



January 20, 2009 Tuesday Evening

Today makes you want to take up drinking or at least smoking, lol. We had near panic in the banking stocks like we have had several times in the last 4 months. It all started when Great Britain shored up their banks for the 2nd time in a few months. That fear spread to the US banks. The Obama speech and inauguration did not buoy the markets but instead seemed to steadily add to selling throughout the whole session.

The focus has become whether banks like **BAC**, Bank of America can absorb the losses they are discovering in the **MER**, Merrill Lynch acquisition. The dividend is likely to be reduced if not totally disappear but the main issue is whether BAC and other banks have enough reserves to meet the legal minimum 6%.

WFC, BAC, JPM, and **C** have had parabolic declines if you don't have any financial stocks positions, these are outstanding stock ideas. These are just a few financial stocks..... also look at these charts: **USB**- US Bancorp, **DB**-Deutsche Bank.

The ag-chemical stocks **MOS, MON, AGU** and **POT** got hit hard today along with most every sector and the uptrend we were looking for got washed out.

Oil still looks like it is bottoming and could be what technicians say, forming a "double bottom."

Intermediate Trade Positions: **IYF**, Financial ETF is a conglomerate of financial stocks. Heard this theme before? (Yeah, 2 days ago!) This is the convenient way to invest in the sector without stock picking but I'd go long on **USB, BAC, WFC** or **JPM** before **IYF**.

Swing Trades: New ideas: **USB**, US Bancorp is probably the least exposed to mortgage CDO's but is going down with the whole group. The dividend yield on **USB** is 9.3% and might be threatened along with other banks' dividends.

As noted above, the financials are the single best idea as a sector and **USB, WFC, BAC, C, JPM** are money center banks that are excellent stocks to with at least a swing trade if not an intermediate trade (longer than 7 days to 6 months). The fear that the banks are going to reduce or stop the dividend payout is subsiding and mostly is reflected in the stock price of the stock.

Day Traders/Intraday stock ideas: **RIMM** and **FSLR** were excellent scalps long using a 5 minute chart. Continue monitoring **AMZN** and **AAPL**.

NOTES: Many sectors have broken down after today's rout in the stock market and no longer support the idea of a predictable bounce EXCEPT for the financial sector, specifically the money center banks. You have to ask yourself if they will fail or be allowed to fail. Sure **BAC** needs \$80 billion total now and has already received \$25 billion but will the government allow the largest bank in the USA fail? Not likely. This is the single best idea I've seen since November 21st, 2008. This is

like a bungee cord that is stretched out and ready for a slingshot rebound in this sector. Takes courage and self-control but **buy banks long if you don't have any or hold those positions if you do**. The amount of time that the market will stay down at these prices on the bank stocks shouldn't be that long and prices will change very quickly.

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 \$11.50, 1-7-09; stopped \$9 | DELETE | 11.04 | 14-15 |
| K , Kellog | LONG-INT | Sold 45.09, 1-6-09; still strong; | 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 | Still in uptrend pattern | 1-13-09 | 77.92 | |
| USO , US Oil Fund | LONG-INT | Sold 38.36, 1-6-09; hold if not stopped | 1-8-09 | 32.00 | 50-55 |
| COP , Conoco Phillip | LONG-INT | Sold 56.53, 1-6-09; hold if not stopped | 1-8-09 | 53 | 58-59 |
| BP , British Petrol. | LONG-INT | Sold 48.89, 1-6-09; Should bounce here | 1-8-09 | 48.33 | 51 |
| FXI , Xinhua 25 ETF | LONG-SWI | More downside tomorrow | 1-15-09 | 25.25 | 29 |
| PTR , PetroChina | LONG-INT | Bad call so far; hold if not stopped | 1-15-09 | 78 | 92-93 |
| DHI , D.R. Horton | SHORT-SWI | Watch; missed SRS long opportunity | 1-7-09 | 7.84 | |
| TOL , Toll Brothers | SHORT-INT | Watch; missed SRS long opportunity | 1-7-09 | 21.86 | |
| KBH , KB Homes | SHORT-INT | Watch; missed SRS long opportunity | 1-7-09 | 14.90 | |
| PHM , Pulte Homes | SHORT-INT | Watch; missed SRS long opportunity | 1-7-09 | 12.42 | |
| LEN , Lennar | SHORT-INT | Watch; missed SRS long opportunity | 1-7-09 | 10.86 | |
| HOTT , Hot Apparel | LONG-INT | Today confirmed top; sell on bounce | 1-8-09 | 8.71 | |
| AGU , Agrium | LONG-SWI | Sld 38.42, 1-6-09; today killed bounce | 1-5-09 | 36.91 | |
| AFFX , Affymetrix | LONG-INT | Stopped; peak confirmed today | 1-6-09 | 3.18 | 4.50 |
| MDR , McDermott, | LONG-INT | Should move up from here slowly | 1-15-09 | | |
| FCX , Freeport Mc | LONG-SWI | Today killed bounce; some upside prob | 1-14-09 | 24 | |
| MOS , Mosaic | LONG-INT | Today killed bounce; hold for bounce | 1-9-09 | 40.37 | |
| DE , John Deere | LONG-INT | Today killed bounce; hold for bounce | 1-12-09 | 45.19 | |
| XME , Metal/Mn ETF | LONG-INT | Today killed bounce; hold for bounce | 1-13-09 | 26.14 | |
| BNI , Burlington | LONG-SWI | Today killed bounce; look for bounce | 1-16-09 | 64 | |
| XTO , XTO Energy | LONG-INT | Sold on gap down at open \$34.41. | 1-13-09 | 35.79 | 43-44 |
| APC , Anadarko Petr | LONG-INT | Sold on gap down at open, \$36.77. | 1-13-09 | 39.55 | 47-48 |
| MO , Altria Group | LONG-INT | Only strong sector? Safe 8.3% dividend | 1-13-09 | 16.02 | |
| SRS , Short Real Est | LONG-INT | Sold at \$74; too late to buy. | 1-14-09 | 65.32 | 80-85 |
| GS , Goldman Sachs | LONG-SWI | Stopped at open; strongest financial | 1-14-09 | 75.88 | |

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|-----------------------|----------|---|---------|-------|-------|
| PXJ, Oil Services ETF | LONG-INT | Will follow oil prices; should bounce | 1-15-09 | 10.50 | |
| C, Citibank | LONG-SWI | Buy long if you don't own banks yet | 1-16-09 | 3.60 | 6 |
| RMBS, Rambus | LONG-SWI | \$7.75 low Thurs, \$9.91 Fri; higher risk | 1-16-09 | 9.00 | 11+ |
| BNI, Burlington Nrth | LONG-SWI | Rough ride up, \$60 stop | 1-16-09 | 64 | 71-74 |
| WFC, Wells Fargo | LONG-INT | Oversold; Buy & fasten seat belt | 1-16-09 | 17.50 | 23+ |
| BAC, Bank of Amer | LONG-SWI | Extreme oversold; Buy long if don't own | | | |
| RIMM, Research Mot | LONG-INT | Held up well; inverse of AAPL | 1-16-09 | 50.38 | 56 |
| JPM, JP Morgan | LONG-SWI | Small pos @ 18.02; should make 20% + | 1-20-09 | 18.03 | 23 |
| | | | | | |

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
www.TradeStocksAmerica.com

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