



## NEWSLETTERS & RECOMMENDATIONS - Nov 22, 2009

Fellow Friends and Traders,

Hold the party! After the "Talking Heads" all told us these last two weeks now that we cleared 1100, 1150 was just around the corner and 1200 was the year-end target, the market does what it has to to cause the most pain to the most people. It turned around and broke back below 1100.

Why do this? Because the market can. Last week, I showed you some of the signs that the market would rest. We had a giant down trend line going back to the '07 highs. We had triple "D" on the daily chart and the market was ready to pause but not crash. Furthermore, the week before I spelled out the "bonus put trade" under the market. Most money managers have in this one year, '09, have earned the best gains than any other of the last 9 or so years. So lock them up!

The aggressive managers (i.e. hedge funds, HFs) would setup a bearish put spread. For example, HFs would buy a near the money 1075 put and sell a far out 1000 put for January. Then, to help pay for the puts they would sell some OTM calls being content to let the market play out. They would sell partial equity positions if the market went higher to prevent losses on the up side.

In fact, the large option open interest in November calls that told us the market should correct. NET Chat Room traders and those who have taken the NET course know this. "They", those mysterious forces aligned against traders, needed the market lower to inflict the MaxPain on the bullish call buyers. Someone has to sell those calls. I've written about "They" in my new book too. Over the 28 years I've observed "They" have been on the profitable side of this trade over 95% of the time and that's not coincidental.

Lastly, since yearly gains are significant and hedged few are now minding the store as we go into year-end. Volume has contracted and will continue to do so into year-end. In fact, there is something occurring that I have never seen before in the "T" bill market. You can earn a 0.003% return on a 30 day "T" bill. However, if this T-bill expires in today's extremely high-demand Jan '10 you lose a minute of money. The yield is a negative 0.001%. So, in fact, hedge funds and other buyers are paying the U.S. government to hold the money for them until next year. That's true risk avoidance.

**Review of this week's expiration trade** The market rallied early on Monday and Tuesday to new yearly highs so NET traders were looking for a put setup to take advantage of an anticipated decline. Often, Wednesdays set up the week's trade and, sure enough, there was a late rally Wednesday afternoon. If you note on the

[2009-11-21 NET Weekly Money Chart](#)

, a 30" chart, shows a declining wedge pattern, i.e. flat bottoms with lower highs. This high-probability short trade is to look for a breakthrough of the bottom support. A few students

called-in to discuss buying puts and most did.

As for me, I got too cute. I noted the late Wednesday closing rally broke out the top so I would have bought puts into any Thursday opening near Wednesday's close. If the market opened near this area the puts would have been anywhere from \$0.25-.40 lower. Needless to say, the market opened down hard and continued lower. The puts traded at the Wednesday's close near \$2.50 and hit \$8.20 Thursday morning. This was a 3X return overnight! As the seller of calls, "They" scored again; the call buyers came up empty.

### **Looking ahead**

There is good support first near the breakout low of 1073-4 then some 10 points lower at the big September 40% buy area near 1063-4. I'm expecting an overall 7-10% correction but that I believe the bulk of this correction will occur sometime early next year. The market should get good (early) December jobs numbers and should rally into year-end. Expect heavy selling into a December 29-31 as most investors start to push '09 gains in '10 thereby depressing the market these last trading days of the year.

### **Review of Biotime (BTIM)**

It was the best of times and it was the worst of times pretty much sums it up for BTIM this past week. It was the best when BTIM got listed and became marginable over \$5.00. It was the worst of times because BTIM became marginable.

This week BTIM broke \$5 and its 50 DMA simultaneously. Margin selling hit with a vengeance. How do I know? I bought stock all the way down and they killed me with market on close orders. Nearly every day this week there was 20-30,000+ shares to sell on the close. The stock dropped every time from \$0.15-.30 in a few minutes. Hopefully, most of the sellers are finished.

This reminds me a little bit of Huntsman back last December '08 when I first recommended HUN at \$3.30-3.40. I was so confident back then even as the market was getting killed. I started to buy a massive long stock position and sold naked puts while the stock continued straight down to \$2.04. Seems like I was bleeding from every orifice. One student even asked me in the Chat Room when I would stop buying HUN? I answered, "When I ran out of money." Shortly after that HUN turned around and you know the rest. HUN traded near \$10 a few months ago. With my HUN recommendation, a large number of you made 6 figure returns. Only this time BTIM may go a bit lower first but the upside is much bigger than I ever saw for HUN. Go BTIM!

### **Next Week – Thanksgiving Week**

I will be out this Monday with jury duty. With any luck I will not be picked and will be back on Tuesday. Reminder: Friday is a half day. The stock market closes at 1:00 Eastern. Friday is usually a strong up day if you're trading. I will take the day off.

I wish you all the best for Thanksgiving. We all have much to be thankful for this year.  
Good trading,  
Stan Moore

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P. S. Societe Generale has advised clients to be ready for a possible "Global economic collapse" over the next 2 years. It's a win win for them if it happens I'm guessing a 5% chance SC gets credit. If not, who will remember? Thought you want like to read it anyway. Here's the link:

<http://www.telegraph.co.uk/finance/economics/6599281/Societe-Generale-tells-clients-how-to-prepare-for-global-collapse.htm>