



### NEWSLETTERS & RECOMMENDATIONS - March 21, 2010

Dear Friends and Fellow Traders,

By Sunday night, by hook or crook Obamacare will be here. Either the market doesn't care or it thinks this is now no big deal. Wrong! This bill vastly accelerates the march to a totally state-driven health care system, Obamacare is really about who controls the country's medical services. Next the Dodd Financial Reform Bill if passed in its present form will give regulatory control of the financial system to the government. Add to this if there is time before the November elections, we will get Cap and Trade, Check Card (Walmart finally gets unionized) and a major immigration bill legalizing all illegals. The later will completely overwhelm medical care as we know it today. I feel if this movement goes unchecked this is the end result. I hope I am wrong. The market is not prepared for this chain of events.

I believe this is one of those times where the markets get it totally wrong like they did with Sub Prime back in 2007. Right now, I don't expect markets to price in these immediate concerns or the strong structural headwinds we will face next year as most of this is currently out of today's mind set. Today, investors have only thoughts of the liquidity swashing through the system and markets driven by strong technicals in what most believe is a normal cyclical recovery.

Presently, markets are only focused on the April 2 Jobs Report. Funny, the report is scheduled to come out on Good Friday morning when our stock markets are closed. Think the government will want to release the data Thursday? Otherwise that will be one long weekend to digest the numbers. I'm hearing job numbers could be as high as 300,000 with 400,000 the whisper number. I'll have a better idea how to trade this expectation as we get closer. Meanwhile I believe the market wants to rest until we get into earning season in a few weeks.

The markets have broken through the January highs. We have experienced one wow of a rally. We have rallied about 50 S&P points over the last 20 days. That's 2.5 points a day. This lack of volatility is killing active traders. Most of the big money is sitting and waiting for a better setup to trade.

I have learned over many years that over 90% of the time markets oscillate in tradable ranges while 10% of the time a good NET trader/investor can make a killing. Again, don't confuse a bull market with brains. Since most investors can't or don't have the necessary skills to benefit they can only perform if they are in the markets when markets move. Therefore, investors must be invested all the time and hoping. NET traders are fortunate because we have the skills and knowledge to take advantage of those 10% times either through the wide-ranging and special financial instruments and techniques. For example, the use of cheap expiring options or a very good fundamental understanding of markets. Right now I and other NET traders are out of the equity markets except for BTIM. I am watchful, waiting and actively trading Thu-Fri

cheap expiration setup. So far I've counted 6 ten baggers this year. We're happy with just pieces of them. Then again we have one additional arrow in our quiver. NET Advanced students know this as a great time for "Hedging and Parlaying".

### **Trades of the week in review:**

There was little to do early in the week but trade E-minis for a few points each multiple times a day. Thursday afternoon I put out a call buy Alert Email for the OEX 530s under \$2.00. The calls traded down to \$2.45 and closed at \$4.00. On Friday morning, the call opened at \$4.50 into a Tenet #3 sell. I related in the Chat Room that the first 10 minutes were a further Expo week mark-up for the expiring calls and for "They" to get short into the retest of the year's high. "They" would lose money selling calls this month but "They" never get mad they get even. By late Friday the market dropped 15 points "They" got even by selling S&Ps or shorting other indexes.

Everything happened in the first 5 minutes. Personally, I missed the put trade and the E-minis. Things just happened too fast. A few early callers bought the \$0.50 OEX OTM puts against my wishes. I was trying to recommend the 530s ITM put under \$2.00 but a trader would have had to been in before the opening to get the \$1.60 low price. After that you were buying put offers (or paying too much). The puts did hit \$6.00 two hours later. In this case, taking offers doesn't look too bad in hindsight.

I tried to send out a sell E-minis or buy puts (sell/buy) Alert Email out after the market gapped (at the opening) higher than the overnight high. But the rally failed immediately and went straight down for the first 20 minutes or so. A few students in the Chat Room got short S&Ps on the opening. Those OTM puts went from \$0.40 to \$1.70. Congrats out there!

