



## NEWSLETTERS & RECOMMENDATIONS - May 3, 2010

Dear Friends and Fellow Traders,

Greece seals an historic bailout deal with the EU and IMF for \$133 Billion as thousands protest in the streets. Greece now faces "unprecedented" austerity and is caught between Greek bond holders who want faster reductions and voters and unions who are already chafing at existing austerity measures and will be forced to give more. I feel no sympathy for the unions who can retire at 45 with full pay and receive between 14 and 16 months pay for 11 months work. I thought we had it made here in the US! At one time I thought unions were good. No more that's for sure.

We won't know what all this means for quite some time but let the market tell us this week.

Hello Greece. We, the USA, are right behind you. A week ago the stock market ignored the Treasury's redemption of nearly \$494 Billion in April. That's a truly stunning number and an indication of just how much cash the Treasury needs access to keep rolling its short average maturity debt load. Friday, investors started to hold our collective breathe. By the end of this past week, the Treasury has now redeemed \$596 Billion in April, an all time world record. Add \$47 Billion in Notes and there is almost \$650 Billion in redemptions. This number is simply mind boggling. Forget the interest expense. This ever increasing roll is the number one danger to the US and world economy. Should the Treasury be unable to keep issuing shorter and shorter dated debt it is for all intents and purposes "game over." However, this won't happen during the next 12 months. However, I suspect this won't come to a head in the near term.

### **BTIM Update:**

BTIM announced a \$10 Million acquisition last week, an overseas stem cell company. The deal should close this week with more details to follow. Without Friday's sell off I believe BTIM would've have closed over \$8.00 with \$9-\$10 sometime after that. Go BTIM!

### **Trade Reviews:**

Last Thursday, 4/22, I send an Alert Email to all subscribers to protect your portfolios, the first email of its kind in the last 18 months. I bought May 530 OEX monthly puts and then sold the 510s for a \$2.00 debit. The spread wasn't doable until the Friday/Monday rally. If the market declined 7-10% the bullish put spread would earn 9X return in 4 weeks. We got lucky and the market declined almost immediately. By Wednesday morning the put spread doubled in value to \$4.00. I recommended take the profit and re-enter on a subsequent rally. That's exactly what happened into the Thursday/Friday highs. After Friday's sell off and if given the opportunity Monday exit again or hold the protection a while longer.

If you examine Friday's [NET Money Chart 2010-04-30D](#) you will note not only the above trade but 2 other possible option trades for substantial profits. Wednesday morning, I sent out an Alert Email recommending an OTM call trade on the retest of the previous day's lows. There was an early warning on the Final Tuesday "C" chart telling stating the same. The market held. Calls could have been bought as low as \$1.15 and exited from almost \$5.00 the next day. Most of the time, we start scaling into the lows and scaling out into the highs. For example, an average long option costs a \$1.35 or so with the selling starting very small over \$2.50 with most options sold over \$3.50 if you did not hedge against the options.

Thursday, I recommended buying the OTM puts and hedging but selling all puts and taking none home resulting in a profitable trade. That seemed like good advice because the puts traded as low as \$0.20 early Friday morning even with GS down over \$5.00. The market seemed to be ignoring GS misfortunes. I recommended buying calls and selling S&Ps thinking its range would be quite subdued. I even sold almost 100 OTM naked puts around \$0.75 after a brief selloff. I thought for sure these puts would go out worthless. I started getting nervous after 10:30 when it appeared that the market was failing at a morning break down level. I was lucky enough to cover the short in the Chat Room at \$0.25. Why I didn't buy the OTM puts long escapes me. I started buying calls and selling S&Ps per another Alert Email. I fought the law and the law won as the song goes. Yes, I made money in the Chat Room but I missed the best trade of the last 6 months. The puts went from a low of \$0.20 to \$4.70 in a perfect down stair fashion as you will ever see.

*Again let me say who needs to trade stocks or anything else with setups like these every week - trade cheap weekly option expirations and hedge and, potentially, parlay your profits.*

Fasten your seat belts. Mr. Toad's wild ride (an amusement park ride) just got wilder. I see more of the same volatility in the weeks ahead. I thought I had a nice quite drift down into the summer doldrums. Think again!

Good trading,

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Before the crisis, the owners of \$500 billion of the subprime mortgage-backed securities