



NEWSLETTERS & RECOMMENDATIONS - DECEMBER 27, 2009

Fellow Friends and Traders,

I hope the Christmas holiday was good to you and your family. My grand children are worth their weight in gold and must be God's reward for having children. Next time, I'm skipping the children and going straight to the grand kids.

If we all do what the so-called "Markets Gurus" tells us we will never make a dime investing or trading. Yes!, we must understand what those so called "Professionals" are telling us and then ask ourselves what can go wrong? Never lock your mind into any one expectation. Otherwise you will find yourself buying into declines or constantly selling short into rallies. I keep saying let the Markets tell us what they want to do and follow.

Every time I turn-on CNBC I hear a talking head tell me he got out of the market in '07 and got back it at the March bottom. We know this is not true because one hedge fund manager, David Tepper, disclosed this past week he made \$7 billion buying financial stocks earlier this year. Someone had to be on the other side selling them to him. Tepper now manages about \$9 billion today and earned himself over \$2.5 billion this year. That's nice work if you can get it.

After reading last week's Barron's 2010 economic outlook we note that the consensus falls into a very narrow range for the majority of key economic components:

- * 2010 S&P profits are expected to come in between \$75 and \$80 a share.
- * They have an S&P target price between 1,200 and 1,300.
- * Next years GDP will be up between 3.0-4.0%.
- * Finally, 10 year T bonds will yield between 3.5% and 4.5%.

If we all believe this outlook we must think we are now capable of self-sustaining economic growth coming out of the "recession" and the market will be higher next year. If there is any variant outcome to this view there will be some very dramatic swings ahead from Mr. Market.

Here a few thoughts to chew on:

The biggest economic and market surprise I see ahead is that 1st quarter GDP growth comes in over 4.5% and the market goes sideways or down given the extensive rally to date and with strong economic headwinds ahead in the 2nd half of 2010.

My biggest concern is the geopolitical risk when, not if, Israel attacks Iran. This could come at any time after the 12/31/09 deadline for talks ending and sanctions to be imposed by the U.N. This will bring U.S. growth to a grinding halt by already strapped consumers.

Bonds yields can be greater than 5% or less than 3.0%. Take your pick. War and the economy falling apart could see rates fall below 3% or no war economy grows too fast and rates soar around the globe.

I can see no reason for housing or employment to recover at all in the next few years. I also see 2nd half growth flat. Not good for stocks.

These are just a few things we can chew on looking ahead. I will let the "Market" tip its hand. I have a few good guesses but nothing is set in stone. Fasten your seat belts! This isn't Mr Toad's wild ride in any amusement park that I know of.

More BTIM info to come next:

In my next alert letter I will put out extensive information to paid subscribers on BTIM. It's written by a pro who has followed Dr. West for over 10 years now. I was blown away by the information contained.

Last Monday I sent out an alert email on a deal between Pfizer and Athersys (ATHX). The later has a very limited portfolio of stem cells. ATHX was \$0.44 in March, under \$2.50 on Friday and near \$3.00 on last Monday morning. From my conversations a number of you bought ATHX on my alert. Congratulations! Initially on the announcement the stock did not run away. There are only 18M shares outstanding. By Wednesday the stocks hit \$6.40 with 49 million shares trading that day and then closed at \$5.50 Thursday.

Now look at ATHX. They got \$6 million in cash, signed a deal with PFE for another \$105 million in the future. Their market cap explodes by nearly 500% with just one stem cell line. Both companies now have about \$150 million market caps. I expect future joint ventures with Pharma companies will be better than ATXH's and given its vast 200+ stem cell lines. It's not a question of if there are future deals just when.

We may get one more great opportunity to buy BTIM cheap. Thursday was the 18th day BTIM traded over \$4.00. According to the last BTIM SEC filing BTIM could call their warrants that expire 10/31/10 early if BTIM trades over \$4.00 for 20 straight days. Effective 12/30/09 BTIM may call the warrants. If called the stock will sell off. I'm guessing the stock will trade under \$4.00 for a few weeks. BTIM will then have \$18 million in the bank and the stock should rally right back. Over 50% of the 8 million outstanding warrants are held by insiders and will not hit the markets.

Personally, I've already exercised over 200,000 warrants. There must be less than 4 million out in the public's hand. Investors can own BTIM at a discount to the common by buying the warrants and converting into common by paying a \$2.00 exercise price. Then again, BTIM may not call them at all. I just want to give you a heads up. I've written talked about this before.

Good trading, have a Happy and healthy New Year.

Stan Moore

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