market. The next step is to decide whether you are looking for a capital gain or an income stream (do you envision to sell the shares at a higher price in say 5-10 years or do you need an ongoing dividend payment?)

The next consideration is to determine what's called your 'investment horizon', that is, how long you are going to invest for – e.g. are you in your late 30's and maybe saving for your first home or are you closer to retirement and trying to build your retirement fund?

PHASE 1 - STARTING OUT

Jane is 37 years old. She works as a senior HR consultant for a large food and beverages company. Jane believes we've seen the worst of the global financial crisis and would like to increase her income. She is comfortable with taking on some risk because she knows that the higher the risk you take on the greater the potential returns. She has decided investing in the share market is the way to go.

PHASE 2 – CHOOSING A BROKER

Once the banks found themselves in a distressed state, credit markets froze. The US Federal Reserve stepped in to prevent systemic risk from creating a total financial meltdown.

PHASE 3 –LET'S GO SHOPPING

There are literally hundreds of companies listed on the stock exchange. When choosing which one to invest in, consider what is called a top-down approach. That is, what areas of the economy do you think will outperform over the time you wish to invest. From this point you can choose specific companies that are exposed to those sections of the economy. For example, over the last 6 to 12 months, the areas of the economy that have remained strong have been food and beverages, and healthcare. As such, companies like Coca Cola and Cochlear have outperformed.

Alternatively, you could take your pick from a list of Australia's largest companies that have been around for a long period of time and have a proven track record.

These companies can be found on the index known as the S&P/ASX TOP 100 and include the big mining companies (BHP, Rio Tinto) and the major banks (Commonwealth Bank, National Australia Bank, ANZ Bank and Westpac).

So now you're probably wandering how much you need to get started. The truth is that you could start with as little as $500. The only issue with this is that you obviously can't do very much with this. It would be easier to start with say $10,000. By investing in say five different shares, diversified across a number of different sectors (retail, healthcare, banking, mining) you can find yourself with a little portfolio.

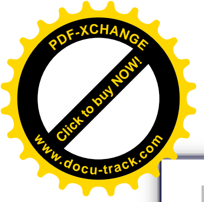
So, what next?

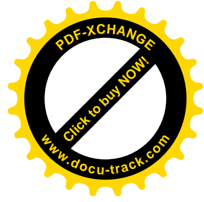
The best option is to keep saving and building your existing portfolio by buying more of the shares that are outperforming. If you keep building your portfolio you will eventually get to a point where your income from dividends (the return from shares) becomes a large portion of your overall revenue. Note though that your portfolio will need to be quite substantial before you get to this stage.

Alternatively you can invest in individual stocks for shorter periods of time and benefit from their rises and falls on the market. The discerning investor will be able to anticipate movements in share prices and benefit greatly from share price swings.

So is now a good time to jump in?

Most analysts are of the view that the market has reached a floor and will move up from here. It may not be that straight forward however. The US banking system is still on its knees and China's growth potential still remains an unknown. In fact until we get more of an idea of how recent efforts to stave of the global financial crises are working out, the market will float up and down of its recent lows. The best strategy this year may well be to do your homework and look to start investing in the second half of the year.





A TRADER'S DELIGHT OR AN INVESTOR'S FRUSTRATION?

Mark D. Cook was featured in Jack Schwager's book, Stock Market Wizards: Interviews with America's Top Traders

We are in the ending of the rally that started the beginning of March as I am writing this on the second week of May 2009. This rally is very over extended which is not healthy. This type of environment always leads to a correction that will bring equilibrium to the overall environment. I envision the rest of 2009 once this massive correction is completed to be a traders' delight but an investors' frustration.

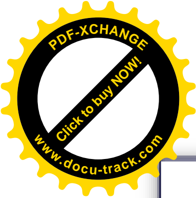
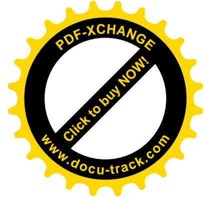
We need to have a stair step function in the market that will sustain upward movements. This requires fundamentals such as the economy stabilising and actually seeing interest rates move up. The great market fear will be inflation and not the economy heading south for the extended period of time. Once this correction that is beginning in May 2009 runs its course we should see a sustainable rally that encompasses many months. However, first we should correct 100 S&P 500 points downward.

