



NEWSLETTERS & RECOMMENDATIONS - June 13, 2010

Dear Friends & Fellow Traders,

I always tell it like it is. Even when it looked as though S&P 1040 would be a distant memory even after that BP wipeout Wednesday, I said, "Trading Range." There is enough good news throughout the decline to hold the lower end say 1020-40 and a slew of bad news to cap the market somewhere north of 1107. Let the market and the news tell us when this trading range will end.

It has only taken me 15 years to Master the "Rhythm" of the S&P market. Thank goodness it only took about 6 months to understand and master the machinations of the "Machines" or HFT (high frequency trading). I know we love it with these cheap expiration week options. So fasten your seat belt and enjoy the ride.

The best news is this new casino trading mentality perfectly fits with the NET trading methodology. Most traders can't handle the fact that trading one day has nothing to do with the next. We thrive with our gap trading strategy, a technical trend trading Oscillator indicator. The market was down hard on Monday and closed on the lows then rallied on Tuesday and closed on the highs. On Wednesday the market sold off and again closed on the lows while reversing on Thursday and closing on the highs. That's eleven trading days I believe out of 14 we have done this. Getting the picture? The "trading machines" are in control.

To top off this mania a high-ranking SEC employee quit to join an HFT hedge fund on Friday. She knows where the money is and just what does this tell us about future SEC changes or her new employer's ability to skirt or profit from them? I'm guessing there won't be any changes. My conclusion, like trends, is not to fight the "machines" but embrace them. I still am a great counter-trend trader who has come into the "light". Trends truly are your friend. Today's trends are bigger and come more often than I've ever seen before. "Machines" do not start or end most trends but tend to greatly exaggerate the ones once they begin in either direction. Think of these moves as just much larger buy and sell programs and don't fight them. Embrace the new force out there.

One way to know where the market is going in the next few weeks would be to pay attention to the pre-announcement comments coming from companies regarding their second quarter EPS forecasts. With the many world-wide negative cross currents buffeting our market companies may use these issues to hide management's short coming. The more early negative pre-announcements the harder it will be for the market to break out of our multi-week trading range. So pay attention.

Our favorite stock BTIM had a very successful annual meeting and first Biotech presentation sponsored by a brokerage firm, Jefferies & Co. The story is getting out there. I would not be surprised to see Jefferies recommend BTIM sometime in the future. There was a lot of highlight information from these meetings sent to our Alert Email subscribers. On Sunday, BTIM announced [this](#), more good news and the stock is up nicely this AM!

Trade of the week in review:

Market volatility is our friend. The weekly option lottery scores big time again. During the day I made numerous statements about the day's action and I sent out 4 Alert Emails. This time I'd like to present Friday's NET trading action in sequential format as shown via the NET charts, Alert Emails and the Chat Room:

1. **Pre-market Chat Room Discussion.** Early Friday the market appeared to be building a trading range. All the bad news was out.
2. **Chat Room.** As the day unfolded it became apparent that the lows, 1072-5, were going to hold.
3. **Alert Email.** Before 11:00, I alerted subscribers to start buying the 490 OTM weekly calls under \$1.00 small and increase positions as the price declined. Since we were early in the day, S&P hedging would work rather well and permit significant multi-trade parlaying of contracts. The total hedging earned over \$300 per call contract.
4. **Chat Room and "A" Chart.** After 3:00 the down was over and the short squeeze mentioned earlier on the "A" chart was about to take place into our EOD trade time. I let the Chat Room members know, in no uncertain terms, that the calls, selling at \$0.45, and almost ITM were a steal buy and might fly.
5. **Chat Room.** By 4:00, the calls reached \$3.50.
6. **Alert Email.** After 3:30 when the calls were selling over \$2.50 I noted sell all calls into strength.
7. **EOD Chart.** NET [Weekly Money Chart 2010-06-11](#).

A NET training video is underway that discussed the above in detail. The day was another win for the HFT as the price was driven above the day's highs in less than 30 minutes. So now I can truly write "How I've learned to love the machines and stop fighting them". A review of Friday's 5-min S&P chart you can see how HFT helped push the market to new highs in rapid fashion. This move smacks of being artificial with no real news. I now trust you can see this too.

Keep those kind words coming I appreciate all of them.

Good Trading,

Stan Moore
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