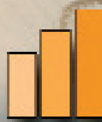


The
Mad Hedge Fund Trader

Global Market Comments
January 8, 2014
Fiat Lux

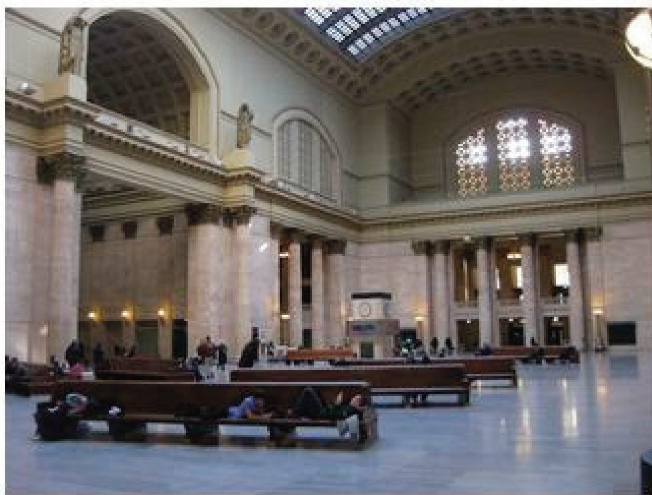
2014 Annual Asset Class Review
FOR PAID SUBSCRIBERS ONLY

Featured Trades:
(SPX), (QQQ), (XLF), (XLE), (XLI), (XLY), (EEM), (TLT), (TBT), (JNK), (PHB), (HYG), (PCY), (MUB), (HCP), (FXE), (EUO), (FXC), (FXA), (YCS), (FXY), (CYB), (FCX), (VALE), (MOO), (DBA), (MOS), (MON), (AGU), (POT), (PHO), (FIW), (CORN), (WEAT), (SOYB), (JJG), (DIG), (RIG), (USO), (DUG), (UNG), (OXY), (X), (GLD), (DGP), (SLV), (PPTL), (PALL), (XHB)

S&P 500 Index (SPX)
PowerShares QQQ (QQQ)
Financial Select Sector SPDR (XLF)
Energy Select Sector SPDR (XLE)
Industrial Select Sector SPDR (XLI)
Consumer Discret Select Sector SPDR (XLY)
iShares MSCI Emerging Markets (EEM)
iShares 20+ Year Treasury Bond (TLT)
ProShares UltraShort 20+ Year Treasury (TBT)
SPDR Barclays High Yield Bond (JNK)
PowerShares Fundamental High Yld Corp Bd (PHB)
iShares iBoxx $ High Yield Corporate Bd (HYG)
PowerShares Emerging Mkts Sovereign Debt (PCY)
iShares National AMT-Free Muni Bond (MUB)
HCP, Inc. (HCP)
CurrencyShares Euro Trust (FXE)
ProShares UltraShort Euro (EUO)
CurrencyShares Canadian Dollar Trust (FXC)
CurrencyShares Australian Dollar Trust (FXA)
ProShares UltraShort Yen (YCS)
CurrencyShares Japanese Yen Trust (FXY)
WisdomTree Chinese Yuan (CYB)
Freeport-McMoRan Copper & Gold Inc. (FCX)
Vale S.A. (VALE)
Market Vectors Agribusiness ETF (MOO)
PowerShares DB Agriculture (DBA)
The Mosaic Company (MOS)
Monsanto Company (MON)
Agrium Inc. (AGU)
Potash Corp. of Saskatchewan, Inc. (POT)
PowerShares Water Resources (PHO)
First Trust ISE Water Idx (FIW)
Teucrium Corn (CORN)
Teucrium Wheat (WEAT)
Teucrium Soybean (SOYB)
iPath DJ-UBS Grains TR Sub-Idx ETN (JJG)
ProShares Ultra Oil & Gas (DIG)
Transocean Ltd. (RIG)
United States Oil (USO)
ProShares UltraShort Oil & Gas (DUG)
United States Natural Gas (UNG)
Occidental Petroleum Corporation (OXY)
United States Steel Corp. (X)
SPDR Gold Shares (GLD)
PowerShares DB Gold Double Long ETN (DGP)
iShares Silver Trust (SLV)
Premium Energy Corp. (PPTL)
ETFS Physical Palladium Shares (PALL)
SPDR S&P Homebuilders ETF (XHB)

I am writing this report from a first class sleeping cabin on Amtrak's **California Zephyr.** We are now pulling away from Chicago's Union Station, leaving its hurried commuters, buskers, panhandlers, and majestic great halls behind. I am headed for Emeryville, California, just across the bay from San Francisco. That gives me only 56 hours to complete this report. I tip my porter, Courtney, a $100 in advance to make sure everything goes well during the long adventure.

The rolling and pitching of the car is causing my fingers to dance all over the keyboard. Spellchecker can catch most of the mistakes, but not all of them.



As both broadband and cell phone coverage are unavailable along most of the route, I have to rely on frenzied searches during stops at stations along the way to chase down data.

You know those cool maps in the Verizon stores that show the vast coverage of their cell phone networks? They are complete BS. Who knew that 95% of America is off the grid? That explains a lot about our politics today. I have posted many of my better photos from the trip below, although there is only so much you can do from a moving train.

