



**July 9, 2009 – Thursday Evening**

**We had another day of little change in market indices** but our oil stock sector started to take off from yesterday's low. If we get the market indices (Dow30, Nasdaq Composite and S&P 500) rebounding, the oil stocks will really start accelerating, especially if the price of oil itself starts moving up like we expect (after 6 straight down days and 19% correction). So that combination lined up in sync with each other can be very powerful for a matter of days in those smaller independent oil and gas stocks.

Any rebound in the market indices should be approached with the view that we are likely to have only 3-5 days of upward movement followed by selling that is likely to bring the indices to lower lows. This is where it would be the highest probability to sell these oil stocks into this rally that may only last a few days to a week and take the profits that they give us without being mentally stuck on any specific profit or price target.

**REPEAT FROM WEDNESDAY NIGHT:** The independent oil and gas stocks are poised for a sharp rally for a minimum of several days but may last longer up to a couple of weeks (although not likely). The first couple days of rebounding oil and gas stocks should continue up without too much problem. After a few days if there is any doubt whether you should sell these oil stocks (see list below), **remember that we are on a downtrend and oil stocks are likely to have a sharp rebound only for a matter of days** but then be met with a more selling, possibly to a lower low.

You can ride up the rebound in rising oil and gas stocks, hang on through a correction after a few days but then it is fairly likely this sector moves to higher highs after that short term correction. This would give those who prefer to hold onto stocks longer or are not able to trade in and out of stocks, to capitalize on this expected move by just holding on for weeks.

Please watch the video explaining this because this is as clear of English as I can speak on text. As the Chinese say, "a picture is worth a thousand words."

That is how the market works, a push and pull action between buyers and sellers. If you are a shorter term trader who wants a higher probability, lower risk and lower returns, then don't hold on to these oil and gas stocks listed below past a few days of strong upward movement.

We are not in a steady long term uptrend like we were with stocks like **BIDU** from mid January 2009 to the first week of May (see daily chart on BIDU). When a stock is in that type of cycle, you can just hang on to it but that is not what is going on now.

**The Oil index** had no change today after 6 straight down days or 19.4% drop. **Our oil stocks did very compared to the index and if oil prices start moving up our oil stocks will really start accelerating.**

**Follow-up:** DYY, DB Commodity 2x ETF had a decisive move up. This could move up as high as \$7 which is a profit potential of 14.7%. This one will take longer to move compared to other stocks.

**CRK**, Comstock Resources is an oil and gas stock and dropped to a low of \$27.88 Wednesday and hit a high of \$31.32 for a swing of 12.3% so far. This sold off with oil stocks in the last few hours and this sector should move up again this next few days. It is a little late to buy this so consider TSO instead. Looking for \$34-35 in the coming week or two.

Continue to monitor **AM**, American Greetings even though the short position was covered a couple days ago. If this starts moving down, it could break down in a significant way.

**XTO**, XTO Resources is an independent oil and gas company and had a decisive move up and has had a nice 7.6% swing from yesterdays low. Looking for \$37-38 in the next week or so.

**RIG**, Transocean is an oil and gas drilling and exploration company and also has had a nice swing from yesterday's low to today's high of 5%. This is a slower moving stock but still looking for \$72-73.

**CWEI**, Clayton Williams is an oil and gas company and this had a swing of +10.3% from yesterdays low to today's high. This stock was listed **for aggressive investors** and we are looking for mid \$18's as a target price. If this one gets some momentum, it could move higher.

**FST**, **Forest Oil acted poorly. This should be closed immediately.** The oil sector move up without Forest (run Forest run).

**TSO**, Tesoro is an oil and gas refining company and this has had an 8.7% swing from yesterday's low to today's high. It came back down from the high but is likely to move up for a few days.

**NOTES:** All these should be held and these stocks are likely to continue moving up but not necessarily in a straight line. Oil prices didn't make much of a move today so the fact that these oil stocks did so well when oil was had no change is a pretty strong indication these oil stocks want to move up.