Traders/investors need to have a plan in place to cover all scenarios. There should be buying done as we correct 40% and 50 % from current May 2009 levels. If people are patient to wait for this they will be rewarded.

I am afraid that this market is breeding a notion that people will miss an up move and that always sucks in people at highs. We are at least a year away from this economy mending the destructive process that took five years to do its damage.

Any one who is compelled to chase a market for fear of missing the up turn is literally a fool. Savvy investors let the market come to them and do not run after a train that is already moving away. The Cook Advisory Newsletter put out a major buy when the S&P futures at the beginning of March 2009. This area becomes a major reference. The recent movement in the last 70 days has pushed prices approx. 260 S&P points upward. Therefore, a 40% pullback would be a minimum of a 100 S&P points downward. I will be waiting for that number and have sold out all my long position that we initiated the second week of March.

The only way that this market can confirm that it has stabilised is to see a higher high than the highs made in early October of 2008. The first rally carried the S&P 500 Index to1060. This needs to be exceeded to say that this market is out of the woods. I expect this number to be achieved but first we must see the 100 points down which will carry prices below 850 on the S&P at a minimum.

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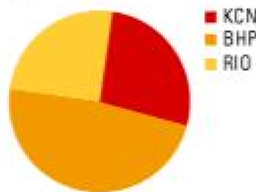
›MAY 2009

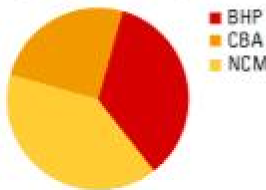
SNAPSHOT

PROFIT VS TRADING VOLUME SHARE CFDS

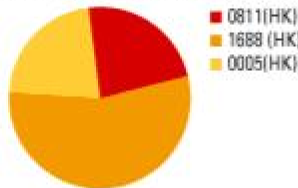
AUS Stocks
Top 3 most profitable for CMC Markets clients



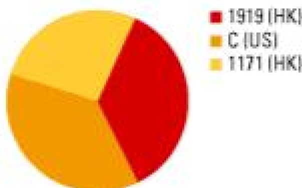
AUS Stocks
Top 3 by client trading volume



International Stocks
Top 3 most profitable for CMC Markets clients

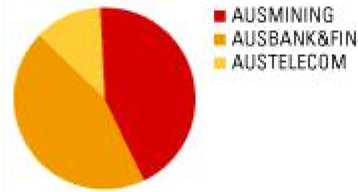


International Stocks
Top 3 by client trading volume

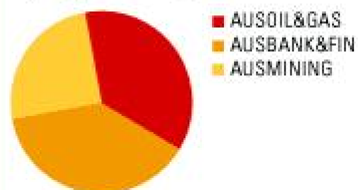


PROFIT VS TRADING VOLUME SECTOR CFDS

AUS Sectors
Top 3 most profitable for CMC Markets clients



AUS Sectors
Top 3 by client trading volume



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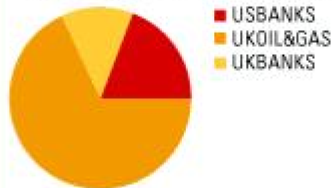

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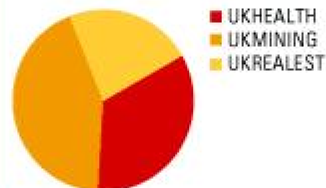

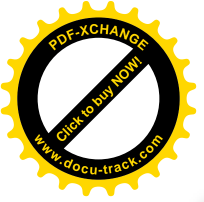

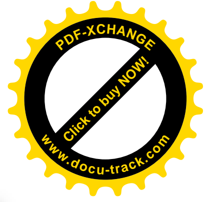

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