After making the rounds with strategists, portfolio managers, and hedge fund traders, I can confirm that 2013 was one of the easiest to trade for careers lasting 30, 40, or 50 years. With the Dow gaining a prolific 29% in 2013, and S&P 500 up a positively robust 26%, this was a year for the ages. However most hedge funds lagged the index by miles, taking in, on average, a meager 5%. Plain vanilla index funds made 23%-24%. My **Trade Alert Service**, hauled in an astounding 67.45% profit, and has become the talk of the hedge fund industry.

If you think I spend too much time absorbing conspiracy theories from the internet, let me give you a list of the challenges I see financial markets facing in the coming year:

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The Highlights of 2014

1) Stocks will finish 2014 higher, but will not gain as much as in the previous year.

2) Performance this year will be front end loaded into the first quarter.

3) The Treasury bond market will continue to grind down.

4) The yen will lose another 10%-20% against the dollar.

5) The Euro will bore you to tears, stuck in a range.

6) Oil stays in a $70-$100 range.

7) Gold bottoms at $1,000, then rallies (My jeweler was right, again).

8) Commodities begin a modest recovery.

9) Residential real estate has made its big recovery, and will grind up slowly from here.

The Thumbnail Portfolio

Equities- Long. A rising but choppy year that takes the S&P 500 up to 2,100. This year we really will get a 10% correction.

Bonds- Short. Down for the entire year with long periods of stagnation.

Currencies- Short. Strong again, especially against the yen.

Commodities- Long. A China recovery takes them up, then sideways, then up some more.

Precious Metals - Stand aside. We get the final capitulation selloff, then a rally.

Agriculture- Long. Up, because we can't keep getting perfect weather forever.

Real Estate - Long. Multifamily up, commercial up, single family homes sideways to up small.

1) The Economy-Global Synchronized Recovery

For the fist time since 2007, the economies of the US, Europe, China, and Japan will all be recovering at the same time. That is really all you need to know this year. If you have more important things to do, like getting your nails manicured, you hair blown dry, or you back massaged, you can skip the rest of this report. The big call has been made.

This means that most forecasts for the coming year are on the low side, as they tend to be insular and only examine their own back yard, with most predictions still carrying a 2% handle. I think the US will come in at the 3%-4% range,

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and the global recovery spawns a cross leveraged, hockey stick effect to the upside. This will be the best performance in a decade. Most company earnings forecasts are low as well.

There is one big positive that we can count on in the New Year. Corporate earnings will probably come in at $120 a share for the S&P 500, a gain of 10% over the previous year. During the last four years we have seen the most dramatic increase in earnings in history, taking them to all-time highs. This is set to continue. Furthermore, this growth will be front end loaded into Q1. The "tell" was the blistering 4.1% growth rate we saw in Q3, 2013. The coming Q4 numbers will deliver a slowdown, thanks to the Washington shut down. Then it will be back to the races.

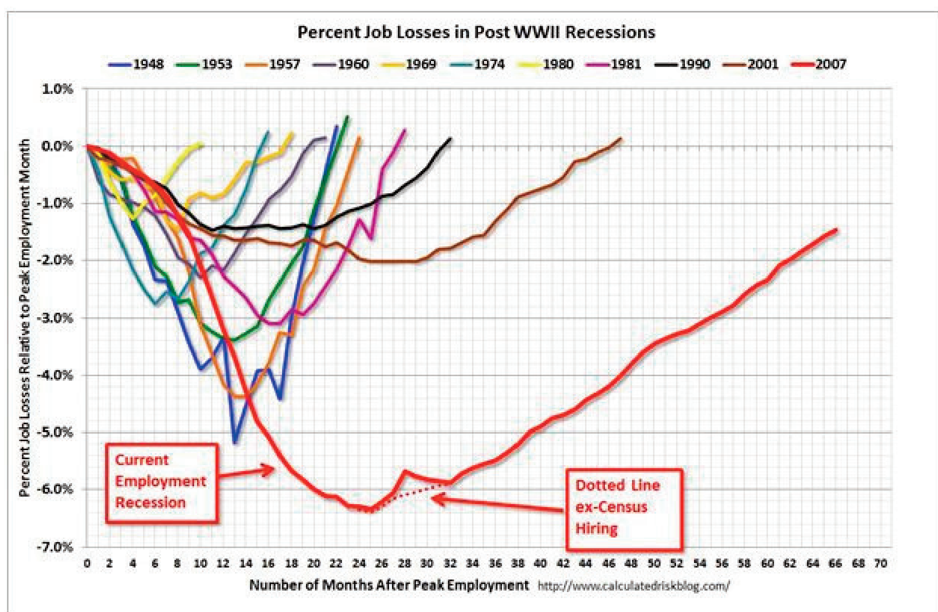
Cost cutting through layoffs is reaching an end, as there is no one left to fire. That leaves technology as the sole remaining source of margin increases, which will continue its inexorable improvements. Think of more machines and software replacing people.

You know all of those hundreds of billions raised from technology IPO's in 2013. Most of that is getting plowed right back into new start ups, accelerating the rate of technology improvements even further, and the productivity gains that come with it.

