

# STOCK WORLD WEEKLY

THE EXECUTIVE'S SUMMARY | OF THE GLOBAL MARKETS

Dow Jones	12,184 (+1.4%)
S&P 500	1,255 (+0.9%)
NASDAQ	2,647 (+0.8%)
NYSE	7,503 (+0.7%)
Russell 2000	745 (+1.4%)
Oil	99.64 (-1.3%)
Gold	1,715 (-1.9%)

## THIS WEEK'S NEWSLETTER:

### MONDAY MARKET MOVEMENT - DO IT AGAIN

S&P puts most of eurozone on CreditWatch

### TESTY TUESDAY - MORE STIMULUS PLEASE!

EU negotiations intensify, "bazooka" strategy debated

### WHAT NOW WEDNESDAY - ANOTHER \$670BN NOT ENOUGH?

Merging of ESM and EFSF is proposed

### THURSDAY'S THOUGHTS - TO ECB OR NOT TO ECB?

Corzine testifies on MF Global bankruptcy

### TGI FIXED AGAIN - THE RUBE GOLDBERG SOLUTION

Awkward solution to the euro crisis proposed, Britain says "no thanks" but other members on board

### THE WEEK AHEAD

The eurozone was again in the forefront of the news. [Standard & Poor's \(S&P\)](#) placed 15 Euro nations (including France and Germany) and the European Financial Stability Facility (EFSF) on "credit watch negative," meaning there is a 50% chance any one of these entities could be downgraded in the next three months. This action set the tone for the week. Financial ministers and politicians from eurozone member nations met in Brussels to work out a strategy to resolve the debt crisis. Expectations were high, with [hopes for a "financial bazooka"](#) being employed to finally resolve the eurozone mess, amid grim warnings of the consequences of yet another "half-baked" solution.

Unfortunately, the final proposal released late this week was no bazooka. Instead, it reminded Phil of a "[Rube Goldberg machine - with way too many moving parts that all have to work together perfectly.](#)" Analysts were similarly skeptical, pointing out the inherently awkward nature of the relationship between the 17-member eurozone versus the 27-member European Union, the complexities involved when discussing financial agreements, the [legalities of the expanded agreement](#), and possible enforcement issues. Wolfgang Munchau at the Financial Times argued that "[the only way to save the eurozone is to destroy the EU.](#)"

Felix Salmon described the summit as "disastrous." He wrote, "[Somehow, in Brussels, EU leaders have contrived to pull defeat out of the jaws of victory on Thursday night, leaving Friday for finger-pointing and recriminations and wondering whether anybody who signed on to this deal has any chance at all of even getting reelected, let alone being remembered as one of the leaders who saved the euro. Remember how Wolfgang Munchau said that the Euro zone had to get it right at this summit or it would collapse? Well, the Euro zone has most emphatically not got it right.](#)" (Europe's disastrous summit)

We wrapped up last week's newsletter, [You Gotta Have Friends](#), with Phil's thoughts on the week ahead from the previous Friday: "[Let's just get back to cash and have a nice, relaxing weekend. We can mess around with new stuff on Monday... Downside hedge is still EDZ. China is probably the next disaster focus, now that we've beaten the bears back in Europe. The EDZ Jan \\$15/20 bull call spread](#)

is \$2 and you can sell the \$16 puts for \$1.50. If I have to tell you why I love this net \$0.50 hedge with EDZ currently at \$17.80, you need to go back and do some remedial reading!" The EDZ trade idea was still good on Monday, and it worked out well so far, with EDZ at \$18.73. The position was worth \$2.52 at the close on Friday, a gain of 404%.

Phil reviewed his virtual "Income Portfolio" this week, which was designed to take \$500,000 and generate at least \$4,000 a month in income without reducing the principal. Phil wrote, "In our last update on November 16, we had recorded \$72,089 of realized virtual gains against \$28,375 of unrealized net losses from open positions. We had a big down and up move since then but, as of Friday's close, we're in more or less the same place this month. So let's see how some of our positions are doing:

3,000 shares of FTR paid a \$0.188 dividend on 12/7 - gain of \$564

5,000 shares of SVU paid a \$0.088 dividend on 11/29 - gain of \$440

500 shares of MT paid a \$0.188 dividend on 11/18 - gain of \$94



3,000 shares of ACI paid a \$0.11 dividend on 11/29 - gain of \$330

10 TBT Nov \$18 puts sold for \$0.90, expired worthless - gain of \$860

10 BA Nov \$50 puts sold for \$1.52, expired worthless - gain of \$1,520

"This month, without taking any portfolio action at all, we picked up \$3,808 (realized gains) - just \$200 shy of our monthly goal."