Now it is possible that the oil stock rebound fizzles out and loses momentum and the thought that should be in your head is to sell these positions if they are not acting good. At that point you shouldn't be worrying about what our target prices are or were. But the odds are good that these move up into next week even though Friday's often get some selling before the weekend if it is a nervous market.

**Intermediate Trade Positions:** **DYY**, DB Commodity 2 X ETF is still a good buy entry point even though it went up 3.4% today. **Worth a long position tomorrow (Friday) to open new or add to existing long position.**

**Swing Trades:** No new swing trades.

**IMPORTANT NOTE, PLEASE READ:** Remember not to get too heavy in one sector and gradually move in because it is unrealistic to think we get the exact bottom. We want to gradually move into this sector and eventually build full size long positions in them that may be swing trades lasting for days or intermediate trades lasting weeks.

If you spend too much money too quickly, you will run out of ammunition, then get emotionally stressed when stocks are going against you (because Mitch King was too early on calling a bottom in oil and gas stocks). If you get too leveraged you may be forced to sell at a loss because you are racking up losses at twice as fast if you are margined 2 to 1 and then miss the big move up we are looking for in oil and gas stocks.

If you are a very aggressive investor-trader and decide not to listen to your coach, (which most of you don't), and get leveraged, this is a very good cycle to do that but don't get leveraged too early (disclaimer: don't get leveraged at all and diversify, profits are not guaranteed).

**Day Traders/Intraday stock ideas:** The sector that is likely to have substantial scalps long is when **the oil sector** bottoms in the next 2-3 days and starts to rebound. The day that the bottom gets established will have a **BIG** pop in which 4-10% intraday LONG scalps are possible.

Look at the independent oil stocks (not the big ones like XOM, CVX, COP or BP) but ones like XTO, GMXR, EOG, COG, FTO and many others. Look for extraordinary high volume in these as an additional signal they may have a reversal. We should see a good reversal some time this week.

**Scalping should continue to be excellent.** Scan many high volume and highly volatile stocks for this technique. **You want high volume, high volatility in stocks to make intraday scalps.** Profits can vary from 1-3 % normally, and lately 3-4%, sometimes 5% on some days.

Continue scalping in most recent high volatile stocks with high volume. Look for both long and short ideas with **CME, CMG, PCX, MDR, FSLR, ICE, BLK, CME, BIDU, AMZN, IPI, POT, MON, ATPG, MDR, COG, MEE, ASH, FXI, MOS, COG, EOG, XTO, AAPL**, or any **high volume**, high volatility stocks. **FTO, XTO, NBR, RIG, PBR, and EPE** are just a few of many oil/gas stocks and should be monitored for scalp ideas.

**Repeat:** Many people ask about stop losses on intraday trading and my response is that the stops should be wider because they are stops "just in case" a disaster news event hits the stock. When you follow the technical indicators as I show you on the intraday scalping tutorials, rarely will a stop loss be hit. The indicators can be used with uncanny accuracy as a forecasting tool so don't set your stop losses on the intraday scalping too tight. Anyone setting small stops while scalping will consistently lose money on scalping because stocks move around a lot even though they follow the technical indicators.

**Progress Report:** We have had numerous requests for the real-time the Trading Room and we will be more aggressive with the programming of this software. Our first programming attempt last summer was abandoned and more capable programmers are on the task now. We will keep you posted but our estimate is mid June if all goes well. The delivery of information and quality of ideas will be very unique—there won't be anything like this!

**Thoughts:** Keep steady, calm, decisive, aggressive. Have no fear and no greed. Keep looking at what to be doing next in a calm manner. Don't focus on the past or beat yourself up what you did or didn't do or what you should have done. Just keep playing the next shot, which in this business your next shot could be just sitting on the sideline.

If you have been uncomfortable shorting stocks, which most people are, try to learn this technique, it will be a useful tool in the coming years.

When several stocks from the same sector are listed, like from the housing industry or steel 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).