You can count on demographics to be a major drag on this economy for the rest of the decade. Big spenders, those in the 46-50 age group, don't return in large numbers until 2022. But this negative will be offset by a plethora of positives, like technology, global expansion, and the lingering effects of Ben Bernanke's massive five year quantitative easing. A time to pay the piper for all this largess will come. But it could be a decade off.

Forget about employment. The news will always be bad. At this stage of the economic cycle, we should be generating a robust 400,000 jobs a month, not a paltry 200,000. Still, that's better than 100,000 a month, or none.

I believe that the US has entered a period of long-term structural unemployment similar to what Germany saw in the 1990's. Yes, we may grind down to 6%, but no lower than that. Keep close tabs on the weekly jobless claims that come out at 8:30 AM Eastern every Thursday for a good read as to whether the financial markets will head in a 'RISK ON" or "RISK OFF" direction.



Most of the disaster scenarios predicted for the economy this year were based on the shutdown of the Federal government and a Tea Party inspired default on US Treasury bonds. While the former cost the US economy about 0.5% in GDP growth in 2013, risk assets never bought it. With the political costs for the Republican Party unbearable, it is unlikely that we will see a repeat of these antics this year. Therefore, you can add that 0.5% back into 2014 growth.

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A Rocky Mountain Moose Family

2) Equities (SPX), (QQQ), (AAPL), (XLF), (BAC), (EEM),(EWZ), (RSX), (PIN), (FXI), (TUR), (EWY), (EWT), (IDX)

With a GDP growing at a virile 3%-4% in 2014, and corporate earnings reaching $120 a share, those with a traditional "buy and hold" approach to the stock market will do alright, provided they are willing to sleep through some gut churning volatility. A Costco sized bottle of **Jack Daniels** might help too.

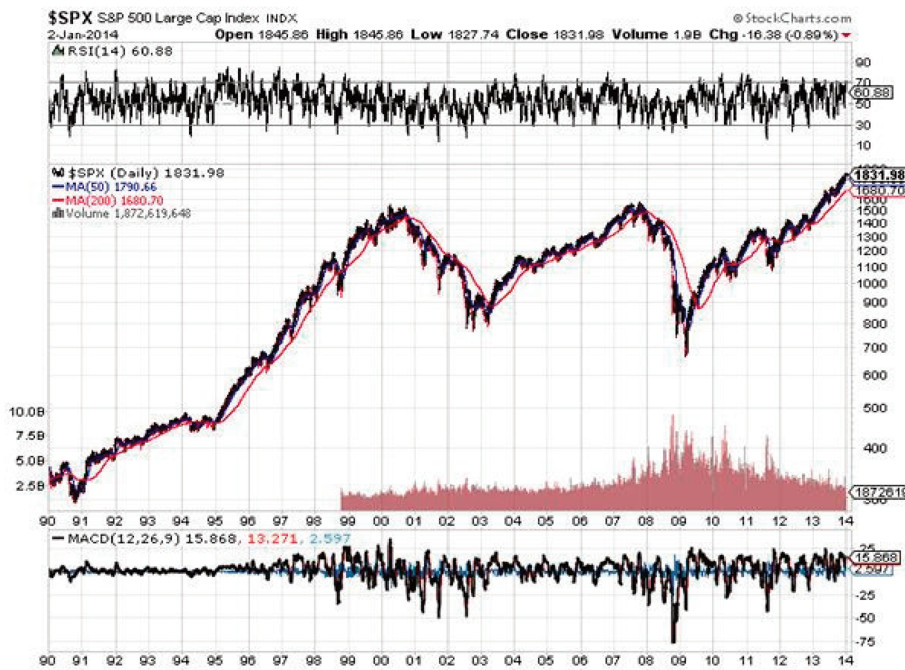
Earnings multiples will increase as well, as much as 10%, from the current 16X to 17.5X, thanks to a prolonged zero interest rate regime from the Fed and a paucity of attractive alternative investments. This is not an outrageous expectation, given the 10-22 earnings multiple range that we have enjoyed during the last 30 years.

The market currently trades around fair value, and no market in history ever peaked out here. An overshoot, often a big one, is mandatory.

After all, Ben Bernanke and soon my friend, Janet Yellen, are paying you to buy stock with cheap money, so why not? This is how the S&P 500 claws its way up to 2,100 by yearend, a gain of about 20% from here. Not as good as 2013, but still a great year.

This does not represent a new view for me. It is simply a continuation of the strategy I outlined again in August, 2013 ("Why US Stocks Are Dirt Cheap"). Technology will be the top-performing sector once again this year. They will be joined by consumer cyclicals (XLV), industrials (XLI), financials (XLF), energy (XLE), and autos (F).

Share prices will deliver anything but a straight-line move. After two years without one, this may finally be the year of the 10% correction, probably going into the summer. We will start with a grinding, protesting rally that takes us up to new highs, as the market climbs the proverbial wall of worry. Then we will suffer a heart stopping summer selloff, followed by another aggressive yearend rally.