After 12:00 with the market stabilized near 1152-54 just above the 1150 breakout major support area, I sent an Alert Email to buy the same 530 OEX calls under \$2.00 again with the usual caveats about having to hedge the market. I further noted that the market wasn't ready to rally until later. The first put trade under \$2.00 occurred at \$1.70 when I related in the Chat Room I was starting to buy small. I averaged into more at a \$1.00. All this time I was selling S&Ps and using the profits to buy more calls. By 1:30 the market was eroding premium fast in the 2-3 point range occurring over 2 hours. I was still buying calls down to \$0.50 with my hedging profits. I wrote on the 2:00 intraday "B" chart as long as 1150 holds into the late sell-off we should get a strong closing rally. At one time near 2:30 I was long 250 calls near \$0.90 and short 200 E-minis over 1155. I started to exit calls near \$1.00 into the 2:30 rally at the 40% intraday sell level. One of my students in the NET Room remarked "I was building a pyramid." Inferring I was building an ever larger option trading position after starting with only 10 option contracts at \$1.70. Restated, I was parlaying with my hedging profits.

I then told the Chat Room we can expect one more retest into the lows, cover and then we should get long. After the market sold off, I covered some of my 200 S&P shorts as low as 1151.50. The market bottomed at 1150.25. This area, previously mentioned on the intraday "B" chart, was the perfect RT/F and EOD long trade setup. My short hedge E-mini trading made a small killing. However, I couldn't sell the calls as they were OTM by a \$1.50 and offered at \$0.05. Still knowing a rally was coming, I chickened out and sold the calls at \$0.10 and regrettably left \$8,000 on the table when a few minutes later they closed at \$0.53. The noted

trade was good for 6 points into the close. Cie la Vie! See attached [NET Money Chart 2010-03-19](#)

**The Breakout Trade of these last 2 months:**

In last week's newsletter I noted that I thought BTIM looked finally ready to breakout of a multi-month triple/quad top 60% Fib sell area. Click here to see [2010-03-19 BTIM daily chart](#) . I even suggested profit taking on a portion of one's investment into this expected strength. Trading forces were aligned. I detected strong buying in the face of warrant arbitrage. I was buying BTIM warrants all week. Friday, March 12, was the highest close in some time, BTIM closed at \$5.44. Monday morning I tried to buy 10,000 BTIM common at \$5.50. I didn't buy a single share and we never saw that price again. Mid-morning NASDAQ and AMEX stopped BTIM trading and for news.

On Monday, BTIM jumped to \$5.92 but was stopped at \$5.80 after trading only 120,000 shares. Since trading had stopped, nothing occurred all day until a company press release before the open Tuesday. Price broke sharply higher hitting \$8.42, a Target #3. I sold all the way up. I guess I started to buy back a bit early. BTIM closed back at the larger BO level and a 60% Fib buy level at \$6.65. For the week, BTIM was up very nicely.

I sent out a special BTIM NET newsletter (email) to all of you Wednesday with all the links and info I had. Regenerative medicine is here as announced in a peer-reviewed research paper. This news was great news for BTIM but any deliverable product is still a long way off in the US but should occur sooner in China. As I've said before, stem cells are for real big time!

***Biotime rallied almost \$3.00 or a whopping 60% on the news. The \$3.00 BTIM warrants almost***

Later in the day the stock sold off almost \$2.00 and this action is not normal.

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First and foremost with the large and rapid rise the BTIM shorts were killed. The shorts had to cover

**BTIM Trading Summary**

When trading BTIM into announcements we should all be aware of the open short interest. The larger

My ratchet stock trading style allows the taking of the stock profits from selling high and buying lower.

The good news is that BTIM is clearly #1 or #2 in the stem cell space and now more investors than ever will be looking at BTIM. There will be more announcements and more research grants. Testing, maybe even in humans, maybe sooner than not overseas. The list grows daily. Given the excitement currently ahead for stem cells, NET traders can now own BTIM for what can be viewed as the price of a 10-year call option (on the stock).

A very large BTIM shareholder asked me recently why do I even bother to ratchet trade this stock? He told me to relax, sit back, enjoy the ride, that BTIM is only just now pulling out of the station and we have a long ride ahead. I once told all of you just a short while ago. If we are to stay and live in the new Obama world we have to get really rich. BTIM, other special situations as they occur plus option expiration trades over time will make us extremely wealthy. A personal motto: Living well is the best revenge. New research says you need \$2M+ at retirement to maintain your current lifestyle. NET can help.

Keep those many cards and letters coming. I read every one.

Good trading,

Stan Moore  
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