



January 26, 2009 Monday Evening

The stock market indices opened higher on the surprising news that existing home sales were better than expected as well as something called 'Leading Indicators.' Leading indicators is a composite of numbers like jobless claims, money supply, building permits and even stock prices, can you believe that? Anything better than expected is good news and what is also good news is the market has at least a heart beat to respond to good news.

Let's explain some more on that. The actual numbers are still like a "D-" if it were your kids report card but considering it has improved from an F, the stock market liked it at first, then was followed by selling. So the fear is still stronger when we see steady selling from the initial new highs made in the first hour and many stocks lost all its gain followed by a little buying in the last hour.

The ag-chemical stocks were the strongest group that we are invested in at the moment and our favorite four stocks in this sector, **MON, MOS, AGU, and POT** continued to move up for the fourth day in a row. If you are a more nervous and cautious trader, tomorrow might be a good selling point. A good guiding rule about selling is to wait until the stock goes down before selling but that is sometimes hard to tell when that is. The question becomes....what time frame do you use to judge if a stock is going down? In this market environment, it should be a shorter time frame.

If you use a daily chart to decide in this environment if a sluggish and depressed investor, you can leave a lot of profit on the table. Yet if the market is in a "Goldilocks" environment where everything is just right, you can have a lot more potential for profit by using the daily chart. If you used the 5, 15, 30, 60 minute chart, today was the selling signal for this sector. In this market, take the profit or minimize your loss by continuing on the swing trader track or the intraday trader as well.

Banks sold well off their highs. **JPM** and **GS** did what we were looking for as discussed the last few days. When these two sold off, it was time to sell this sector. **JPM** and **GS** are very likely to continue a downtrend for possibly a couple of weeks with the other four, **BAC, WFC, USB** and **C** struggling around at least that long. So the banks were sold today off the list. Look at the last four bank intraday charts today as well as the daily charts. They look sickly like a coyote in wintertime. **USB** looks especially dangerous with that big sell-off from the day's high of \$14.82 to \$12.57 or a 10.8% drop today alone. The technical indicator, MACD, is all the way down at the bottom of the channel for **USB**, the lowest reading since mid 2000.

Oil itself (XOIL) peaked at \$48.59 and headed down, bringing **USO** with it but this can be approached on a longer time horizon as well as on the swing trader time horizon of 2-7 days. Again the independent oil and gas stocks did better than the big giants today but the general trend looks like it may be turning up.

Intermediate Trade Positions: **TSO**, Tesoro Oil & Gas Refining has a steady uptrend. It has moved quite a bit but has had low volatility and a steady uptrend on the chart. Price is \$16.42 with a 20% profit target.

Swing Trades: If I give you an idea, would you be responsible and disciplined? It is a technique we haven't discussed much at all for months for good reason. There haven't been many of these come along. **This is an extremely dangerous technique but can be very profitable once you understand how to handle these. So let me repeat, this is extremely dangerous and should be done with tiny positions initially and very gradually added to if the stock goes against you. This is for aggressive and experienced traders only.** In the Wizard Training Course, there is 4 hours of recorded tutorials under the chapter of bullshorts on two different discs of the 10 total. There are 25 examples, most of them recorded real-time as the bullshorts were live. **Study this part of the course before you attempt to work with this technique.** **Do you need another disclaimer? Don't be trading this unless you understand how to handle this!** If this doesn't scare you yet, let's try this..... you don't use set stop losses and you could easily lose 20-30% on an open position before it comes back your way and eventually becomes profitable.

The stock is **GERN**, Geron Corp which started moving up Friday on the news that FDA may ease the restrictions on federal funding for embryonic stem cell research. President Obama's looks like he is going to reverse the Bush administration view that human embryo research cannot be funded by federal money. The stock is up 62% in the last two days and is getting close to being SOLD SHORT a little at a time. The key with this technique is you need a fair amount of buying power in your brokerage account and the planned position must be small relative to your total account value, like 10% max. In order to open a position like this you want to start with a small portion of that 10% position, maybe like 1/5th of that 10%. So if your planned position size for this SHORT POSITION is \$10,000, start by opening a \$2,000 short position and then gradually add to it as the stock moves higher.

I like to short twice the opening position (\$4,000 in this case) as the stock goes up against my short position and the final \$4,000 order when the stock starts turning over. This cannot be explained properly in a daily report, you must watch those two discs.

Day Traders/Intraday stock ideas: Intraday trading was very good today on the short side initially and then a long scalp in the last 90 minutes, which is unusual. ICE had a big swing from \$almost \$59 at the peak to \$54.30 which is about an 8% drop followed by a 5.5% pop. FCX had a 12% rise in the first 25 minutes; this can be watched for future volatility in the coming days. **FSLR, MOS, MON, POT** and **AGU** had excellent opportunities as well. Look for this pattern to continue in these stocks and monitor our favorites **RIMM, AAPL, and AMZN.**

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
HWAY , Healthways	LONG- INT	Still gradual uptrend.		11.04	14-15
K , Kellogg	LONG-INT	Sell \$47.	1-14-09	43.33	47

IBM, Int'l Bus. Mach	LONG-INT	Sold 90.55; watch	1-8-09	86.14	92
LLL, Level 3	LONG-INT	Strong uptrend, low volatility stock now	1-13-09	77.92	
USO, US Oil Fund	LONG-INT	Holding	1-8-09	32.00	50-55
COP, Conoco Phillip	LONG-INT	Hold	1-8-09	53	58-59
BP, British Petrol.	LONG-INT	Volatile for big oil stock; sell soon?	1-8-09	48.33	45
FXI, Xinhua 25 ETF	LONG-SWI	Hold	1-15-09	25.25	29
PTR, PetroChina	LONG-INT	Should have strong upswing; hold	1-15-09	78	88
AGU, Agrium	LONG-SWI	Could move up more; SELL SOON?	1-5-09	36.91	
MOS, Mosaic	LONG-INT	Could move up more; SELL SOON?	1-9-09	40.37	
FCX, Freeport Mc	LONG-SWI	Sold 24; big day up on earnings	1-14-09	24	
XME, Metal/Mn ETF	LONG-INT	Sold 27. DELETE	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	Sold 77.75; heading down to mid 60s?	1-14-09	75.88	82
PXJ, Oil Services ETF	LONG-INT	Sold \$11.97 today.	1-15-09	10.50	
C, Citibank	LONG-SWI	In bottoming process now;	1-16-09	3.60	5.50
RMBS, Rambus	LONG-SWI	Trending up last 4 days.	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	Should gradually trend upward; hold	1-16-09	7.40	10
RIMM, Research Mot	LONG-INT	Sold @ \$51.	1-16-09	50.38	56
JPM, JP Morgan	LONG-SWI	Sold 25.13; short @ 25, holding for \$23-	1-20-09	18.03	
IYF, Financial ETF	LONG-INT	Hold for rebound if still long	1-21-09	32.40	38-39
USB, US Bancorp	LONG-SWI	Could drop more for better price.			
HNT, Healthnet	LONG-INT	Looking good; Hold	1-23-09	14.20	
ICE, Intercont Exch	LONG-INT	More upside potential in this group.	1-23-09	51	65-67
POT, Potash	LONG-SWI	Could move up more; SELL SOON?	1-23-09	73.25	
SAY, Satyam Cmptr	LONG-SWI	Peaked today? DANGER; sell at open?			
USG, US Gypsum	LONG-INT	Waiting for little lower price.			

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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