



## NEWSLETTERS & RECOMMENDATIONS - June 28, 2010

Dear Friends and Fellow Traders,

It's the spending countries versus the cutting countries. In the far corner is the US with new tax and spend programs and in the near corner is Germany et al with their new austerity programs. As long as the G20 doesn't break out in a fist fight both sides will declare victory and with expectations so low no one will be disappointed. That is now but the fight is just starting. Ed Yardeni a top strategist just back from Europe writes, "The La Dolce Vita era in Europe is coming to a close. The EU just can't afford it."

Unsustainable government intervention in economies has now reached its limits. The European crises are a symptom of Keynesian disease. Government backstops of private risk through bailouts and guarantees are ultimately tested by the *markets*. I believe history has proven the liquidation process is a better public policy than the eventual default of the US bond market. If the housing crisis was handled like the RTC S&L debacle of 1989-90 housing would be on the upswing by now. The pain would have been almost unbearable but it would be over. Instead we are looking at another \$1 Trillion in losses at FRE and FNM alone and who knows what else is ahead in the housing market. After all housing is 20% of the economy.

Even today Obama still wants to pass another \$130 Billion stimulus program. Currently, the votes aren't there. Politicians are running scared. Furthermore, according to ZeroHedge.com: "The sudden and unprecedented departure of Peter Orszag, the day prior to the US Budget's formalization (which incidentally never happened as now the US will likely not have a 2011 [corrected] budget at all, for fear of disclosing to most Americans just how broke the country is ahead of mid-terms) was due to Orszag's disagreement with the administration, particularly Larry Summer's inability to fathom that reckless spending is a recipe for bankruptcy."

Larry Summers is the advisor who's championing increasing unemployment benefits to 99 weeks. As the *Financial Times of London* (FT) reports: "Peter Orszag, Barack Obama's budget director, resigned this week partly in frustration over his lack of success in persuading the Obama administration to tackle the fiscal deficit more aggressively, according to sources inside and outside the White House." And so, as any remaining voices of reason realize they are dealing with a group of deranged Keynesians, soon there will be nobody left in the administration who dares to oppose the destructive course upon which this country has so resolutely embarked, which ends in one of two ways: debt repudiation, or war. Scary! No wonder I am looking at owning gold for the first time in 50 years.

Late last year I said 2010 would be the year of the stock picker. I was wrong. Everything went up early. Now everything is going down with very few exceptions. Most investors/traders are

now more perplexed by the global macro environment than I've ever seen. Specific company fundamentals matter less than ever.

Cramer contends "everyone is selling stocks without reference to how the underlying companies are doing in reality. Sales, profits and cash positions are being ignored." I couldn't agree more. Most economic releases with the exception of housing suggest moderate growth not a double dip. I find the proximate cause for his adoption of "Malaise" is the loss of confidence in our leaders. The public has finally recognized that our leaders are inept and partisan.

In a world weighed down by debt and low nominal GDP growth with deflationary pressures mounting it's a no brainer that risk assets aren't likely to fare well. Fortunately, looking at corporate fundamentals I continue to see favorable results and good forward guidance. Good fundamentals coupled with low interest rates as far as the eye can see can support share prices here. The risk to this view comes if psychology becomes sufficiently negative to impact the consumer and corporate investment behavior.

There is one potential negative technical factor we all should be aware of. If the market fails to rally from here there could be an imminent "Black Cross" in the major averages? Helene Meisler from TheStreet.com notes the 50DMA is falling fast and the 200DMA may soon be rolling over. A penetration of the 200 by the downward sloping 50 will be taken a very bearish sign going forward versus a "Golden Cross" which is the opposite and considered bullish.

### **Black and Gold Cross Signals by Harry Schiller on RealMoney.com:**

Harry explains in his article that over the past 56 years there have been 25 S&P Golden Crosses. A Golden Cross is defined as the 200 DMA being crossed up through by 50 DMA. If one were to take this trade long, the return averaged 33% over 15 month average holding periods. The last time the S&P Black Cross (defined as the penetration of the 200 DMA by 50 DMA coming down) occurred was back on Dec 21, 2007 when the S&P was at 1484. In less than 15 months the S&P dropped more 800 points to 666. In conclusion, long-term investors trade these crosses in favor of the bias.

### **BTIM (Biotime) Trading – NET Style:**

First, there is BTIM and how NET traders can trade a portion of their stock position at the edges. ***I recommend trading no more than 20% of the total position at the edges. For example, if one has 10,000 shares trade this technique with no more than 2K shares.*** To do so you must learn to trade (versus just buy and hold) and become more proactive about your holding in you want to make better than average returns and retire in luxury. No matter how much one believes that a stock is going higher in the long term the move is never in a straight line. There are plenty and I mean plenty of ups and downs. Just look at those swings on the notated

[2010-06-25 BTIM Daily Chart](#)

Now I trade BTIM every day for the most part and I make very good returns doing just that. My [IRA account](#)

up over 10X in 15 months and the account's only asset (other than cash) is BTIM stock. So, I practice and document what I'm teaching here but I'm going to give you a less frequent and still very profitable way to trade BTIM for your personal BTIM account.