Phil also reviewed his more aggressive, virtual "White Christmas" portfolio (WCP). On Monday, December 5, Phil wrote, "It's not too surprising that the whole portfolio has been doing well. We left off last Wednesday with a balance of \$35,540 - far better than we expected to do, obviously, in our first month (up 137%). So we decided it was prudent to get back to cash as we were 'too bullish.'

"For now, our open positions have unrealized gains of \$3,950 for a net total of \$39,310 - not at all bad for week 5 (up 162%). We don't have a goal anymore, other than not blowing it between now and Christmas!"



## Monday Market Movement - Do It Again



Newly elected “technocratic” Italian Prime Minister Mario Monti gave a press conference on Sunday in which he proposed a new package of radical spending cuts, tax increases, and a politically unpopular move to raise the country’s retirement age. This helped strengthen the Euro knocked the U.S. Dollar down from 78.8 to 78.4 at the open, sparking a rally in equities. The Dow, S&P and Nasdaq opened over 1% higher.

Discussing Monti’s new package, Phil wrote, *“This morning the Global markets are celebrating harsh austerity measures in Italy, in which the newly installed Italian Prime Minister, Mario Monti, outlined a three-year plan of €30 billion (\$40.2 billion) in tax increases, spending cuts, pension overhauls and growth-boosting measures, or 1.9% of the country’s entire gross domestic product. Investors expect separate Franco-German proposals to create a regime for budget policies in the eurozone later on Monday, an effort seen as setting the stage for European leaders’ key summit on Thursday and Friday.*

*“If we hold our “Must Hold” line on the S&P (1,235), which seems likely so far, then we’ll be looking for the NYSE (7,473) and the Russell (774) to take back and hold their Must Hold lines, and*

*for the Dow (12,170) and Nasdaq (2,733) to make good progress towards breaking their +5% lines.”*

The boost to the Euro was short-lived. News came out later that S&P put 15 of 17 member nations of the eurozone on “Credit Watch Negative,” warning that each member nation on the list might get downgraded. S&P stated *“Today’s CreditWatch placements are prompted by our belief that systemic stresses in the eurozone have risen in recent weeks to the extent that they now put downward pressure on the credit standing of the eurozone as a whole. We believe that these systemic stresses stem from five interrelated factors:*

*“(1) Tightening credit conditions across the eurozone; (2) Markedly higher risk premiums on a growing number of eurozone sovereigns, including some that are currently rated ‘AAA’; (3) Continuing disagreements among European policy makers on how to tackle the immediate market confidence crisis and, longer term, how to ensure greater economic, financial, and fiscal convergence among eurozone members; (4) High levels of government and household indebtedness across a large area of the eurozone; and (5) The rising risk of economic recession in the eurozone as a whole in 2012.*

*“Currently, we expect output to decline next YEAR in countries such as Spain, Portugal and Greece, but we now assign a 40% probability of a fall in output for the eurozone as a whole.” (Standard & Poor’s Puts Ratings On Eurozone Sovereigns On CreditWatch With Negative Implications)*

Following the announcement, the Euro dropped and the Dollar climbed from 78.2 to 78.6. The stock market gave back some earlier gains, with the Dow closing up 0.7%, and the S&P and Nasdaq closing up about 1%. While the S&P index held its “Must Hold” line, the NYSE and Russell failed to reach their “Must Hold” levels.



## Testy Tuesday - More Stimulus PLEASE!



If Monday's mass downgrading of eurozone member nations wasn't enough, on Tuesday, Standard and Poor's (S&P) placed the credit rating of the EFSF on "CreditWatch with negative implications," while affirming the A-1+ short-term credit rating on the EFSF. A CreditWatch negative placement means there is a 50% chance of the rating being lowered in the near term. The Euro dropped slightly versus the Dollar, and the markets opened little changed.

