



January 13, 2009 Tuesday Evening

The stock market indices were still lackluster in activity today with slightly higher volume but at least the S&P and Nasdaq Composite did stop going down for the most part and the Dow 30 was only down 25 points. The market is likely going to try to move upward to a higher high but may start out in a sideways direction for a couple days first. As with any forecast, I always watch to see how the market acts and compare it with the highest probability forecast or scenario and then make strategy changes accordingly.

An interesting development to watch for is the money center banks, **BAC**-Bank of America, **C**-Citigroup, **WFC**-Wells Fargo and **JPM**-JP Morgan have been selling off with some very negative charts. **JPM** and **WFC** did rebound today and **BAC** is most interesting to watch for a potential bounce. **BAC** is at a critical point now that it is at \$10.65 at the close today and could drop below the \$10 price it reached on the November 21, 2008 low.

If **BAC** drops below that number, its best to get out of the way and let it keep dropping and then look for higher and higher volume as one of the signs that coincide with a high probability entry point LONG. This stock could break below \$10 tomorrow and if the volume is going to be greater than today's 242 million shares traded and it is sharply going down then that is the time to pay close attention for a buy signal. This will be a swing trade on the long side. Our discipline of trading strategies is not to short this late in a chart that has fallen like this. Also watch **WFC** and **JPM** as parallel stocks.

Look at **GE**, General Electric today and note the trend in the daily chart. With GE spiking down, credit fears could be re-surfacing again and the banking stocks are signaling it first. GE isn't a trade idea yet but is worth noting.

Oil prices went down to a low of \$36.10 today and rebounded to close at \$38.60 per barrel. This sector has the highest probability odds of making money on the LONG side from at this price point. (It's all about price, right?). REPEAT from last night: Oil prices should shoot up like a slingshot out of this bottom.

Natural gas prices hit new lows today and isn't linked perfectly to oil prices.

Intermediate Trade Positions: New ideas: **GS**, Goldman Sachs hit a low of \$73.71 today and rebounded to \$73.92 at the close. This was the kind of rebound that we were looking for in many stocks on the report last night. Like many stocks that we have reviewed are on the same type of trendline, we are looking for this to have higher highs and continue to follow the trend in the last 5 weeks.

BNI, Burlington Northern continued dropping today and sharply today and this is when you are thankful you set stop losses. **There are a couple of ways you set stop losses. One is at the support line and on this stock is about \$68.50 or you take at the most 1/3rd of the difference between the target price and the current price. So if the target was, let's say \$76 and you bought it for \$70, then you take 1/3 of \$6 and you have \$2 and that is the dollar amount you are willing to lose. So \$68 is the stop loss.**

Swing Trades: New ideas: Buy BAC, Bank of America in gradual increments, very small at first and increase next order as price continues dropping.....see notes above.

Day Traders/Intraday stock ideas: **AAPL and RIMM** are the only stocks that worked today. The volatility in stocks is so low that this technique is not working well. Continue monitoring the NASDAQ stocks FSLR

NOTES: This is not a good time to do much shorting, not even during intraday trades. When the market presents a good time to short don't be intimidating selling short when a good sell signal arises. Start with extra small positions until you learn how to read the charts and build your confidence. When I list several stocks from the same sector, like the housing industry for example, don't short all of them unless you are well diversified and it represents a small percentage of your total stock account (in that same account).

REPEAT: Keep an eye out for biotechs; they are building momentum and often do well in January.