Cheap money creates a huge incentive for companies to buy back their own stock. They divert money from their $3 trillion cash hoard, which earns nothing, retire shares paying dividends of 3% or more, and boost earnings per share without creating any new business. Call it financial engineering, but the market loves it. Some $640 billion in such repurchases were carried out in 2013.

This is happening in the face of both an individual and institutional base that is woefully underweight equities. Some $103 billion moved into equity mutual funds last year, the first positive figure in six years. But only $9 billion of this went into US equities, with the balance pouring into foreign funds, primarily in Asia and Europe. That makes possible simultaneous rising prices and earnings multiples that have taken us to investor Heaven.

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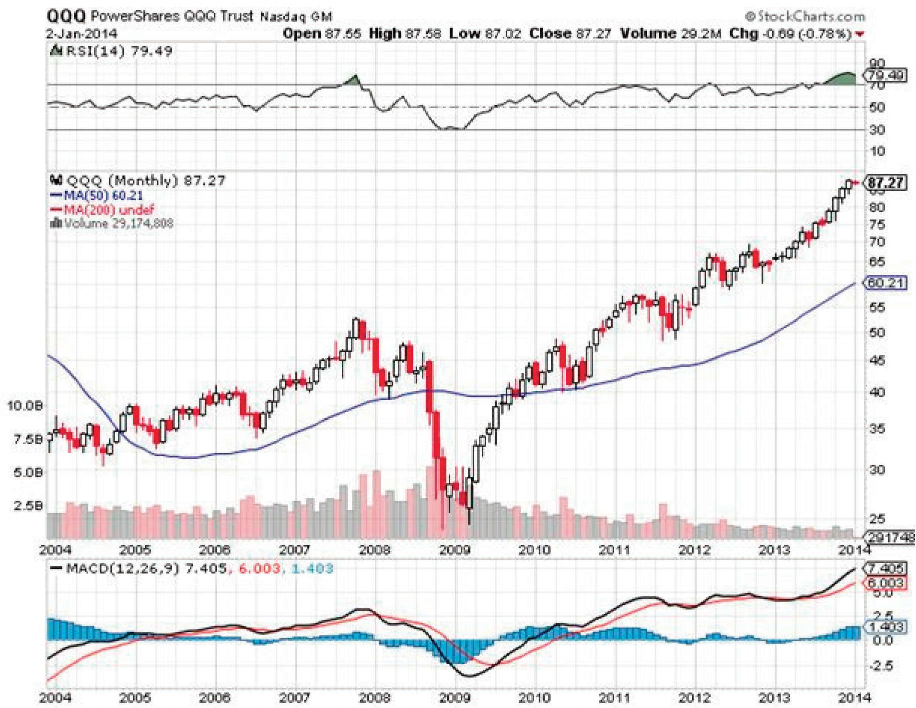