Phil's daily article discussed the prevailing volatility in the markets and how to take advantage of it by using an "always sell premium" strategy. (Note: you can read Phil's daily articles by clicking the titles at the top of these pages.) Phil then summarized his thoughts: *"As to the markets, we're waiting and seeing as we continue to test our levels, generally consolidating in a pretty healthy way - the same way we did in mid-October, prior to making another big move up to close the month - a move that would give us a classic Santa Claus rally to finish 2011. Lots of "bad" news yesterday did not do significant damage and even Europe down half a point isn't bothering the US futures (however we did short oil this morning at \$101 in Member Chat and got a quick ride back to \$100.25). On the whole, it's very impressive so far. We'll just have to see how things shake out. But, if the Dollar goes back over 79, I would certainly get a lot more cautious."*

The Dollar briefly spiked midmorning, and as the markets lost ground, Phil posted, *"Oh my - sudden drop off again - how silly! Same as yesterday, it only matters if the RUT fails 735 and the S&P fails 1,235, and the NYSE fails 7,473 - otherwise, we're just bouncing around in the consolidation zone."* The Dollar continued holding up in the afternoon, and Phil observed *"78.55 holding - not sure how much this rally will last but a fun move nonetheless. Oil not moving up so you know it's BS."*

Shortly after Phil posted that, news came out of Europe that eleventh-hour negotiations were creating a financial "bazooka" to be presented at this week's European Union summit meeting in Brussels. According to ubiquitous "senior European officials," negotiations were underway to consider allowing the existing €440Bn EFSF bailout fund to continue functioning while the new €500Bn European Stability Mechanism comes on-line (which may be moved up one year to 2012), thereby nearly doubling the firepower of the eurozone's financial rescue system. ([EU talks on boosting financial firewall](#))

The Euro rallied on the news, the Dollar dropped, and the markets rallied into the close, although not as enthusiastically as might have been expected. Phil commented on the tepid reaction by the markets, *"Another €500Bn and this is the move? Keep in mind, this (last 2 weeks) is all we got out of MASSIVE, coordinated Central Bank action. That's not really good. We're barely back to the November highs and the October highs - not busting over them and back to AT LEAST July highs on such 'good' news is LAME!"*

*Of course, this is still consolidation and we just need the right catalyst to break out. But next week, they have TBills to sell and it would be a far worse international crisis if the US has a bad 7-year or 10-year auction than anything that's happening in Europe right now. So I would not be surprised to see a 'surprising' dip next week, into the auctions, that chases money back into bonds until Timmy's next sale is filled and THEN we can get an all clear for a Santa Rally. How's that for a look ahead?"*

The day ended with the Dow up 0.4%, the S&P up 0.1%, and the Nasdaq down 0.2%.

## What Now Wednesday - Another \$670Bn Not Enough?



Wednesday morning, Marketwatch reported that the German government was opposing the proposed combining of the existing EFSF with the new European Stability Mechanism (ESM). "An unnamed German official" told reporters in Berlin "it has already been decided that the ESM will take over from the EFSF at an appointed time." (Germany opposes combining ESM, EFSF: reports) As a result, early in the day, the Euro and European stocks suffered while the Dollar soared. The markets opened with the Dow down 0.4%, the S&P down 0.6%, and the Nasdaq down 0.5%.



Phil commented on the rumors coming out of Europe. "I titled yesterday's post 'More Stimulus Please' and, as expected, we did indeed get another \$670Bn (500Bn Euros) rumored around noon. The word is the EFSF is going to either double or eliminate its lending cap. This action was backed up by our own little Timmy Geithner, who backed the play, saying: 'We're encouraged by the progress [Europeans] are making, not just to put in place economic reforms across Europe to create the conditions for stronger growth in the future, but to try to build a stronger architecture for a fiscal union ... and try to make sure there's a sufficiently strong firewall in place to support those efforts.'

"It took 12 hours after the close, but it seems to have finally occurred to market participants that the only reason we NEED a 'sufficiently strong firewall' is BECAUSE EUROPE IS ON FIRE! Not only is the prospect of doubling down on the EFSF, less than a month after it passed, worrying, but the real concern in the

markets this morning is that another \$670Bn is not enough!"

