



>: A look at 2006!

Thursday, February 16, 2006 | Chris Rowe

Chris Rowles

Hey gang!

Since last week's "Steel Tycoon Report" article I've received several e-mails asking me which industries are the best to invest in for 2006.

I also had a few no asks as to which industries to avoid.

I'll give you a quick summary of the more conservative call options on the leaders of two of the groups since last Thursday, and we expect over 50% return on each of them within a couple of months.

Okay everyone, here's the short and sweet version:

So where should you have your money?

As I continue to say: **COMMODITIES**

Check this out: As I mentioned in the January 23rd Monday Commentary (at www.thetrendrider.com.) the S&P500's performance in January tends to predict the market's direction for the year.

Sam Stovall, Chief Investment Strategist at S&P, has crunched the numbers over the years.

He calls it the "January Barometer Portfolio," or JBP.

Since 1970 a portfolio of the top ten S&P industries during January has beaten the S&P itself, and performed even better in years when January was up.

FACT: Standard and Poor's top ten industries in January will almost always outperform the index over the next eleven months!

Well the good news is that the S&P was up for January.

The better news is that I will list for you here the ten best performing groups for last month in the order of performance:

Only one of the best performing sectors (#9) listed above does not relate to commodities (and it just barely made the cut).

Hmm.

I also know which individual stocks are the strongest in each one of the groups listed above.

If you are already a member of my trading service, "The Trend Rider," then you are sure to be trading the leaders of each one of those groups throughout the year.

As a matter of fact, I already recommended a couple of the more conservative call options on the leaders of two of the groups since last Thursday, and we expect over 50% return on each of them within a couple of months.

So what do you want to avoid??

Stay away from the financial stocks like Citigroup and JP Morgan.

I, of course, could be wrong about this.

Maybe financials will do okay ...

It's like the comedian Chris Rock says: "You can drive a car with your feet - if - ya want - to.

But that don't make it a good frickin' idea!"

This sector could be a winner this year.

I'll let you know for sure in December.

But based on the facts, you do not want to have your money here.

The two new Fed nominees Kevin M. Warsh and Randall S. Krosner said Tuesday that controlling inflation is the top priority.

With continuing high energy and gasoline prices and an inverted yield curve, the bond market is now telling us that it is likely that the Fed is going to continue interest rate hiking.

A huge concern which we can't seem to escape is the inverted yield curve (considered to be a predictor of economic recession,) which puts huge pressure on the financials.

Big banks such as Citigroup Inc.'s Citibank unit and J.P. Morgan Chase & Co. have already cited the inverted yield curve as a factor affecting profits.

The 10-year is now only 9 basis points less than the 2-year (4.61% versus 4.70%), the spread having widened over the past week.

Indeed, the 30-year is the lowest of all at 4.58%.

...Scare-REE!

What about the General market?

Scary right now.

(sorry folks)

It does look weak but then again, the best times to buy are when it looks ugly.

I hate to talk about the GENERAL market because it's impossible to predict.

Let's talk about the market internals.

On the positive side of things, currently, the SOX (Philadelphia Semiconductor Index,) the OSX (Oil Service Index) and S&P600 (Small-cap index) remain at near support themselves, indicating their constituents are doing the same.

As long as the leadership holds near support, that is a positive for the market and keeps alive the possibility of a rally continuation.

I'll talk to you folks next Thursday.

Until then, do yourself a favor and stick only to the leaders and you will be fine.

?Profit from the Trend?