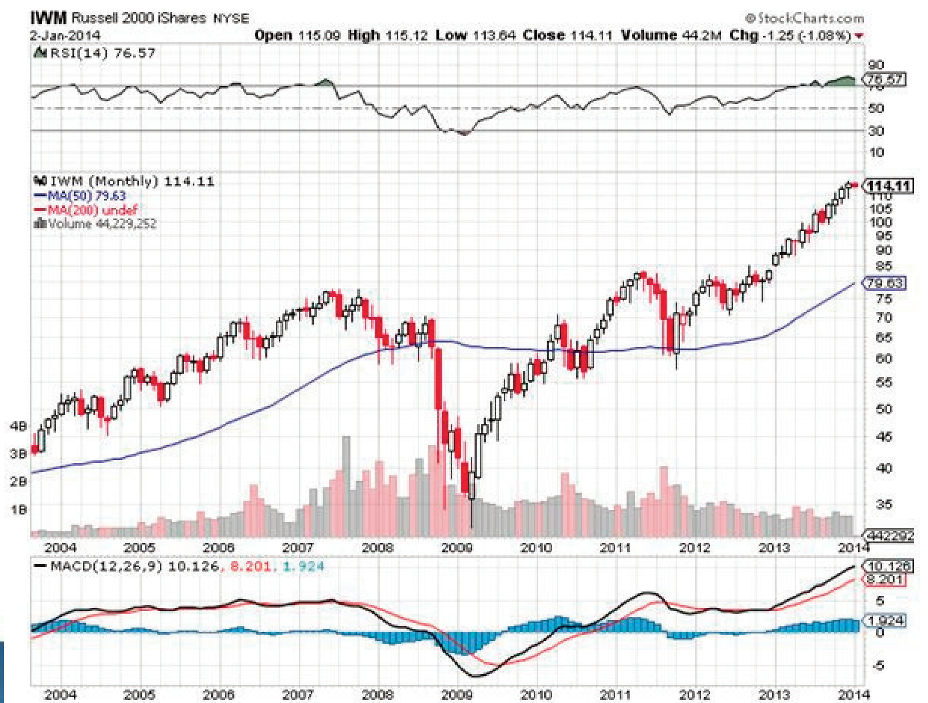

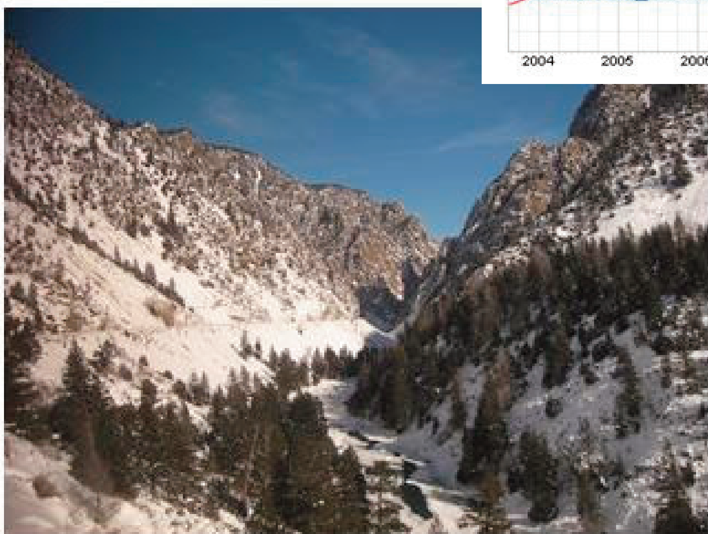

Frozen Headwaters of the Colorado River

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3) Bonds (TLT),(TBT), (JNK), (PHB), (HYG), (PCY), (MUB), (HCP), (KMP), (LINE)

Amtrak needs to fill every seat in the dining car, so you never know who you will get paired with. There was the Vietnam vet Phantom jet pilot who now refused to fly because he was treated so badly at airports. A young couple desperate to get out of Omaha could only afford seats as far as Salt Lake City, sitting up all night. I paid for their breakfast. A retired British couple was circumnavigating the entire US in a month on a "See America Pass." Mennonites returning home by train because their religion forbade airplanes.

Last year turned out to finally be the year when the Treasury bond market finally collapsed. But it was a slow motion affair hardly deserving this description. In the end, the ten-year Treasury yield only made it up from 1.50% to 3.00%, far below historical norms.

Bond investors today get an unbelievable bad deal. If they hang on to the longer maturities, they will get back only 80 cents worth of purchasing power at maturity for every dollar they invest. But institutions and individuals will grudgingly lock in these appalling returns because they believe that the potential losses in any other asset class will be much greater. The problem is that driving eighty miles per hour while only looking in the rear view mirror can be hazardous to your financial health.

What most money managers underestimate is the absolute perniciousness of today's deflation. The cost of the things you need to buy, like food, energy, health care, and education, is rocketing. Globalization is the fat on the fire. I call this "The New Inflation". This goes a long way in explaining the causes behind a 30-year decline in the middle class standard of living.

While much of the current political debate centers on excessive government borrowing, the markets are telling us the exact opposite. A 3%, ten-year yield is proof to me that there is a Treasury bond shortage, and that the government is not borrowing too much money, but not enough. Given the choice between what a bought and paid for politician wants me to believe and the harsh judgment of the marketplace, I will take the latter every time.

There is another factor supporting bonds that no one is looking at. The concentration of wealth with the 1% has a side effect of pouring money into bonds and keeping it there. Their goal is asset protection and nothing else. These people never sell for tax reasons, so the money stays there for generations. It is not recycled into the rest of the economy, as conservative economists insist. As this class controls the bulk of investable assets, this forestalls a real bond market crash, possibly for decades.

So what will 2014 bring us? I think we will start to chip away at the bond market bubble's granite edifice. I am not looking for a free fall in price and a spike up in rates, just a move to a new higher trading range in yields. The high and low for ten year paper for the past nine months has been 1.47% - 3.01%. We could easily ratchet up to a 3.00% to 3.50% range, but not much higher than that. A black swan could deliver a brief spike to 4.00%. You might have to wait for your grandchildren to start trading before we see a return of 12% Treasuries last seen in the early eighties.

Reaching for yield will continue to be a popular strategy among many investors. That focuses buying on junk bonds (JNK), (PHB), and (HYG), REITS (HCP), and master limited partnerships (KMP), (LINE). There is also emerging market sovereign debt to consider (PCY). At least there, you have the tailwinds of long term strong economies, little outstanding debt, appreciating currencies, and higher interest rates than those found at home. However, keep in mind, that if you reach too far your fingers get chopped off.

As for municipal bonds (MUB), we are seeing only the opening act of a decade of fiscal woes by local government. Detroit is just a bellwether, and Puerto Rico is next.

Still, there is a good case for sticking with munis. No matter what anyone says, taxes are going up, and when they do, this will increase muni values. So if you hate paying taxes, go ahead and buy this exempt paper, but only with the expectation of holding it to maturity. Liquidity could get pretty thin along the way, and mark to markets could be shocking. Be sure to consult with a local financial advisor to max out the state, county, and city tax benefits.

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A Visit to the 19th Century

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4) Foreign Currencies (FXE), (EUO), (FXC), (FXA), (YCS), (FXY), (CYB)

The chip shot in the currency markets is still to play the Japanese yen from the short side. Japan's Ministry of Finance is now, far and away, the most ambitious central bank hell bent on crushing the yen to rescue its dying economy.

The problems in the Land of the Rising Sun are almost too numerous to count: the world's highest debt to GDP ratio, a horrific demographic problem, flagging export competitiveness against neighboring China and South Korea, and the world's lowest developed country economic growth rate.