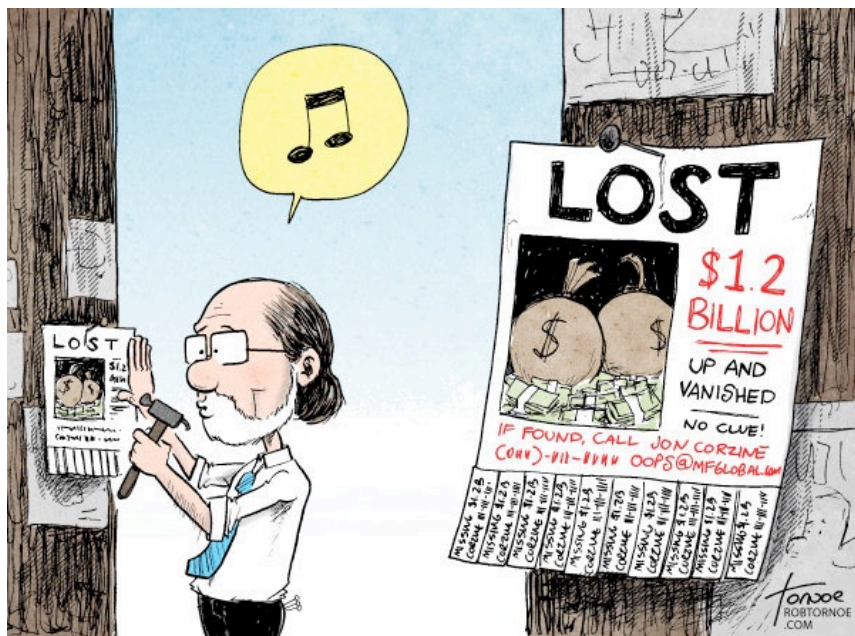
One of our Members, Pakdog, commented on the gyrations in the markets, courtesy of the eurozone. "Someone said recently that trying to trade on fundamentals in this market is like 'bringing a #2 pencil to a gunfight.'" Phil replied "Pak - That's why we're watching our technicals more than usual. Not that you can count on those either - because the whole thing is manipulated - which is why we're CASHY AND CAUTIOUS! If we can't win - we don't play..."

Wednesday afternoon the Wall Street Journal reported that Sarkozy and Merkel were prepared to outline a plan for "deeper" fiscal integration of member nations. This seemed to bolster traders' spirits, and the markets ended the day with the Dow and Nasdaq up 0.4% and the S&P up 0.2%. Later, news came out of Europe that the ECB would be cutting interest rates by 25 basis points to 1%, giving a brief boost to the Euro at the expense of the Dollar.

## Thursday's Thoughts - To ECB or Not to ECB?



Although Wednesday's news of the ECB cutting interest rates propped the Euro up overnight, the Euro sank again on Thursday morning when ECB President Mario Draghi pulled the rug out from under the notion that the ECB would step up bond buying. Draghi denied that the bank was prepared to ramp up its purchases of European government bonds, in sharp contrast to his comments from a speech last week in which he seemed to signal a willingness to accelerate the ECB's debt purchases. In other news, initial jobless claims dropped to 381,000 in the week ending December 3. The markets stumbled at the open, with the Dow down 0.4%, and the S&P and Nasdaq down 0.6%.



On a positive note, “Draghi said the notion of the eurozone being broken apart by its worsening debt crisis was ‘far-fetched’ and that confidence in the 17 countries that use the euro would rise if leaders at a European Union summit in Brussels agree to a credible plan to enforce budget discipline.” (European Central Bank cuts key rate, tempers hopes for a deal to step up bond purchases)

The Wall Street Journal reported, “A majority of people in embattled euro-zone countries remain confident that the euro will remain their currency a decade from now, and most say that sticking with the euro is the right path, according to the latest results of the GfK Investment Barometer survey.” (Poll Finds Euro Still Top Option)

Phil wrote, “On whether they should keep the Euro, 57% of Germans said to keep it, with 43% preferring to drop it and switch back to the mark. In France, 58% said to keep the Euro, and 42% said to dump it. In the Netherlands, 70% said to keep the Euro, with 30% saying to exit.

“Keep in mind that these are *FACTS* versus the constant *BS OPINIONS* we get from the mainstream media. If you ask politicians in America for their opinion, it very much matters which one you ask. We have speakers, whips, House majority leaders, Senate majority leaders and a Fed that say one thing when the President says another - *JUST LIKE EUROPE*. So why should you take Fox's word for it when it interviews one guy and tells you that the Euro is doomed?”

Jon Corzine, former Governor, Senator, and Chairman of MF Global, testified on Thursday before the House Committee on Agriculture about his role in MF Global's bankruptcy. He claimed it was never his intention to suggest that customer funds be commingled with company funds. (On Corzine - MFG in the fog of war) As to the whereabouts of the missing money, “I simply do not know where the money is or why the accounts haven't been reconciled.” (Jon Corzine's Congressional Testimony: Oops, I Didn't Know)

The markets dropped throughout the day. The Dow closed down 1.6%, the S&P down 2.1% and the Nasdaq down 2%.

