



NEWSLETTERS & RECOMMENDATIONS - July 5, 2010

Dear Friends and Fellow Traders,

It seemed just a few months ago we couldn't get enough of the talking heads on CNBC reminding us how they bought during the '09 lows and were fully invested looking forward to a self-sustaining recovery and a much higher S&P. They were so sure. Now we hear these same talking heads telling us they're just as sure were going into a recession. Don't trust anyone who is absolutely sure that he or she knows what the market will do.

I have a reasonably good idea of when we reach that point of maximum risk because I've studied fear and greed up close and personal going on 50 years now. Besides, I'm risking my own money, not others. I've learned when it's too good to be true and it's time to take my money off the table and when it's time to get back in. Even then I'm always early by a few months. This isn't an exact science. Reference this [fear and greed chart](#) (source unknown).

Back during March/April the market got a bit crazy - momentum reigned while risk was increasing substantially Europe. That's when you become fearful. You just know the crap will hit the fan. The easy money was gone. Right now I'm guessing we're between desperation and panic. My friend capitulation is just around the corner. We could get it very soon if the market crashes through a 1000 in the next few weeks. I would hazard to guess we'll have a new trading range then between 950 and 1040. We can still ton money here trading and looking to own a few of my current favorites.

We must always be looking ahead and not what's in front of us. Now that everything I thought would happen has it's time to look further ahead than our nose and see what could be good news out there. There have been only 3 double dip recessions in the last 150 years. I like the odds the country will muddle through for now.

This week's Barron's cover has a great lead story - a standoff on the Hill. Their call has the Democrats keeping control of Congress this fall but barely. Barron's believe a strengthen GOP could reshape crucial issues. The lead: Get ready for the end of big government. They even suspect Democrats will have to compromise on a raft of tax increases expected next year. Furthermore, if Obama's smart enough he may even move to the center like Clinton and away from his super liberal base. Just when does the market start thinking about this shift. This is the million dollar question but I guess much sooner than later. This is super bullish for the market unless he wants to go down as Carter did after one term. The Democratic states are set to lose a large number of electoral seats after this next census and before the 1012 election. Go Red

States!

There is something even more interesting going on right in front of our noses. We now have three carrier battle groups as of last week in the Gulf area. If Obama's intention is peaceful we only need one. Obama would shock the world if he attacked Iran and wrapped himself in the flag as a wartime President. I think this would be a swift strike and could cripple Iran's leadership at a very vulnerable time with great internal unrest. This could be a new beginning for Obama. If nothing else the world would look at Obama in a new light. Yes, the market would drop at first but I'm guessing rally big time shortly thereafter. I believe, a few grateful Gulf oil countries led by Saudi Arabia would gift the US over \$200 billion to pay for our effort. Did you know Obama recently visited the King of Saudi Arabia? Now Obama tacks right and all's well with the country going forward. Democrats hold back to GOP and govern from the center. I can dream can't I?

The story of Margaret Thatcher, ex-British prime minister. Thatcher was elected with a mandate to smash the Unions, inflation and make the hard decisions to save the country. The first year her polls were a lowly 25% favorable. Meanwhile back in Argentina General Galtieri was in a similar bind. So to unite the county he declared war on the Falkland Islands never thinking Britain would go to war. The result was soaring popularity for the "Iron Lady" and the rest is history. Here's the [article link](#).

A Few Thoughts on BTIM's Rather Hard Down Last Week:

Personally, I believe buyers got really caught up in the BTIM entry into the Russell 3000. Last week I noted BTIM even traded over 200,000 more shares after the closing block trade of 1,200,000. This record volume coupled with the strong close may have trapped many newbie momentum buyers.

Furthermore, last week BTIM filed a registration for 1,300,000 new shares and 300,000 more warrants exercisable at \$10. Given the shoot-first-ask-questions-later mentality the stock was sold down hard. However, BTIM was only registering the sellers of the Singapore company shares per their agreement. These shares cost \$7.75 and will not be sold any time soon. I mentioned that on the Yahoo message board but too late, the damage was already done in a weak market.

I hope you all understand why I continue to preach becoming a more proactive investor/trader and sell a portion of BTIM or any other holdings into strength then looking to buy them back on weakness. I sold stock as high as \$7.02 and bought back stock as low as \$5.53. However, I wish I could say I sold all (or even most) of my position at the all the high and bought it back at the low. That never happens.

BTIM traders should read Dr. West's blog on the company site www.biotimeinc.com.