The dramatic sell off we saw in the Japanese currency since December, 2012 is the beginning of what I believe will be a multiyear, and possibly multi decade, move down. Look for ¥110 to the dollar sometime in 2014, and ¥150 further down the road. Take every 3% pullback in the greenback as a gift to sell again.

With the US having the world's strongest major economy, its central bank is, therefore, most likely to raise interest rates first. That translates into a strong dollar, as interest rate differentials are far and away the biggest decider of the direction in currencies. So the dollar will remain strong against the Australian and Canadian dollars as well.

The Euro is a bit of a quandary. While European Central Bank president, Mario Draghi, has talked a lot about monetary easing, he has actually done very little. Yet, the Euro went out at its highs in 2013. Recurring financial crisis on the continent will be offset by the prospects of an economic recovery and slow progress towards a new treaty. So we could see a range here for the year of $1.26-$1.42, with little net movement overall. Euro currency traders may have to go to sleep for a while, or move on the more fertile fields, like betting against the yen.For a sleeper, use the next plunge in emerging markets to buy the Chinese Yuan ETF (CYB) for your back book, but don't expect more than single digit returns. The Middle Kingdom will move heaven and earth in order to keep its appreciation modest to maintain their crucial export competitiveness.

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5) Commodities (FCX), (VALE), (MOO), (DBA), (MOS), (MON), (AGU), (POT), (PHO), (FIW), (CORN), (WEAT), (SOYB), (JJG)

This is an easy call to make. If the China recovery is real, as the markets believe, then you want to be loading the boat with commodities here. If this is just a temporary "feel good" rally, then you want to unload whatever you have. I believe in the former case.

China is not returning to the torrid double-digit growth rates of the past. Just stabilizing here at a 7% annual rate would be a big win. Then they may crawl back to an 8% growth rate, but not much higher. That's still double America's projected 3%-4% growth rate.

The Middle Kingdom is currently changing drivers of its economy, from foreign exports to domestic consumption. This will be a multi decade process, and they have $4 trillion in reserves to finance it. It will still demand prodigious amounts of imported commodities, especially, oil, copper, iron ore, and coal, all of which we sell. But not as much as in the past. The derivative equity plays here are Freeport McMoRan (FCX) and Companhia Vale do Rio Doce (VALE).

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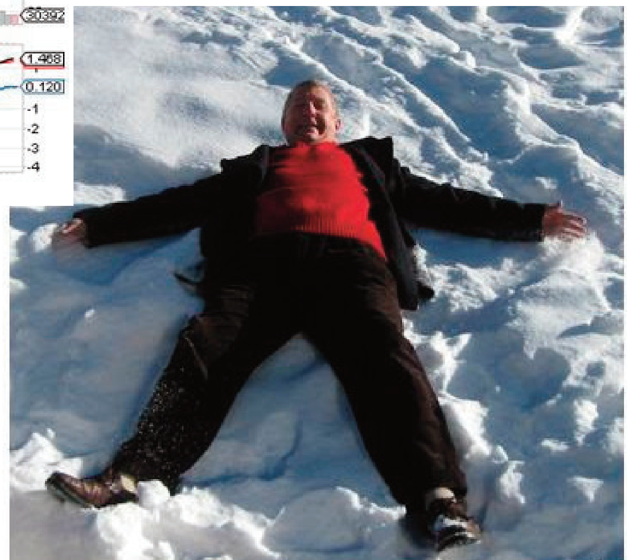
The food commodities were certainly the asset class to forget about in 2013, as perfect weather conditions and over planting produced record crops, demolishing prices. The associated equity plays took the swan dive with them.

However, the ags are still a tremendous long term Malthusian play. The harsh reality here is that the world is making people faster than the food to feed them, the global population jumping from 7 billion to 9 billion by 2050. Half of that increase comes in countries unable to feed themselves today, largely in the Middle East. The idea here is to use any substantial weakness, as we are seeing now, to build long positions that will double again if global warming returns in the summer.

The easy entry points here are with the corn (CORN), wheat (WEAT), and soybeans (SOYB) ETF's. You can also play through (MOO) and (DBA), and the stocks Mosaic (MOS), Monsanto (MON), Potash (POT), and Agrium (AGU). The grain ETF (JJG) is another handy fund. Though an unconventional commodity play, the impending shortage of water will make the energy crisis look like a cakewalk. You can participate in this most liquid of assets with the ETF's (PHO) and (FIW).



Snow Angel on the Continental Divide

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6)Energy (DIG), (RIG), (USO), (DUG), (DIG), (UNG), (USO), (OXY), (XLE), (X)

Our train has moved over to a siding to permit a freight train to pass, as it has priority on the Amtrak system. Three Burlington Northern engines are heaving to pull over 100 black, brand new tank cars, each carrying 30,000 gallons of oil from the fracking fields in North Dakota. There is another tank car train right behind it. No wonder Warren Buffett tap dances to work every day, as he owns the road. US Steel (X) also does the two-step, since they provide immense amounts of steel to build these massive cars.