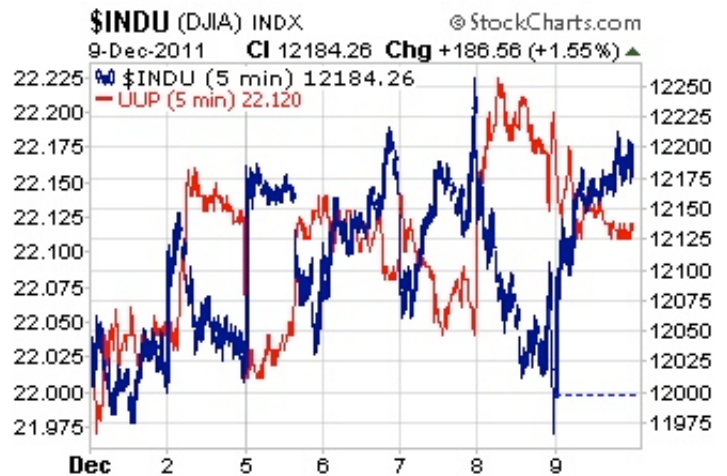
## TGI Fixed Again - The Rube Goldberg Solution

A statement was released by the Euro Area Heads of State on Friday declaring they “agreed to move towards a stronger economic union. This implies action in two directions: a new fiscal compact and strengthened economic policy coordination; (and) the development of our stabilization tools to face short term challenges.” The Euro climbed in the wake of the announcement, the Dollar dropped, and the markets opened with the Dow and S&P up 0.4%, and the Nasdaq up 0.3%.

While the markets responded positively, many analysts were less than impressed. Noah Barkin observed, “The euro zone has agreed to take a big leap forward in economic integration, but failed to deliver a convincing answer to investors worried about its ability to tackle threatening debt crises in Italy and Spain.

“As a result, the deal clinched by European leaders in the early morning hours of Friday seems unlikely to ease the intense financial pressures that have plagued the currency bloc for over two years. Nor will it dispel concerns that the euro area could eventually break apart, with one or more countries exiting despite the catastrophic consequences that would entail.” (Analysis: No “grand bargain” means more euro stress)

Phil wrote, “While we are, of course, thrilled (again) - the final solution that Germany has come up with this time for some reason reminds me of a Rube Goldberg machine - with way too many moving parts that all have to work together perfectly in order to get something (a bailout) that you could have gotten from a sane person in one step (borrow/lend money at low rates). THIS agreement does nothing to convince me to stay bullish into the weekend, so we will be back to cash on this news. I’m not sure this ridiculous mechanism will stand up to a weekend of scrutiny.



“Fortunately, we picked up our Egg McMuffin money already as I sent out a 4:17 am Alert to Members saying: ‘Dollar was all the way up to 79.20 at 3:00 am, and now back at 78.92, and that popped us 100 points on the Dow (/YM) just under 12,000 and playable up off that line. But let’s see if we make it first! EU says they have an agreement but no details yet.’ We got a beautiful pop at 5:45 am that took us up past 12,050 (up \$250 per contract) before falling back to test 12,000 again just after 8:00 am...”

As this week’s INDU versus UUP (Dollar proxy) chart shows (above), the inverse relationship between the Dollar and the Dow is still largely intact. Friday’s encouraging news from the Eurozone helped boost the Euro at the expense of the Dollar. As the Dollar dropped, the markets popped. Midmorning Phil posted in Member’s Chat “When in doubt, sell half and, in this case, I want to get back to more cash by the day’s end in the White Christmas Portfolio as the WCP is too bullish. I’m just not in the mood to risk it, so we’re not going to be too brave if the “rally” stops or even slows down...”

“The TNA Dec \$41/43 spread with the short JPM puts I like for a bullish hold over the weekend, and we can keep the XLF Dec \$13 calls as that was a fun bet (now \$0.32) but if they hit \$0.40 or better - we’ll take half and run.