Ticker Symbol	Type	Notes	Target Open Price	Target Close Price
AAPL, Apple Cmptr	LONG-SWI	Looks weak with downward bias		
BIDU, Baidu	LONG-INT	Double top, breaking down?		
JOYG, Joy Global	LONG-SWI	More downside on this before any reliable bounce.		
TLT, 20 Yr Treasury	LONG-INT	Still in uptrend even though had big drop today, hold.	92.50	94

DYY, 2X Commodity	LONG-INT	Bounce started today, still time to buy long position.	6.03	
TC, Thompson Crk	LONG-INT	No trade idea, DELETE		
FTO, Frontier Oil	LONG-SWI	8.8% bounce from yesterday's low, not much left		
FXI, Xinhua 25	LONG-SWI	No trade idea.		
X, US Steel	LONG-SWI	Too late to buy; limited profit potential anyway		
AKS, AK Steel	LONG-INT	Too late to buy.		
RIG, TransOcean	LONG-SWI	Small long position; will add to it Friday; hold.	67.55	
MDR, McDermott	LONG-SWI	Small long position, looking for \$19+, still time to buy.	17.45	
RS, Reliance Steel	LONG-INT	No trade idea.		
GOOG, Google	LONG-INT	No trade idea, DELETE.		
PBR, PetroBras	LONG-SWI	Small long position on drop and pop, looking for \$38-39	35.52	
PTR, PetroChina	LONG-SWI	Too late to buy now, limited profit potential to \$108?		
FCX, Freeport McM	LONG-SWI	Passed on this today, went for oil and gas instead.		
GOLD, Rangold	LONG-SWI	More downside left before buying? Monitor		
POT, Potash	LONG-SWI	Don't buy yet, could break down further.		
PCX, Patriot Coal	LONG-INT	No trade idea.		
FORM, FormFactor	SHORT-SWI	Watch for short entry \$20-21? For AGGRESSIVE investors!		
AM, American Grtgs	SHORT-SWI	Start watching this again, might turn down soon for short		
LEN, Lennar	SHORT-SWI	Covered short Wednesday for +18.3% profit, no position	9.75	8.24
MOS, Mosaic	LONG-INT	No trade idea, probably fizzles out soon.		
NBR, Nabors Indus.	LONG-INT	No trade idea. DELETE		
TSO, Tesoro	LONG-INT	Complete full long position Friday; should move up, looking for \$13-\$14?		
PARD, Poniard Phar	SHORT-SWI	No trade idea, DELETE		
ZN, Zion Oil & Gas	LONG-SWI	Closed remaining half of long position for 3.6% profit	8.20	8.50
SPPI, Spectrum Phar	LONG-SWI	Should rebound, acting strong in down market	6.12	
MON, Monsanto	LONG-SWI	Should bounce, looking for \$77 ?	71.55	
UNG, US Nat. Gas	LONG-INT	Half size long, still time to buy, hold.	12.30	
CRK, Comstock Res	LONG-INT	Acting strong , looking for \$33-34, hold.	28.10	
XTO, XTO Oil & Gas	LONG-SWI	Full size long position, looking for \$37, hold	33.48	
GMXR, GMX Res	LONG-SWI	Nice move up, looking for \$10 ½ -11, hold.	8.75	
NUS, Nu Skin	LONG-INT	Idea still on hold, ho-hum idea.		
FSLR, First Solar	LONG-INT	Danger, acting negative, sell or tight stop near buy price		
FST, Forest Oil	LONG-INT	DANGER, acting poorly for an oil and gas stock, SELL		

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**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.** **Current positions are highlighted in yellow.** **Green colored lines are next probable positions to consider.** **Red, take action or watch closely.**

**IMPORTANT:** The notes in this stock list is how I have been writing notes to myself about stocks for 16 years. They are general guidelines as to how I am approaching a particular stock and conditions may change during the next trading day that may cause a change in opinion before the next evening report is written.

**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 and swing 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.

**Put the odds in your favor and have a great day!**

Mitch King

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