



NEWSLETTERS & RECOMMENDATIONS - January 31, 2010

Expanded title: The Good, the Bad and the Ugly; this ain't just another Clint Eastwood movie!

Dear Friends and Fellow Traders,

The 1st quarter GDP grew at 5.7% - that's the Good. Upon closer examination the real GDP growth was closer to 2% - the Bad. Coming out of a recession given all the financial stimulus and Fed monies thrown at the economy. US growth should have exceeded 10% - the Ugly. Expectations this time were much too high based on previous experiences.

Experts in Davos, Switzerland this week see another global dip ahead. Heavy government and consumer debt will weigh on governments and consumers in the western world while these economies look for growth from emerging markets to bail us out of this mess.

Looking back to last September-November the world was coming apart. We were staring into an abyss. Stocks were dumped indiscriminately. I was screaming for my students to buy any MLPs (Master Limited Partnerships). MLPs yields in a matter of weeks rose from 8-10% to 25% as their share prices plummeted. These same MLPs after seeing their yields double and triple are now back to yielding 10%. Near the March lows, I told everyone who would listen to sell naked puts with premiums that never existed in my lifetime. Why? Because I've seen and profited handsomely from the previous 7-8 disasters during my 49 years studying this game. Markets always rally big time once governments and central banks start throwing money at the problem.

A few months ago I wrote it's time to exit the market. Today, we are facing much higher valuations after a 60% rally, strong headwinds in the form of higher taxes, lessening stimulus and the asset allocation from bonds into stocks is pretty much over. The news couldn't be better. Yet I am shocked by the poor price action given the beating the markets have taken. The fact that markets haven't bounced more is worrisome to me. I missed 3 put trades each a ten bagger these last two weeks by a few S&P points just being too cautious. Instead I buy calls and find myself E-mini hedging in quantity of trades to make the call trade profitable. Trading like this is exhausting to say the least. Just listening to me trade in the Chat Room will wear one out.

I am thinking what is different this time is our moving from a period of economic uncertainty to a time of great political uncertainty. I have no idea where government rules and regulations are headed today. Many other countries at Davos found some of our ideas rather interesting. Ugh!

Raghuran Rajan, a University of Chicago finance professor, writes, "The disparity of the outlook between emerging and developed economies is particularly stark." He further notes. "...that the

combination of 10% unemployment in the U.S. and the 10% economic growth in China could prove politically toxic as U.S. politicians might resort to "populism" and protectionist measures." Sound familiar? This talk started in the Great Depression. Right now any successful industry, multinational corporation or wealthy person is front and center in the government's cross hairs. Class warfare or the targeting of financial success can't be good for the economy.

Looking ahead to Friday's job numbers, the Bureau of Labor Statistics (BLS) will announce final adjustments to its benchmark estimating the number of people without jobs. Preliminary estimates the BLS under counted 2009 job losses by 800,000. I'm not sure how the market will react to this backward looking number but I can't believe it's good for Team Obama. The President should have known about this lower number in November. It's more bad news.

Thoughts on my all time favorite stock Biotime (BTIM)

Peter Navarro, a newsletter author, writes, "The U.S. markets are in a major correction. If you see any bubblehead portfolio manager on TV telling you this is a great buying opportunity, know that this man/woman is merely a gambler rather than an intelligent speculator. For the foreseeable future, the market is a roulette wheel. Until the dust clears – that is, until market participants figure out the direction of the economy -- this is a good time to be in cash (and non-cyclicals like biotech)."

That leads me into the only long I hold right now - BTIM. I enclosed a few thoughts from Patrick Cox of Breakthrough Technology Alert. Patrick has known Dr. George West, the current CEO of BTIM, for over 15 years. Dr West is considered by many of his peers to be the "Godfather of Stem Cells.

Patrick writes,

"Several friends of mine, in fact, worried enough to ask if they should sell when BioTime (BTIM: AMEX) and International Stem Cell Corp. (ISCO: OTCBB) dipped. My short answer was, "Hell no." My long answer involves a conversation I had with noted futurist, author and venture capitalist Juan Enriquez.

"No one has done a better job of communicating the economic importance and financial opportunities of biotechnologies. Happily, I was able to spend time with Enriquez at Agora Financial's big conference in Vancouver a few months ago. As chairman and CEO of Biotechnomy LLC, Enriquez has been able to direct significant capital to important biotech startups.

The subject of stem cell or regenerative medicine (the core work of BTIM and ISCO) naturally came up. I asked Enriquez if he had plans to invest in the field. His answer was that as a venture capitalist, he saw no avenue to do so. The reason, he said, was that the IP, or intellectual property, was already wrapped up. This, in fact, is the point I want to reemphasize to you today. The IP is already wrapped up." I say the regenerative medicine IP is primarily wrapped up by BTIM and ISCO.

He further writes, "Regenerative medicine differs fundamentally from almost every other area of medical research. This is because there are not numerous methods of producing and

programming pluripotent cells. As they are discovered and patented, these tools will revolutionize medicine. They will make it possible to restore any cell in the body to healthy youthful status. And remember, the IP is already wrapped up.

"This is completely unlike the situation with regard to cellular engineering, for example. Numerous researchers are working to create new microorganisms. They are coding with DNA to produce organic hardware. One example of this hardware would be algae that consume sunlight and CO2 while excreting high-grade jet fuel. There are probably many ways to skin that cat, many different microorganisms that would accomplish the same task."

There is a major update of ISCO's (currently valued at \$1.30) future outlook scheduled for Friday Feb at 10:00 AM PST. The outlook should be ground breaking. BTIM and ISCO have an extremely close business relationship and should be most informative for investors of both companies. I will seriously consider buying ISCO if all my known information and more information than is currently known is confirmed.

Trade of the Week

I did it again. I recommended calls before 2:00 Friday for a hard fought win of minor proportions. I realized shortly after the purchase the market was too weak and recommended a rapid exit. But, again I missed the early put trade for a 10 bagger or (1000% return). These missed trades hurt! See attached NET Weekly Money Chart of the Week 2010-01-29.

Good Trading,

Stan Moore
702.267.0396