*“That leaves us a bit bullish and we’ll pick up a leveraged bear play later - just something fun in case the market collapses into the TBill auctions on Tuesday and Wednesday (although we may also get QE3 on Tuesday’s Fed meeting). If I were the Fed, I’d extend the meeting a day to panic the markets, get all the notes sold (30-year auction is Wednesday at 1pm) and THEN announce QE3 and rip the bears’ faces off again.*

*“We’re probably OK as long as the Dollar is below 78.80 (now 78.75), so we’ll watch that closely, but without taking 735 back on the RUT (now 725) any move [higher] is meaningless.”*

The markets continued climbing through the rest of the afternoon, providing excellent exits for short-term bullish positions. The Dow closed up 1.6%, the S&P was up 1.8%, and the Nasdaq ended the day 1.7% higher.

### Friday’s Levels

12/9/11	Dow	S&P	NAS	NYSE	Russell
LEVELS	12184	1255	2647	7503	745
10% UP	12749	1359	2863	8653	851
5% UP	12170	1297	2733	8259	813
MUST HOLD	11590	1235	2603	7866	774
5% DOWN	11011	1173	2473	7473	735
10% DOWN	10431	1112	2343	7079	697



## The Week Ahead

The turmoil in the eurozone makes it easy to overlook positive signs in the U.S. economy, such as [this week's drop in Initial Claims for unemployment insurance](#), or [Friday's report showing consumer confidence climbing for the fourth month in a row](#). [Financial blogger Scott Grannis](#) argued, *"No one can say for sure that the U.S. can avoid contagion, but so far the U.S. economy appears to be decoupling from Europe, as Europe slumps but conditions here continue to improve."* Others disagree. Charles Biderman of TrimTabs *"dismisses the simple-minded decoupling perspective."* [As Zero Hedge reported](#), Biderman believes, *"U.S. growth will be in the doldrums as European de-leveraging drags global growth down with it. It's not all doom-and-gloom though...this collapse won't happen tomorrow, given balance sheet strength, although selling into rallies is the clear picture he is painting."*

Not everything is rosy. [Monday's Non-Manufacturing ISM report](#) for November came in at 52.0%, down nearly a point from October, indicating slowing growth. The employment subindex contracted too, dropping to 48.9% from 53.3% in October. And China is facing serious problems. Slack demand in U.S. and European markets is weighing on China's export-driven economy. Easing inflation and slowing growth in both imports and exports was pressuring Beijing to loosen its credit policy. However, on Friday, the [Politburo](#) issued a statement confirming its commitment to keeping a "prudent" monetary policy while adopting a "pro-active" fiscal policy. This means that rather than relying on massive stimulus, Chinese authorities are likely to rely on tax cuts and other administrative measures to help encourage consumer spending. [\(China's exports weaken amid European troubles, import also slow\)](#)

Friday's new deal from the European Union to create deeper financial integration between member nations, to save the struggling eurozone, sparked many responses. An exuberant ECB President Mario Draghi declared, *"It's a very good outcome for the euro area, very good. It's going to be the bases for much more disciplined economic*

*policy for euro-area members...certainly it is going to be helpful in the present situation."* German Chancellor Angela Merkel called it a *"breakthrough to the stability union."*

At the other end of the spectrum, British Prime Minister David Cameron emphatically rejected the proposal. *"What was on offer is not in Britain's interest so I didn't agree to it. We're not in the euro, and I'm glad we're not in the euro. We're never going to join the euro and we're never going to give up this kind of sovereignty that these countries are having to give up."* [\(U.K. to eurozone nations: We're out, good luck\)](#)

Commenting on the turbulence in the eurozone, [Research Professor of Economics at the University of Missouri, Michael Hudson](#) wrote, *"The kind of warfare now engulfing Europe is thus more than just economic in scope. It threatens to become a historic dividing line between the past half-century's epoch of hope and technological potential to a new era of polarization as a financial oligarchy replaces democratic governments and reduces populations to debt peonage."*

*"For so bold an asset and power grab to succeed, it needs a crisis to suspend the normal political and democratic legislative processes that would oppose it. Political panic and anarchy create a vacuum into which grabbers can move quickly, using the rhetoric of financial deception and a junk economics to rationalize self-serving solutions by a false view of economic history - and in the case of today's ECB, German history in particular."*

*"Governments do not need to borrow from commercial bankers or other lenders. Ever since the Bank of England was founded in 1694, central banks have printed money to finance public spending. Bankers also create credit freely - when they make a loan and credit the customer's account, in exchange for a promissory note bearing interest. Today, these banks can borrow reserves from the government's central bank at a low*

annual interest rate (0.25% in the United States) and lend it out at a higher rate. So banks are glad to see the government's central bank create credit to lend to them. But when it comes to governments creating money to finance their budget deficits for spending in the rest of the economy, banks would prefer to have this market and its interest return for themselves.

