Jack Adamo's Insiders Plus

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Dear Friend & Client,

After working past midnight to finish this letter, I somehow deleted the greater part of it. I was only able to save the part that I had sent to my proof-reader for editing. The second part had the portfolio updates with all the earnings reports. Moreover, as I do each update, I delete the notes I used to make it. Hence, I have to start the greater part of the letter over from scratch. I have all the financial statements and articles I read to contribute to the updates, but I have to delve into each one again and extract the parts I want to use.

Unfortunately, I have to travel tomorrow and was planning on taking one of my vacation weeks next weekend. I can wrangle that, but there's no way I can get around my travel plans for the next two days. Hence, I will have to catch up on the updates Wednesday and/or Thursday.

Luckily, there is nothing urgent in the updates.

My apologies for this fiasco.

Here is the beginning of the letter, followed by a brief close. I'll get the updates to you as soon as possible.

Thanks for joining me.

We had another great week, trouncing the major indices gain of 0.2%. Our Main Portfolio rose 1.1%, despite a drop in **Avon** and our High Income Portfolio soared 3.6% with the help of some huge gains in energy shares, especially **Ensco**. Jim Cramer talked it up on his show, although it was far from an enthusiastic endorsement. Basically, he said it had the best rigs and would be a survivor. However, the real reason he recommended it is the reason he recommends anything, that is, it's going up. He's a hardcore momentum investor and when he touts something, his loyal minions jump on board, giving a temporary boost to his new favorite.

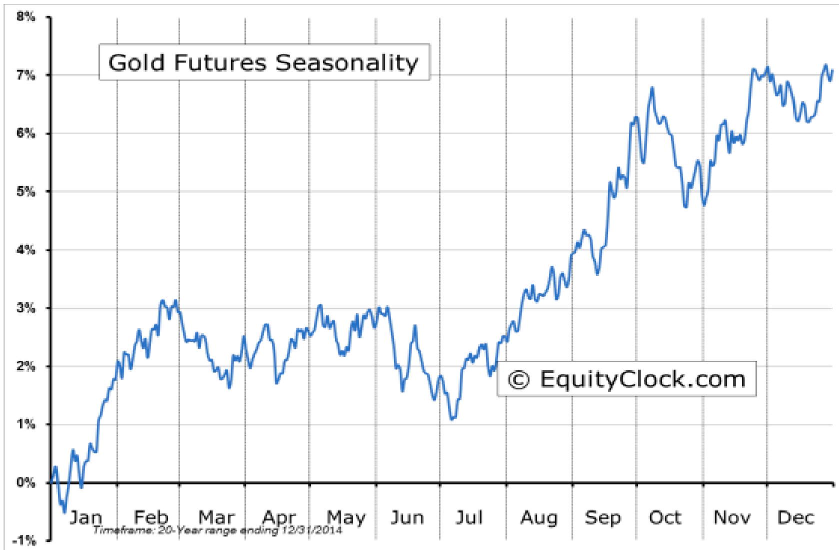
Oil

I'd love to believe this momentum will last, but the real reason for the (pre-Cramer) move in Ensco was most likely that the underwriters of the recent 57 million share secondary offering have been pounding the table to their clients, so the underwriters can make a killing. However, the stock did get help from a rise in crude oil. West Texas Intermediate rose $2 on the week to close at $43.75/bbl.

Ostensibly the rise in crude prices is based on the fact that production has fallen for the 12th straight week, but that's not quite as bullish as it sounds. OPEC failed to reach a standstill accord, much less agree to cutting production, and after all the recent production cutting, U.S. production is just 5% below last year, and it remains 10% above the five year average. And last, but not least, inventories are also up 10% year-over-year, despite the cutbacks. Hence, as much as I'd like to think our energy stocks are on their way back to vibrant health, I'm still skeptical.

Gold

Gold looks like it's getting overbought in the Commitments Of Traders Report over the last few weeks. The metal is only 2% off its recent high, but the trade is getting crowded. Also, as you can see by the chart below, there's a seasonal factor to these price movements. The trend is not guaranteed to conform in any given year and it has not behaved like this in the last six months or so, but this is the tendency over the last twenty years.



(Chart courtesy of Equity Clock.com)

This year's variance is almost certainly because of the exceptional volatility of stocks and the changing views of what the Fed is likely to do. That uncertainty has subsided now, with the markets generally agreeing the Fed is on hold. However, this knowledge isn't as useful as it might seem at first glance. The Fed is on hold because the world economy is weak. That's bearish for gold in the short and intermediate term, but implies it should go higher when the Central Banks try to stimulate again. Yet the tools to do that are about worn out; so it's a very complex situation for gold. We will bide our time for now.

Earnings

According to S&P, the *blended* earnings decline for Q1 so far is -8.9%. When the index reports a decline in earnings for Q1, it will mark the first time the index has seen four consecutive quarters of year-over-year declines in earnings since Q4 2008 through Q3 2009.

"Blended" here means a combination of phony adjusted earnings and even phonier analysts' expected adjusted earnings. So, we can imagine what real earnings will look like. In a couple of weeks we should have enough of the S&P 500 reporting that we can get an idea of what the GAAP disaster looks like.

Meanwhile, it looks like the rally may be grinding to a halt shortly. Even tech darlings like Alphabet (the new parent company of Google) and Apple are feeling the pain. The savvy Dave Rosenberg of Canada's Gluskin-Sheff opined last week that “much of this rally, especially this last whippy part of it, has been short-covering,” as manifested in the sharp shrinkage of negative bets in the Standard & Poor’s 500 futures and options. Of course, I think he's right.

PORTFOLIO UPDATES

To follow.

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http://www.jackadamo.com/main.asp?fn=portfolio_view.asp

The password is: **TinaFey**

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Please see the important legal notice at the end of this letter.

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That's it for today. I would avoid buying anything except the preferreds I mentioned last week. The market looks like it's running out of gas faster than usual at this time of year.

I look forward to talking with you again soon.

Jack

Questions? Write to Jack at: jack@jackadamo.com