As noted by [1] on the chart, in April there was my *breakout* Alert Email to buy BTIM. The stock hit new highs and ever since has been in a rough \$2.00 trading range. BTIM appears to be in a triangle [see red and blue lines] posed to breakout to the up side assuming the market does not crash anytime soon. See the retest failures ([2]) at or near the \$8 highs and the pull back to the 200 DMA ([3]) and the Oscillator is oversold ([4]) then a rally back to the 20 DMA ([5]) and the start of the trading triangle.

I'd like to focus on just a few trades from the May low ([2]) at a retest of the April breakout level and 200 DMA pullback. Here NET traders buy and, subsequently, the stock rallies in a week from \$5.25 to \$6.50-6.75 and runs smack into its 20 DMA ([5]). I recommended sell some or all of what you just bought. In less than a week BTIM sells off to an 80% buy ([6]). *At this level I recommend re-buying back at the edge and keep the profit of the last sell trade to buy more stock if it goes any lower.*

Another week goes by and BTIM has now rallies to its 50 DMA ([7]). Sell a portion of one's account using my tranche trading technique. When I say portion I mean trading about 1/2 of one's edge-trading position but this is a judgment call.

Shortly thereafter BTIM announces that they will be added to the Russell 3000 on June 25<sup>th</sup>. So, I recommend selling the edge position when BTIM hits the top of the down trend line ([8]). I got lucky and sold 1000 shares at the exact high of \$7.49 as I was scaling out as BTIM move into the resistance.

Then on Wednesday, June 23, NET traders (who follow my advice) got lucky. A *Washington Post* article printed an old negative story. The shorts pound the stock down \$1.40 in just 2 days to the uptrend support line at \$6.09 ([9]). I'm love it in the sense that I sold a good portion of my shares sharply higher and I now have a more profitable opportunity buy back my shares much lower with the upcoming Russell 3000 news on Friday.

I scale into a much larger tranche than I sold. On Thursday I send out a few Alert Emails telling everyone that *index equity funds will have to buy 1.1 Million shares come 4:00 PM on Friday!* I even post this tip (a most profitable trade) on the Yahoo BTIM message board for the world to know as well. I suspect few really grasp the situation and use this data to their advantage. BTIM's average daily volume is only 250,000 shares and the index purchase is equal to 10% of the publically held shares.

As expected the stock has goes higher. If it hadn't been for the 2 days sell of BTIM would have closed Friday at a new high with a short squeeze possible Monday. Anyway, BTIM closes at \$7.01 ([10]) on record volume of over 2 million shares! I recommended in the NET Chat Room to sell most of one's edge position but hold some to see if there is a squeeze on Monday or an EOQ markup come Wednesday then sell the rest and look to buy any weakness. This can be done again and again and again. You get the idea I hope.

The outlook for higher Biotime prices for Monday looks good. The over-the-weekend bid-ask spread is \$7.02-8.05. Typically, the normal overnight bid-ask spread has the closing price as the mid-point. This implies that BTIM will open higher Monday and hopefully continue still higher into the EOQ markup on Wednesday where any remaining edge-trading positions should be sold into strength. I may even sell into my core position. I don't expect the euphoria to last very long. If you have questions, please contact me.

Long term, personally, I believe the stock will be over \$20 sometime next year. Go BTIM!

**Option Trade of the Week:**

I did it – I hit the Trifecta of options trading last Friday. I made money hedging and on both the put and long call purchases. See the [NET Weekly Money Chart dated 2010-06-26](#) , Friday's C chart. I recommended the purchase of both puts and call nearly in the 10:00 Alert Email saying that we'd be in a narrow 10 point or so trading range. Buy the 490W puts under \$2.00 and the 485W calls under \$2.00.

I missed the first put trade going from \$2.55-5.70 but at the lows we filled our calls near \$1.58 average (low of \$1.35). I (Alert) emailed to scale out into strength starting over \$3.50. The calls hit \$5.00. After selling all the calls I again recommended via email the 490 puts under \$1.50 with scale-in. The low was \$0.90 Again I emailed to sell into weakness the puts closed at \$3.50.

I was drained between trading BTIM and the options. I must have been in the Chat Room over 90% of the time talking. Was I ever in a great mood. It was great close for BTIM and the Weeklys. Thank goodness this is still one of the best kept secrets out there.

Keep those cards and letters coming,

Stan Moore  
702.267.0396

**NET Oscillator Release Announcement**

**As of today, June 25, 2010, New Era Trader is releasing the**

**[NET Oscillator on NinjaTrader](#)**

**Questions? Contact [Support@NewEraTrader.com](mailto:Support@NewEraTrader.com)**