



January 4, 2008 Sunday Evening

The world markets are moving up tonight starting with Asia after last week's nice run upward as well. There is naturally some tentativeness about what will happen this week and this cautiousness could also help add to rising stock prices. This week is when all players come back into the market after holiday vacations.

There are some indicators that are starting to show we have a short term top. Let's look at the T2108 on Worden Brothers daily chart. This shows that 83% of stocks are now over the 40 day moving average. This is the highest reading since December 2006. This isn't a perfect predictive indicator but it is worth taking note.

The VIX, Volatility index went under 37 on Friday and has come down directly from 81 set on that November 20, 2008 when the last big and obvious bottom set on November 21st. This daily chart looks like a rebound is in order, which would result in stocks pulling back for a few days.

So you have some decisions to make about what to do with your long portfolio in the next day or two. The challenge is whether you hold your long intermediate positions through a shallow pullback that this will likely be. For the short term oriented investor, the next couple of days may be a good time to take the profits that you should have from buying this last 3-5 trading days. There is also an old saying in trading and investing that you hold your long positions until there is a clear indication that the stock is reversing against you.

My own personal orientation tends to be **biased toward anticipating what the indicators are saying and re-purchase after the several days of pullback** that we could see starting this week. But that takes more discipline, work and organization with your trading.

In a normal year, **January is usually quite a bullish month and this year it could be more bullish than normal** after the big sell-off we have seen the last three months. So we have a push and pull of forces, (as usual) to weigh on our decisions. It is a time to really control your emotions of fear and greed. Greed may influence your decision to "go for it" and see if the January effect brings prices higher without a big pullback or the opposite extreme is to let your fear keep you out of the market altogether.

Take note that oil has moved from \$35.69 a barrel to \$46.58 in the last 5 trading days so our oil picks have done well along with most all of the stocks on this table below. These large oil companies' charts look like there is quite a bit more left on the upside. **I would expect some pullback in oil prices for a few days** and the stock market has been linked in parallel with oil prices.

A couple of other factors that will influence the stock market are the stimulus plan Obama plans to unveil late this month. That is likely to be one of the biggest factors that influence stocks these first 3-4 months of 2009. Also remember that the tremendous amount of money that the Treasury has pumped into the system is likely to help in the short term but in the long term, will likely cause some sort of inflation.

Intermediate Trade Positions: New ideas: **FRPT**, Force Protection. Late to this idea but it has recently made new highs and indicators are positive. Worth small position.

HOTT, Hot Topic Apparel should be considered on a pullback. Set alarms to watch this stock for a long intermediate trade.

AGU, Agrium is the first of the ag-chemical companies that are starting to look like a bull run could be starting.

Swing Trades: New ideas: none.

Day Traders/Intraday stock ideas: **FSLR**, First Solar..... **AAPL**, Apple Computer, should be watched tomorrow for the pattern of trading action that may give intraday profits. Intraday trading could be less profitable and more distracting in this market environment. Stocks are probably going to gap up a little and have less obvious bottoms that what we have seen these past months.

Ticker Symbol	Type	Notes	Purchase Date	Open Price	Target Price
HWAY , Healthways	LONG-INT	Healthcare strong industry; health sector does well in bad markets.	12-29-08	11.04	14-15
OMX , Office Max	LONG	Good technical chart; bad fundamentals.	DELETE		
VRX , Valeant Pharma	LONG-INT	Good technical chart; a little late to buy long; improving fundamentals;	12-29-08	22	?
K , Kellog	LONG-INT	Bottoming process now; 3.1% dividend	12-29-08	42.39	47
IBM , Int'l Bus. Mach	LONG-INT	Should start heading up.	12-29-08	81.72	92
UTX , United	LONG-INT	3% dividend; 8% potential profit	12-29-08	50.92	55
LLL , Level 3	LONG-INT	Stochastics still pointing downward	Wait and		
USO , US Oil Fund	LONG-INT	Oil spiked, causing a 6.2% gain in USO	12-29-08	30.43	50-55
XOM , Exxon Mobile	LONG-INT	Moving up now; 2% dividend. Major oil	12-29-08	78.28	87-88
CVX , Chevron	LONG-INT	Moving up now; 3.6% dividend. Major oil	12-29-08	71.25	85
COP , Conoco Phillips	LONG-INT	Moving up now: 3.9% dividend. Major oil stocks strong on falling oil prices.	12-29-08	49.51	58-59
BP , British Petroleum	LONG-INT	Moving up now: 7.6% dividend; safe dividend. Weakest of all major oil stocks.	12-29-08	45	51
RMBS , Rambus	SHORT-INT	Start with small opening short positions.			
FXI , Xinhua 25 ETF	LONG-INT	25 Chinese stocks.	1-2-09	30	40

PTR , PetroChina	LONG-INT	Largest oil company in China.	1-2-09	92.84	102-105
BAC , Bank of America	LONG SWING	Swing Trade only, doesn't look like INT.	12-31-08	13.10	15-16
PLD , Prologis	SHORT-INT	Do not trade yet. Waiting for it to turn down before shorting it.	Wait & Watch		
DHI , D.R. Horton	SHORT-INT	Wait for rebound to fizzle.	Wait & Watch		
TOL , Toll Brothers	SHORT-INT	Wait for rebound to fizzle.	Wait & Watch		
KBH , KB Homes	SHORT-INT	Wait for rebound to fizzle.	Wait & Watch		
PHM , Pulte Homes	SHORT-INT	Wait for rebound to fizzle.	Wait & Watch		
LEN , Lennar	SHORT-INT	Wait for rebound for better price	Wait & Watch		
AAPL , Apple Cmptr	LONG SWING	Changing this to a Swing trade	12-31-08	85.97	95
CNO , Consecoco	LONG-INT	Good Chart; speculative purchase.	12-31-08	4.15	5-6

SWING: 2-7 days **INT:** Intermediate term position 8 days to several months.
opening long position or price sold on short position.

Open Price: price paid on

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.

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

Contents: stock trading, trading strategies, stock picks, stock market education, stock market investing course and educational stock trading videos.

Mitch King is the founder of **TradeStocksAmerica.com**. All material presented herein is believed to be reliable but we cannot attest to its accuracy. All material represents the opinions of Mitch King. Investment recommendations may change without notice and readers are urged to check with their investment counselors before making any investment decisions. Opinions expressed in these reports may change without prior notice. Mitch King and/or the staff at **TradeStocksAmerica.com** may or may not have investments in any stocks cited above before or after this newsletter is prepared. Opinions expressed in these reports may change without prior notice.

Disclaimer - Stock investing or stock trading has large potential rewards, but also large potential risk. There is risk of loss as well as the opportunity for gain when buying or selling stocks, bonds, option contracts or engaging in any strategy listed in the Daily Stock Report, The Wizard Training Course, The Trading Room and our seminar or workshops. You must be aware of the risks and be willing to accept the risks when investing or trading in any financial markets. Don't trade with money you can't afford to lose. This website is neither a solicitation nor an offer to Buy/Sell stocks. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed on this website. The past performance of any trading system or methodology is not necessarily indicative of future results.