Ticker Symbol	Type	Notes	Purchase Date	Open Price	Target Price
HWAY , Healthways	LONG- INT	Sold at open \$11.50, 1-7-09; Nice move	12-29-08	11.04	14-15
VRX , Valeant Pharm	LONG-INT	Sold 22.80, 1-6-09; Wait for confirm.	12-29-08	22	?
K , Kellog	LONG-INT	Sold 45.09, 1-6-09; buy a little	12-29-08	42.39	47
IBM , Int'l Bus. Mach	LONG-INT	Sold 87.70, 1-6-09; fill long position	1-8-09	86.14	92
UTX , United	LONG-INT	Sold 54.60, 1-6-09. DELETE	12-29-08	50.92	55
LLL , Level 3	LONG-INT	Start buying tomorrow, 1-13-09	1-13-09		
USO , US Oil Fund	LONG-INT	Sold 38.36, 1-6-09; Looking good	1-8-09	32.00	50-55
COP , Conoco Phillip	LONG-INT	Sold 56.53, 1-6-09; Looking good	1-8-09	53	58-59
BP , British Petrol.	LONG-INT	Sold 48.89, 1-6-09; hold	1-8-09	48.33	51
RMBS , Rambus	SHORT-INT	Ironic this drops 45% Friday on bad news	DELETE		
FXI , Xinhua 25 ETF	LONG-SWI	Sold @ \$31.69, 1-6-09. DELETE	DELETE	30	40
PTR , PetroChina	LONG-INT	Fill complete position; should bounce	1-2-09	92.84	102+
PLD , Prologis	SHORT-INT	Top signal, fast MA turning down.	Start short		
DHI , D.R. Horton	SHORT-SWI	Buy SRS long; this is Ultrashort realestate	1-7-09	7.84	
TOL , Toll Brothers	SHORT-INT	Buy SRS long; this is Ultrashort realestate	1-7-09	21.86	
KBH , KB Homes	SHORT-INT	Buy SRS long; this is Ultrashort realestate	1-7-09	14.90	
PHM , Pulte Homes	SHORT-INT	Buy SRS long; this is Ultrashort realestate	1-7-09	12.42	
LEN , Lennar	SHORT-INT	Buy SRS long; this is Ultrashort realestate	1-7-09	10.86	
CNO , Consec	LONG-INT	Breaking down; looks bad.	DELETE	4.15	5-6
HOTT , Hot Apparel	LONG-INT	Bot too early but still hold.	1-8-09	8.71	
AGU , Agrium	LONG-SWI	Sold 38.42, 1-6-09; start buying	1-5-09	36.91	

FRPT, Force Protect	LONG-INT	Strong so far; UP 10% today, hold.	1-5-09	6.40	
AFFX, Affymetrix	LONG-INT	Looking good.	1-6-09	3.18	4.50
MDR, McDermott,	LONG-INT	Holding trendline	Wait & watch		
FCX, Freeport Mc	LONG-INT	Buy a little long; good entry point here.			
SCHN, Schnitzer Stl	LONG-INT	Stopped @ 36. DELETE	1-13-09	34.11	
MOS, Mosaic	LONG-INT	Trying to follow trendline.	1-9-09	40.37	
CAT, Caterpillar	LONG-INT	Stopped @ \$43. DELETE	1-9-2009	43.91	
DE, John Deere	LONG-INT	Buy a little LONG.	1-12-09	45.19	
XME, Metal/MngETF	LONG-INT	Start buying a little gradually.	1-13-09	26.14	
BNI, Burlington	LONG-SWI	Very negative; let it rebound to sell	1-12-09		
BG, Bunge	LONG-INT	Turning down; peak	1-12-09		
XTO, XTO Energy	LONG-INT	Bought long today at open; nice uptrend	1-13-09	35.79	43-44
APC, Anadarko Petr	LONG-INT	Bought long today at open; nice uptrend	1-13-09	39.55	47-48
MO, Altria Group	LONG-INT	Bought little at open; 8.3% dividend	1-13-09	16.02	
SRS, Short Real Est	LONG-INT	Set alarm at \$56; let mkt rebound first	Wait & Watch		

SWI (SWING): 2-7 days **INT:** Intermediate term position 8 days to several months. **Open Price:** price paid on opening long position or price sold on short position. **Bold notes on table above represent changes from previous day.**

Thoughts: Best odds only, be decisive, aggressive, mentally flexible, stay in position size, don't overtrade and wait a little longer to buy and wait a little longer to sell. You will find that will make you more money on your trades. Trade what you see, not what you hope for. **Intermediate trades are really important to have trailing stop losses set.**

Don't trade unless the setup is there for you, then use the charts to tell you when the odds are heavily in your favor. Don't force anything to work for you, let the setups develop and then take advantage of that. Be patient. Stay in position sizes without letting any intraday trade represent no more than 10-15% of your total account value. As you build your account, your position size percentage should get smaller and smaller to lower your risk.

Have a great day and I'll talk to you tomorrow.

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