



January 14, 2009 Wednesday Evening

The stock market got whacked today on renewed banking concerns, awful December retail sales and a Northern attack on Israel. About 95% of the S&P 500 stocks were down today and it looks like we are going to carry over to a negative opening with the AAPL news. Steve Jobs announced he will step down to take care of health concerns until June after stating a couple of weeks ago his health was a hormone imbalance problem.

The trendlines we have talked about the last couple of nights are damaged and no doubt some of your stop losses were activated but my best guess is that Wall Street is over-reacting with a little of the "Chicken Little" syndrome. The charts with the trendlines would be "picture perfect" if the stocks moved up off that trendline but it doesn't have to follow that exactly.

The banking stock charts we discussed last night were definitely warning of the problems with banks but we should have a really good opportunity with these on the LONG side very soon, probably tomorrow for some buying in **BAC**, Bank of America. Ideally, we want to see increasing volume and accelerated drop in price as the ideal set-up for a catapulting rise like we have seen 4-5 times the first one being July 16, 2008.

BAC's volume was not higher than yesterday's but still high. Volume could increase tomorrow if it goes down below \$10 and limit orders get triggered. Wait and see if the price drops below \$10 and see if stock falls faster. Then that would be a good time to start buying gradually. The fact that a headline came out that BAC may have to go to TARP for more funds.

We are going to have an excellent opportunity to buy financial stocks the next two days, probably tomorrow is the best day.

Oil prices went down to a low of \$35.52 today and rebounded to close at \$37.38 per barrel but don't worry about any oil stocks you hold like **USO**, **BP**, **COP** or even **PTR**. 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 two nights ago: Oil prices should shoot up like a slingshot out of this bottom.

Intermediate Trade Positions: New ideas: **USO**, US Oil Fund ETF is not new to us but is worthy to be noted again as an excellent intermediate term entry here at these prices.

PXJ, Oil Services ETF is a low priced fund at \$10.84 on oil services, which usually lags the oil stock ETFs but is worth a small position LONG.

Swing Trades: New ideas: Excellent idea with a LONG position of **BAC**, Bank of America tomorrow. The stock will likely open down tomorrow and likely drop below \$10 as limit orders get triggered as it moves down through \$10.....see notes above.

Change to a LONG-Swing trade: **BNI**, Burlington Northern should have a nice rebound starting the next few days, probably tomorrow. This is a good opportunity to use stock options by buying long a March or April 65 Call. Use small dollar amounts.

Change to LONG-Swing trade: **WFC**, Wells Fargo chart looks like an excellent long swing trade. Both **BAC** and **WFC** could easily have a 20% swing to the upside from here, probably more.

Watch **GE** closely tomorrow and see if you can get a buy signal on a 5 and 15 minute chart. This isn't a high profit stock because it doesn't usually move much compared to others but it should have the same type of trading action and pattern as **BAC** and **WFC**.

C, Citigroup is also looking the same as the other banking charts we have discussed.

PTR, Petro China is looking very interesting to buy long.

FXI, China Xinhua 25 also looks interesting. Both **FXI** and **PTR** have been noted to DELETE but should be added back in because of the chart patterns.

Day Traders/Intraday stock ideas: **AAPL** is going to gap down \$7-8 on the Steve Jobs news he is on leave for medical reasons. Let the margin limit orders, and market orders get filled on the sell-off and all the brokerage firms should have their downgrades tomorrow morning before the regular market opening, driving the stock down further. You see, analysts have to get consensus and approval within their firm to put a "sell" rating on it, just in time to see the bottom before it immediately moves up after the downgrade gets issued. Typical for analysts and the system.

Consider buying **AAPL** long on a 5 minute chart or a 15 minute if you want to be sure it is going up. Don't use a 1 minute or 3 min chart on this tomorrow for decision making.

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; Hold	12-29-08	11.04	14-15
VRX , Valeant Pharm	LONG-INT	Sold 22.80, 1-6-09; Buy a little.	12-29-08	22	?
K , Kellog	LONG-INT	Sold 45.09, 1-6-09; hold	1-14-09	43.33	47
IBM , Int'l Bus. Mach	LONG-INT	Sold 87.70, 1-6-09; hold	1-8-09	86.14	92
LLL , Level 3	LONG-INT	Acting strong in down market.	1-13-09	77.92	
USO , US Oil Fund	LONG-INT	Sold 38.36, 1-6-09; No worries	1-8-09	32.00	50-55
COP , Conoco Phillip	LONG-INT	Sold 56.53, 1-6-09; No worries	1-8-09	53	58-59
BP , British Petrol.	LONG-INT	Sold 48.89, 1-6-09; Fill position	1-8-09	48.33	51
FXI , Xinhua 25 ETF	LONG-SWI	Sold @ \$31.69, 1-6-09. Buy a little	1-15-09	30	40
PTR , PetroChina	LONG-INT	Should bounce, hold	1-2-09	92.84	102+
PLD , Prologis	SHORT-INT	Looking good; hold short	1-12-09	13.75	
DHI , D.R. Horton	SHORT-SWI	Looking good; bumpy ride coming	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	
HOTT, Hot Apparel	LONG-INT	Still ok but watch closely with \$8.01 stop	1-8-09	8.71	
AGU, Agrium	LONG-SWI	Sold 38.42, 1-6-09; Buy a little more	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	Still hold; looking good.	1-6-09	3.18	4.50
MDR, McDermott,	LONG-INT	Buy a little tomorrow	1-15-09		
FCX, Freeport Mc	LONG-SWI	Change to swing trade	1-14-09	24	
MOS, Mosaic	LONG-INT	Hold	1-9-09	40.37	
DE, John Deere	LONG-INT	Hold; don't buy more.	1-12-09	45.19	
XME, Metal/MngETF	LONG-INT	Careful, set close stop loss	1-13-09	26.14	
BNI, Burlington	LONG-SWI	Excellent buy point if you don't own	1-12-09		
BG, Bunge	LONG-INT	Stopped 43.40.	1-12-09		
XTO, XTO Energy	LONG-INT	Don't worry on oil; Hold	1-13-09	35.79	43-44
APC, Anadarko Petr	LONG-INT	Don't worry on oil; Hold	1-13-09	39.55	47-48
MO, Altria Group	LONG-INT	Hold; 8.3% dividend	1-13-09	16.02	
SRS, Short Real Est	LONG-INT	Going to be a bumpy ride but uptrend	1-14-09	65.32	80-85
GS, Goldman Sachs	LONG-SWI	Hold; should bounce with banks.	1-14-09	75.88	

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.

Mitch King

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