



NEWSLETTERS & RECOMMENDATIONS - January 10, 2010

Fellow Friends and Traders,

It doesn't get any easier when you understand that fundamental news, money flows, etc. move markets and technicals only paint a picture of these fundamentals. The fundamental money flows out had the market going down into year end and the huge new inflows (mentioned in the last newsletter) told us the market would be higher the first week of the new year. The market's down 1.5% the last two days of '09 and now up 2+% the first week of '10.

During late '08, the start of tremendous world stimulus programs by all governments and central banks told us the equity markets would move substantially higher into '09. In fact, ***every naked put suggestion or recommendation I ever mentioned in the Chart Room or wrote about since September '08 and again during March '09 will expire worthless this coming Friday 1/15/10***

. Nice work if you can ever get those put premiums again.

Yes, some of the put premiums did go to buying calls that did extremely well. In hindsight I should have put all the put premiums into Jan '10 calls and took the year off. That good I'm not. I am a very cautious person by nature and I like to make money even if I'm wrong on the markets and the markets didn't go up. I will continue to sell puts on those stocks I'm willing to own below the market. This is not a strategy for every one even though it works rather well. Call me if this appeals to you.

Why you may ask? The largest part of the '09 Obama economic stimulus program is being spent during the first 6 months of '10. By design! Everything should come up roses these next 3 months. The FED is on hold for all of '10. S&P making 1200 should be easy as I said making 10,000 was for the DOW in the 3rd quarter. Furthermore, I now believe the one big geopolitical risk is off the table for at least the next 6-9 months. The IRAN's drop dead date of 12/31/09 has come and gone without a peep. I'm totally convinced the Obama team is resigned only to containing or trying to contain a "nuclear" IRAN. The U.S. is now slowly moving to help the Iranian opposition but Israel cannot wait. Stay tuned but the story is off the front pages for now.

According to Stratfor.com in this week's Barron's Russia is moving quickly to recreate the old USSR and is moving ahead quite aggressively while we are pinned down with all our problems. This will give them even more power over IRAN in the future. Obama good luck here too! Russia and Germany are moving ever closer over energy and German technology which give Russia's energy and political future a huge boost. But that's a problem for another day and not quite tomorrow.

Option Trades in Review:

I emailed the first option put trade alert for 2010 Thursday after 2:30 PM. The stock market was

expecting a very positive Jobs # Friday morning @ 8:30 AM. The S&P was at a yearly high near 3:00 PM. This alert was put out as a "must hedge" trade. Traders should buy the 525 Ws under \$1.50 and trade E-minis long on dips. The puts were purchased as low as a \$1.35. Within 30" the puts were trading over \$2.00. The S&Ps sold off over 4 points into a 40% buy. S&Ps were bought and could have been sold after 30 minutes for \$200 profit per E-mini.

There were a few early morning hedging opportunities pre-opening after the surprise negative Jobs #s. The market dropped about 5 points into a MD 40% (1133) buy level where long E-minis could have purchased for a \$150 profit when sold at a 40% sell/retest area. Shortly after that the market hit the overnight low at a 60 MD buy level near 1131. Another long was entered and could have been sold at the opening near 1136 for as much as \$225 profit per hedge. The 525 W put opened on the small gap lower @ \$1.15 on a few then hit \$1.65 at the 10:00 low.

Trade Summary:

If a trader bought the 20 puts @ \$1.50 (a \$3,000 investment) and bought only 10 E-minis long (or, optionally, could have bought as many as 15) as outlined above the trader could have made as much as \$525 per hedge times 10 E-minis or \$5,250 which let's say lost \$0.25 or \$500 on the puts. Net profit was anywhere between \$4,000-\$5,000 in less than 2 trading hours with no overnight margin. You can see why I said this was a "hedged trade" set up. ***I sent out at least 5 intraday emails over the two days to help you through this trade.***

These fundamentally-based option trades have worked extremely well over these last 28 years because at price extremes the news is already in the price (market) so when we are wrong (rarely) we lose very little. However, when we are right we average returns over 100% in a day or less using options alone and much greater returns when hedging. I've been teaching exactly this fundamental and technical-based technique going on 10 years now and I'm the only one doing so – that I know of.

Other possible trade Reviews:

There were other possible option trades Friday. A few students called in and bought calls as early as 10 AM. I also mentioned in the Chat Room I wanted to short the 525 puts over a \$1.00 since they should go out worthless. They did. After 2:00 PM I mentioned in the Chat Room that I thought there were 2 possible trades given the extremely narrow range then.

First, we could buy puts under \$0.50 and go long the S&Ps. I could see a few hedged trades making \$150-\$200 per long contract or losing \$50 on our puts even if the market did not take the high. The best trade I thought was to buy the 525W calls under \$0.70 down to \$0.50. Even if the market only went back to the highs we could make 2-3X depending what we paid for the calls. The calls could be worth between \$1.50 and \$1.75. I entered a scale-in buy order for the calls lower than \$0.90. Unfortunately, the 525s never traded below \$0.90 and closed at \$2.80 as the market took out the high by a few points, stopping only near the 60% sell of the May '08 highs.

So, if you want to take your trading to the next level or if you just want to receive our Intraday Charts/Alert Emails, don't hesitate to call or write. I expect to generate another 25-30 alerts

this year any one of which could more than pay for years of my services.

Good trading,
Stan Moore
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P.S.
“The US faces projected deficits that seriously threaten its bond market, exchange rate and the economic future of every American.” – Robert Ruben, former US Treasury Secretary