The US energy boom sparked by fracking will be the biggest factor altering the American economic landscape for the next two decades. It will flip us from a net energy importer to an exporter within three years, allowing a faster than expected reduction in military spending in the Middle East.

Cheaper energy will bestow new found competitiveness on US companies that will enable them to claw back millions of jobs from China in dozens of industries. This will end our structural unemployment faster than demographic realities would otherwise permit.

We have a major new factor this year in considering the price of energy. Peace in the Middle East, especially with Iran, always threatened to chop $30 off the price of Texas tea. But it was a pie-in-the-sky hope. Now there are active negotiations underway in Geneva for Iran to curtail or end its nuclear program. This could be one of the black swans of 2014, and would be hugely positive for risk assets everywhere.

Add the energies of oil (DIG), Cheniere Energy (LNG), Transocean (RIG), the energy sector ETF (XLE), and Occidental Petroleum (OXY). Skip natural gas (UNG), because the discovery of a new 100-year supply from "fracking" and horizontal drilling in shale formations is going to overhang this subsector for a very long time. However, major reforms are required in Washington before use of this molecule goes mainstream.

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7) Precious Metals (GLD), (DGP), (SLV), (PPTL), (PALL)

The train has added extra engines at Denver, so now we may begin the long laboring climb up the Eastern slope of the Rocky Mountains. On a steep curve, we pass along an antiquated freight train of hopper cars filled with large rocks. The porter tells me this train is welded to the tracks to create a windbreak. Once, a gust howled out of the pass so swiftly that it blew a train over on to its side.

In the snow filled canyons we sight a family of three moose, a huge herd of elk, and another group of wild mustangs. The engineer informs us that a rare bald eagle is flying along the left side of the train. We also see countless abandoned gold mines and the broken down wooden trestles leading to them, so it is timely here to speak about precious metals.

As long as the world is clamoring for paper assets like stocks, the pain trade for gold holders is on. After all, who needs an insurance policy if you are going to live forever? We have already broken $1,200 once, and a test of $1,000 seems in the cards before a turnaround ensues. There are more hedge fund redemptions and stop losses to go. If you run into a gold permabull, just mention the name John Poulson.

But the long-term bull case is still there. Obama has not suddenly become a paragon of fiscal restraint. Janet Yellen is not known for being a tightwad. When I pull a dollar bill out of my wallet, it's as limp as ever. Gold is not dead; it is just resting. I believe that the monetary expansion arguments to buy gold prompted by massive quantitative easing are still valid.

If you forgot to buy gold at $35, $300, or $800, another entry point is setting up for those who, so far, have missed the gravy train. The precious metals have to work off a severely, decade old overbought condition before we make substantial new highs. Remember, this is the asset class that takes the escalator up and the elevator down, and sometimes the window.

If the institutional world devotes just 5% of their assets to a weighting in gold, and an emerging market central bank bidding war for gold reserves continues, it has to fly to at least $2,300, the inflation adjusted all-time high, or more.

This is why emerging market central banks step in as large buyers every time we probe lower prices. For me, that pegs the range for 2014 at $1,000-$1,400. ETF players can look at the 1X (GLD) or the 2X leveraged gold (DGP).

I would also be using the next bout of weakness to pick up the high beta, more volatile precious metal, silver (SLV), which I think could hit $50 once more, and eventually $100.

What will be the metals to own in 2014? Palladium (PALL) and platinum (PPLT), which have their own auto related long term fundamentals working on their behalf, would be something to consider on a dip. With US auto production at 16 million units a year and climbing, up from a 9 million low in 2009, any inventory problems will easily get sorted out.

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Would You Believe This is a Blue State?

8) Real Estate (XHB)

The majestic snow covered Rocky Mountains are behind me. There is now a paucity of scenery, with the endless ocean of sagebrush and salt flats of Northern Nevada outside my window, so there is nothing else to do but write. My apologies to readers in Wells, Elko, Battle Mountain, and Winnemucca, Nevada; it is a route long traversed by roving banks of Indians, itinerant fur traders, the Pony Express, my immigrant forebears in wagon trains, the transcontinental railroad, the Lincoln Highway, and finally US Interstate 80.

As I am now crossing a desert, it is perhaps appropriate that I discuss the real estate market. There is no doubt that there is a long-term recovery underway. But the big money has been made here over the past 18 months, with some markets, like San Francisco, climbing 30% or more. If you live within commuting distance of Apple (AAPL), Google (GOOG), or Facebook (FB) headquarters in California, you are looking at multiple offers, bidding wars, and prices at all time highs.

From here on, I expect a slow grind up well into the 2020's. If you live in the rest of the country, we are talking about small, single digit gains. At least, it has stopped going down, which has been great news for the financial industry.

There are only three numbers you need to know in the housing market: there are 80 million baby boomers, 65 million Generation Xer's who follow them, and 85 million in the generation after that, the Millennials.

The boomers have been desperately trying to unload dwellings to the Gen Xer's since prices peaked in 2007. But there are not enough of the latter, and three decades of falling real incomes mean that they only earn a fraction of what their parents made. If they have prospered, banks won't lend to them. Brokers used to say that their market was all about "location, location, location." Now it is "financing, financing, financing." Banks have gone back to the old standard of only lending money to people who don't need it.

