

## Movements in Market

Symbol	Chg	Last	Symbol	Chg	Last
S&P 500	- 4.85	1492.89	Gold	- 9.40	645.30
Dow Jones	- 14.39	13337.66	Copper	- 8.35	331.35
Nasdaq	- 2.92	2574.16	Crude Oil	- 1.05	67.78
Shanghai Comp.	+ 32.29	3973.37	\$AU/\$US	- 0.0020	0.8455

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## The Kinetic Daily Focus

**Ex-dividend Today:** No Stocks Going Ex Today

**Ex-dividend Tuesday:** No Stocks Going Ex Tomorrow

### US Markets Overnight

For a second straight session stocks failed to hold on to modest intraday gains after a sizable sell-off last week. Not even a handful of encouraging developments tied to the lingering subprime situation were enough to give the market a sustained boost.

Reports that Bear Stearns may put up only half - \$1.6bn - of what was indicated last week to rescue one of its troubled funds, and Lehman Brothers saying BSC's original \$3.2bn loan will not "materially impact" the brokerage's earnings were the initial catalysts setting the stage for a respectable rebound.

Then, around 12:00 ET, the U.S. House Financial Panel Chair said BSC's hedge fund problems won't lead to "financial meltdown" and Merrill Lynch said that Bear's problems are overblown.

Nonetheless, the recent shift in market sentiment viewed the latest attempt by the market to bounce back as another selling opportunity.

Pimco's Bill Gross saying late in the day that subprime problems are spreading to other areas didn't help matters since his remarks coincided with further deterioration in market internals that eventually left stocks struggling to regain any upward momentum.

On the economic front, New Home Sales fell 1.6% in May; but downward revisions to the prior three months' figures further suggested that it's still too early to declare a bottom in housing.

Even though monthly confidence data don't say much about the economic outlook or correlate well with short-term consumer spending, the June report falling to a 10-month low merely underscored the sentiment shift that has occurred this month.

A 2.0% drop in oil prices to \$67.80/bbl offered some intraday relief; but a subsequent pullback in the Energy sector to the tune of 1.5% acted as an offset. Materials turned in the day's second worst performance (-1.2%) among the nine sectors losing ground.

The only sector finishing higher was Health Care, yet its 0.7% advance further underscored a more risk averse market looking for defensive-oriented stocks.

## US Economic Calendar

June 27<sup>th</sup>:- Durable Orders, Crude Inventories

June 28<sup>th</sup>:- Initial Claims, FOMC Policy Statement

June 29<sup>th</sup>:- Personal Income, Personal Spending, Construction Spending, Mich Sentiment

## Commodities

Gold fell to its lowest in more than three months and silver hit a five-month trough on Tuesday as softer oil prices and weakness in other metals triggered technical selling.

Dealers said expectations of higher interest rates around the world also dampened sentiment, with the metals vulnerable to further drops before recovering.

Spot gold fell as low as \$640.60 an ounce, its weakest since March 14, and was at \$642.20/642.80 by 15:49 p.m. EDT (1949 GMT), compared with \$650.80/651.40 late in New York on Monday.

Traders said silver took direction from copper, which ended down more than two percent, and a decline in gold prices. Other metals such as platinum, palladium, aluminium and lead also declined sharply in a broad sell-off across the metals market.

Silver's failure to hold current levels might trigger further selling, pushing prices towards \$12, dealers said.

Key precious metals came under pressure also because of weaker oil prices on higher stockpiles expectations in top consumer the United States.

Gold is often seen as a hedge against oil-led inflation.

Market players awaited a series of U.S. data this week. Also, the U.S. Federal Reserve's two-day policy meeting, ending on Thursday, will be watched for clues on the central bank's views on the economy's health.

Last week, U.S. stocks retreated on inflation concerns as the benchmark bond yields of the U.S. government debt rose and jittery investors sold on news of troubled hedge funds rankled by subprime mortgage holdings.

In other metals, palladium fell to a one-month low of \$360.50 an ounce and was last quoted at \$363.20/367.20 an ounce, compared with \$367.50/371.50, its previous closing level in New York.

Platinum fell to a six-week low of \$1,262 before rising to \$1,265/1,269 an ounce, versus \$1,280/1,284 last in the U.S. market on Monday.

## Headlines

- News, Dow Jones agreed on editorial: report
- Qantas to acknowledge carbon footprints
- Zinifex bosses get \$11m bonus shares
- Takeover activity hits record levels
- Union to tackle St George on jobs
- Telstra goes crazy in court yet again

## Recommendations

### \*New Trades\*

Option expiry is likely to keep me busy today and tomorrow so at this stage there will not be any new trades.

### \*Current Trades\*

**Buy a BSL July \$10.50/\$11.00 Bull Call Spread @ 22c or better**

(Entered 22<sup>nd</sup> June at 20c, currently 14c)

**Buy FNT @ 19.5c or better**

(Entered 22<sup>nd</sup> June at 19.5c, currently 17.5c)

**Bought a small exposure to an aggressive QBE June \$33.00/\$33.50 June Bull Call Spread**

(Entered 20<sup>th</sup> June @ 15.5c, currently about 2c)

**Bought MUR @ 14.5c**

(Entered 20<sup>th</sup> June @ 14.5c, currently 15c)

**Bought AIM @ 37.5c**



(Entered 20<sup>th</sup> June @ 37.5c, currently 39.5c)

**Bought 2000 RIN in margin loan accounts and will accept the CEMEX deal this week**

(Entered the trade on 15<sup>th</sup> June @ \$18.85)

**Sold a NWS July \$28.00/\$27.50 July Bull Put Spread**

(Entered trade on 14<sup>th</sup> June at 16.5c, currently 18.5c)

**Sell the AWC Sept \$7.50 Puts @ 30c or better**

(Entered this trade 13<sup>th</sup> June for 33c, currently 33c)

**Sold the NCM July \$23.00 Puts @ 65c**

(Entered trade on 12<sup>th</sup> June for 65c, last 65c)

**Write cover against QAN holdings**

(Recommended on 30<sup>th</sup> May and sold July \$5.83 Calls @ 17.5c, last 13.5c)

**Buy CIG @ 6c or better**

(Recommended on 24<sup>th</sup> May at 5.9c, currently 9.1c)

Sold 50% of holdings on June 20<sup>th</sup> between 9.2c and 9.4c for a little over 50% profit.

## Realised

1. Sold in-the-money Puts in **OXR** on 24<sup>th</sup> May for 14c, bought them back on June 5<sup>th</sup> for 4c banking **71%** of the premium received.
2. Bought **BLU** on the 31<sup>st</sup> May at \$1.86 and took profits for the short term traders on Friday 15<sup>th</sup> June on a good spike at \$2.40 banking a tidy **29%** in only a few weeks. Longer term investors I recommend they continue to hold.
3. Bought the **NCM** June \$23.00/\$24.00 Bull Call Spread on the 5<sup>th</sup> of June for 35c and sold it on the 20<sup>th</sup> June for 72c, realising just over **100%** in only 2 weeks.
4. Sold the **WBC** July \$24.50/\$25.00 Bull Put Spread for 14c on the 14<sup>th</sup> June and bought it back for 6c on June 20<sup>th</sup> banking a **57%** return on premium received.

## Regards,

**Anthony Wieland**

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