



January 25, 2009 Sunday Evening

The stock market indices (Dow30, S&P-500, NASDAQ Composite) have been sluggish at any recovery and we are in a general pattern of apathy mixed with fear. We are right in the thick of earnings season and this week we will likely see some bloodbath reports that lower the expectations of companies' future earnings. We saw this last week in stocks that have been considered "safe," like **WMT**, Wal-Mart for example, yet even **WMT** broke below \$50 a share.

I don't see any of catalysts that could cause the market to just start sharply moving up. The stimulus package isn't even unveiled let alone voted and haggled over. Earnings won't surprise on the upside nor will the market respond to that if that occurred. The TARP funds could be approved to be a higher amount eventually. We really are at the mercy of stocks going in the direction of "least resistance," which is biased to the upside only for a few sectors like oil, ag-chemicals and banks.

Oil has had several big days up now with our **USO** ETF having a big day up on Friday. The largest oil stocks have been slow to respond as usual, compared to the smaller independent oil and gas stocks like **XTO**, **COG**, **EOG** (and many others) that we have followed these past months.

What the spike up in oil prices as shown in **XOIL**, **USO** usually forewarn us is the rise in oil prices are likely to move up in the coming couple of months and beyond. The "W" in **USO** or **XOIL** is almost completed and the bottom in oil is probably in. In plain English, "It's just a matter of time before oil moves up.

Note that **JPM**, **JP** Morgan and **GS**, Goldman Sachs continue to move up strongly. These two are looking like the leaders in the money center banks group. **BAC**, **WFC**, **USB** and **C** will probably start moving up like those two but these last 4 are going through a bottoming process that is going to take longer. One clue to watch for is watch if and when **JPM** and **GS** turn over and go down and that could be a signal to be concerned with the other four that are struggling to get off this bottom they are in. No matter what the stock prices of the laggards are at that moment, the smart thing to do is to at least tighten up your trailing stop on those 4 if not sell them outright when **JPM** and **GS** turn over.

The ag-chemical stocks **MON**, **MOS**, **AGU** and **POT** are moving up nicely with 3 up days in a row now. This group tends to be very volatile and at the moment is going our way. The key thing to look for in this situation is to see if this group will exceed previous highs set in the first week of January or if they fail to reach that price level, how do they act. The safest way to protect your profits in this market environment that is predominantly fearful and sluggish is to sell as soon as the trend reverses, not waiting for days and days of confirmation on the daily stock charts to tell you to sell.

**Oil** has had an outstanding rebound from a low of \$32.70 last week to a high of \$47 on Friday. The overall trend is up on this.

**Intermediate Trade Positions:** **USG**, USG (US Gypsum), building materials stock. It is hard to imagine a building materials manufacturer and supplier to the homebuilding business a smart play but notice this is a trade that may last for only a few weeks. Price is \$8.21 on Friday's close and Friday's low would have been an excellent entry in the mid \$7's. One support line could easily be drawn in the mid 7's and this is the area we should be looking as a buying entry point.

**Swing Trades:** **VERY SPECULATIVE:** **SAY**, Satyam is the company in India that the CEO is accused of exaggerating sales by \$1 billion. The stock went from \$9 to a low of 77 cents in the day it opened. This stock is moving up on Friday and a very small long position could be worth the risk – REPEAT, very small position for aggressive traders. This could be as short of a trade as hours to a few days. **This is not an idea that should be left alone without monitoring closely. This is for experienced traders who have high risk tolerance!**

**Day Traders/Intraday stock ideas:** Intraday trading was excellent on Friday with **FSLR, MOS, AGU** and **ICE**. Look for this pattern to continue in these stocks and monitor our favorites RIMM, AAPL, AMZN and

**NOTES:** US Treasury Bond prices continue to move down from the high I discussed in mid December at 142 to now \$129.60. This trend is likely to continue downward to 122-125. This means mortgage rates have edged up since that very low rate, 30 year fixed mortgage rates were as low as 4.79% for a 2 week period.

**Repeat:** Intraday trading techniques have been doing very well and are likely to continue and at the same time we can keep our long positions in the banks and ag-chemical stocks in the swing and intermediate trades. Be disciplined with your position size and try to control any strong feelings of greed and fear.

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
<b>HWAY</b> , Healthways	LONG- INT	<b>Needs spike up to maintain uptrend</b>		11.04	14-15
<b>K</b> , Kellog	LONG-INT	<b>Gradual uptrend; not real strong, SELL?</b>	1-14-09	43.33	47
<b>IBM</b> , Int'l Bus. Mach	LONG-INT	<b>Take profits on this.</b>	1-8-09	86.14	92
<b>LLL</b> , Level 3	LONG-INT	<b>Good uptrend; monitor trailing stop</b>	1-13-09	77.92	
<b>USO</b> , US Oil Fund	LONG-INT	<b>Looking good Friday; good sign</b>	1-8-09	32.00	50-55
<b>COP</b> , Conoco Phillip	LONG-INT	Sold 56.53, 1-6-09; Trying to bottom	1-8-09	53	58-59
<b>BP</b> , British Petrol.	LONG-INT	Weakest major oil stock; <b>SELL soon?</b>	1-8-09	48.33	<b>45</b>
<b>FXI</b> , Xinhua 25 ETF	LONG-SWI	<b>Near support line; hold</b>	1-15-09	25.25	29
<b>PTR</b> , PetroChina	LONG-INT	<b>Should have strong upswing; hold</b>	1-15-09	78	<b>88</b>
<b>AGU</b> , Agrium	LONG-SWI	<b>Ag chemicals strong; weakest one in grp</b>	1-5-09	36.91	
<b>MOS</b> , Mosaic	LONG-INT	<b>Ag chemicals uptrend starting; hold</b>	1-9-09	40.37	
<b>FCX</b> , Freeport Mc	LONG-SWI	<b>SELL @ open.</b>	1-14-09	24	
<b>XME</b> , Metal/Mn ETF	LONG-INT	<b>Losing patience with this; SELL</b>	1-13-09	26.14	

MO, Altria Group	LONG-INT	Let this drop for a while; watch, 8.3% div	1-13-09	16.02	
GS, Goldman Sachs	LONG-SWI	Same pattern as JPM; strong uptrend	1-14-09	75.88	82
PXJ, Oil Services ETF	LONG-INT	Big day for oils; good sign of uptrend	1-15-09	10.50	
C, Citibank	LONG-SWI	In bottoming process now;	1-16-09	3.60	5.50
RMBS, Rambus	LONG-SWI	Should have strong uptrend soon	1-16-09	9.00	11+
BNI, Burlington Nrth	LONG-SWI	In bottoming process now	1-16-09	64	71-74
WFC, Wells Fargo	LONG-INT	In bottoming process now	1-16-09	17.50	20
BAC, Bank of Amer	LONG-SWI	Bottoming now; stop set at \$5.65	1-16-09	7.40	10
RIMM, Research Mot	LONG-INT	Trend still is strong	1-16-09	50.38	56
JPM, JP Morgan	LONG-SWI	Gaining strength; higher target price	1-20-09	18.03	26-27
IYF, Financial ETF	LONG-INT	Hold for rebound if still long	1-21-09	32.40	38-39
USB, US Bancorp	LONG-SWI	Wait for dip for better price long again			
HNT, Healthnet	LONG-INT	Higher high, looking good. Bot Friday	1-23-09	14.20	
ICE, Intercont Exch	LONG-INT	Higher high, looking good. Bot Friday	1-23-09	51	65-67
POT, Potash	LONG-SWI	Bought on the breakout on Friday	1-23-09	73.25	

**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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