Consider the coming changes that will affect this market. The home mortgage deduction is unlikely to survive any real attempt to balance the budget. And why should renters be subsidizing homeowners anyway? Nor is the government likely to spend billions keeping Fannie Mae and Freddie Mac alive, which now account for 95% of home mortgages.

That means the home loan market will be privatized, leading to mortgage rates 200 basis points higher than today. If this sounds extreme, look no further than the jumbo market for proof. It is already bereft of government subsidies, so loans of this size are priced at premiums. This also means that the fixed rate 30-year loan will go the way of the dodo, as banks seek to offload duration risk to consumers. This happened long ago in the rest of the developed world.

There is a happy ending to this story. By 2022 the Millennials will start to kick in as the dominant buyers in the market. Some 85 million Millennials will be chasing the homes of only 65 Gen Xer's, causing housing shortages and rising prices. This will happen in the context of a labor shortfall and rising standards of living. Remember too, that by then, the US will not have built any new houses in large numbers in 15 years. In fact, the 2020's could bring a repeat of our last golden age, the 1950's.

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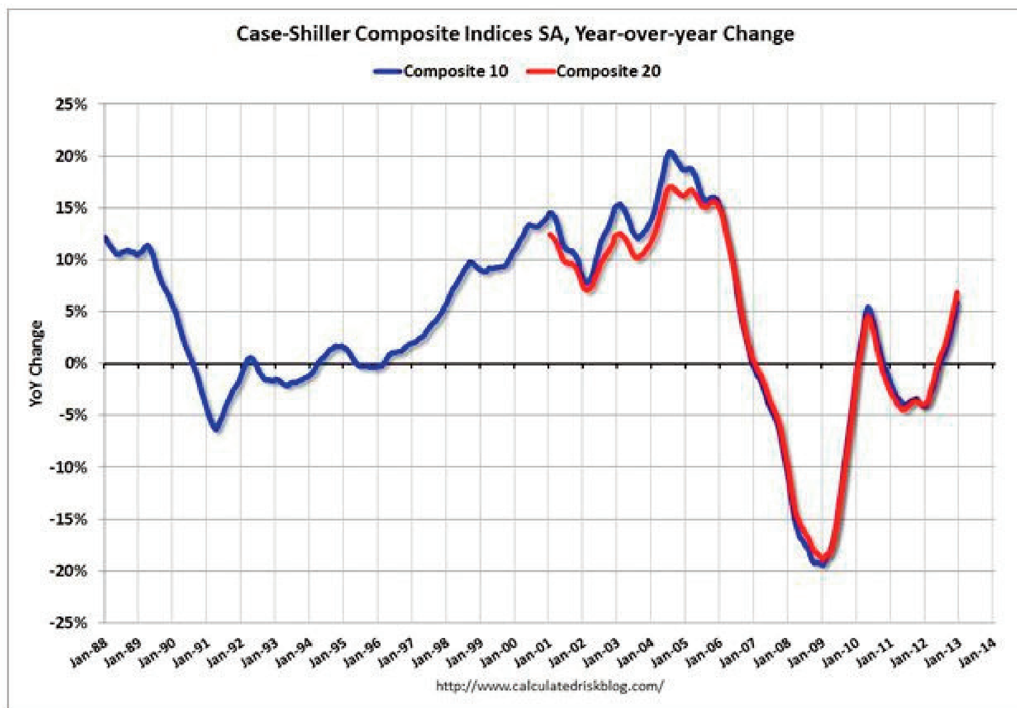
The best-case scenario for residential real estate is that it gradually moves up for another decade, unless you live in Cupertino or Mountain View. Only buy a home if your wife is nagging you about living in that cardboard box under the freeway overpass. But expect to put up your first-born child as collateral, and bring in your entire extended family in as cosigners if you want to get a bank loan.



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9) Postscript

Crossing the Bridge to Home Sweet Home

We have pulled into the station at Truckee in the midst of a howling blizzard. My loyal staff have made the 20 mile treck from my beachfront estate at Incline Village to welcome me to California with a couple of hot breakfast burritos and a chilled bottle of Dom Perignon Champaign, which has been resting in a snowbank. I am spared from taking my last meal with Amtrak.

Well, that's all for now. We've just passed the Pacific mothball fleet moored in the Sacramento River Delta and we're crossing the Benicia Bridge. The pressure increase caused by an 8,000 foot descent from Donner Pass has crushed my water bottle. The Golden Gate and the soaring spire of the Transamerica Building are just around the next bend across San Francisco Bay. A storm has blown through, leaving the air crystal clear and the bay as flat as glass. It is time for me to unplug my Macbook Pro and iPhone 5s, pick up my various adapters, and pack up.

The Omens Are Good for 2014!

We arrive in Emeryville 45 minutes early. With any luck, I can squeeze in a ten mile night hike up Grizzly Peak and still get home in time to watch the season opener for Downton Abbey season four. I reach the ridge just in time to catch a spectacular pastel sunset over the Pacific Ocean. The omens are there. It is going to be another good year.

I'll shoot you a **Trade Alert** whenever I see a window open on any of the trades above. Good trading in 2014!

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