For those that have bought BTM on my multi-year stock purchase recommend should be reading this newsletter (and hopefully my Alert Email service) for when to sell and re-purchase. BTIM buyers who only hold will, at times, find themselves underwater as the stock, as most stocks do, oscillates. Last week's newsletter explained my proactive fringe

trading strategy. As stated earlier, check my IRA transactions and you will find I'm consistently making money with Biotime. In any case, I have always encouraged NET traders (that's you) to contact me if you have any questions.

Trades of the Week in Review:

The highly anticipated Jobs Number was nothing to write home about. Given the S&Ps were down 8 out of the last 9 trading days the number was not bad enough for the S&Ps to take out the largest 40% buy level at the Thursday low. Here's the [NET Money Chart 2010-07-02](#), Friday's C chart.

Expiration option trading doesn't get any better even in front of what I thought might be a dull pre-holiday summer in the city trading day. Again. I sent out an early pre-market Alert Email outlining a trading range day. I had the day's high bracketed between 1029 and 1032 and the low at 1017-8. Later, I expanded the downside to 1011-2.

I recommended the 470 weekly puts near \$2.25. I missed these as they never traded below \$3.00 since the market never got above 1028 and into the sell zone. The same 470s traded as high as \$9.90. I never looked at the OTMs 465 Ws at a \$1.00 which reached \$4.60. A few of you caught this trade.

I also recommended before 11:00 buying the 465 weekly calls under \$1.00. The calls traded as low as \$0.55. However, the market broke the opening range (an ORBO) for a great hedged profit of nearly \$375 which more than paid for the calls. Still I quickly alerted to sell these calls. The calls only rallied back to \$0.70. I now believed these calls would be too far OTM to be used even as a hedge. I suggested buying the 460 weeklys for \$1.50 (then trading near \$3.00 at the time). These calls hit a \$1.70 at the low or at the bottom of the new recommended trading range.

There was a further strong short-term Oscillator crossover with divergence buy confirmation on the 5" chart at this level. The market rallied just short of the break down level but barely retraced lower into the squeeze time with a nice reversal buy bar. I noted the down's over. An aside, the 465W calls hit \$0.10. I did buy them back at \$0.30 and told the Chat Room I would hold them. I chickened out plain and simple and related that to the Chat Room. I sold them for a small loss because I was concentrating on an E-mini upside break buy through the 1020 area. This was the shelf we broke down from. You know support becomes resistance and vice versa.

Once the market rallied through and retested the breakout of 1020 (confirmed by rising wedge) the "machines" took over and rallied the market straight up to the 80% sell level but not quite the day's high and the 30" mid Uni (resistance) at 1025+. After the breakout, I quickly send a sell all Alert Email to scale out of the calls into this rally (trading at \$4.40 at that time). The 460s calls hit \$6.60 but surprisingly the 465s calls hit \$1.60. I was a little green but it's still made nice money on the E-minis. Even more surprising was the 465 weekly puts hit \$0.05 at the high and closed 15 minutes later at \$1.15-1.20.

It seems given a 30-35 VIX daily range reading, there is never a dull moment in the market

even with summer in the city. A few weeks ago I related in my newsletter that I believe these weekly expirations are much more exciting and profitable than the big monthly expo week where everyone is working to pin the market to a nearby strike. Here the machines have little or no interference. In fact, I noted on the early "A" chart and in the Chat Room to be especially alert given the thin staffs minding the store. Anyone with a mind to could move this market with ease. It seems they could and did both up and down with ease.

I hope these weekly reviews give you a bit more insight to these profitable trades especially when most of you are not able to join me in the Chat Room. You should try it. You may find the room entertaining, informative, instructive and profitable.

I'm leaving for vacation (out of the country) this coming Saturday so no newsletter next two weeks and no Alert Emails and Intraday Charts from July 12-19. I'll be back at my desk on July 20th. I will have limited access to email.

Good trading,

Stan Moore,
702.267.0396

P.S. Rick Santelli's Uncut (And Free) Comments, compliments from ZeroHedge.com.

"Having rapidly become the only person worth listening to on CNBC, Rick Santelli's insights on the economy are now far more valuable than any other guest's on the Jeff Immelt propaganda station. Which is why we were very happy to find that Eric King's latest interview was with none other than Mr. Santelli. The topics discussed are numerous, varied and very critical to our economy, covering such concepts as deflation, deficit spending, bailouts, government spending multipliers, Fed transparency, spending cuts, austerity, the folly of Keynesianism, strategic defaults, direct bidders and treasury auctions, and lastly, tea party dynamics, making this a must hear interview for anyone still on either side of the economic fence, and who enjoys listening to Rick for longer than the 45 second segments the CNBC producers will allow."

I check the KingWorldNews web site every week as it has some very good info and insightful interviews on economic and financial subjects.