"European commercial banks are especially adamant that the European Central Bank should not finance government budget deficits. But private credit creation is not necessarily less inflationary than governments monetizing their deficits (simply by printing the money needed)..."

"It is mainly government that spends credit on the 'real' economy, to the extent that public budget deficits employ labor or are spent on goods and services. Governments avoid paying interest by having their central banks printing money on their own computer keyboards rather than borrowing from banks that do the same thing on their own keyboards..."

"If the euro breaks up, it is because of the obligation of governments to pay bankers in money that must be borrowed rather than created through their own central bank. Unlike the United States and Britain which can create central bank credit on their own computer keyboards to keep their economy from shrinking or becoming insolvent, the German constitution and the Lisbon Treaty prevent the central bank from doing this.

"The effect is to oblige governments to borrow from commercial banks at interest. This gives bankers the ability to create a crisis - threatening to drive economies out of the Eurozone if they do not submit to 'conditionalities' being imposed in what quickly is becoming a new class war of finance against labor..."

"Today's economic crisis is a matter of policy choice, not necessity. As President Obama's chief of staff Rahm Emanuel quipped: 'A crisis is too good an opportunity to let go to waste.' In such cases the

most logical explanation is that some special interest must be benefiting. Depressions increase unemployment, helping to break the power of unionized as well as non-union labor. The United States is seeing a state and local budget squeeze (as bankruptcies begin to be announced), with the first cutbacks coming in the sphere of pension defaults. High finance is being paid - by not paying the working population for savings and promises made as part of labor contracts and employee retirement plans. Big fish are eating little fish." (Europe's Transition From Social Democracy to Oligarchy)

Heading into next week, Phil wrote in [Income Portfolio - Year End \(Almost\) Review](#): "Next month will be busy, with plenty of adjustments to make. A Santa Claus rally would be nice but we're not counting on it. Less than half of our VIRTUAL \$1M buying power is in use. We're not looking to add many new trades until we take others off the table. No matter what the market does, we're going to want those hedges over the holidays but then we'll see how things shake out in January."

This weekend, our resident biotech trader, Pharmboy, submitted: "Year-end is approaching, and I will write a short review of our trade ideas in next week's newsletter, along with providing a few additional ideas. One trade idea that needs reviewing is last year's Seattle Genetics (SGEN, \$18.09) play. With the volatility high right now, I want to capture the higher prices in the options, so it is time to roll our play. Our original idea was to buy 100 shares of SGEN at \$15.60 and sell the December 2011 \$15 calls and puts for \$5.60. The put options may expire worthless. I'd buy back those options (calls and puts) for \$3.1 and move the options out to the June 2012 \$20 calls and \$17.5 puts for \$4.50.

"Micromet (MITI, \$7.01) options expired worthless last month, and that reduced our basis to \$5. The next trade idea with MITI is a little more aggressive - selling the May 2012 \$5 calls and \$7.5 puts for \$3.45 combined. If the stock is put to us, it brings our basis down further, and if called away, it is a handsome profit for a few months."

## Next Week's Economic Calendar

Monday 12	Tuesday 13	Wednesday 14	Thursday 15	Friday 16
11:00 AM: 4-Week Bill Announcement	7:30 AM: NFIB Small Business Optimism Index	7:00 AM: MBA Purchase Applications	8:30 AM: Jobless Claims and Producer Price Index	8:30 AM: Consumer Price Index
11:30 AM: 3-Month and 6-Month Bill Auctions	7:45: ICSC-Goldman Store Sales	8:30 AM: Import and Export Prices	8:30 AM: Empire State Mfg Survey and Current Account	
1:00 PM: 3-Year Note Auction	8:30 AM: Retail Sales	10:30 AM: EIA Petroleum Status Report	9:00 AM: Treasury International Capital	
2:00 PM: Treasury Budget	8:55 AM: Redbook	1:00 PM: 30-Year Bond Auction	9:15 AM: Industrial Production	
	9:00 AM: Ceridian-UCLA PCI		9:45 AM: Bloomberg Consumer Comfort Index	
	10:00 AM: Business Inventories		10:00 AM: Philadelphia Fed Survey	
	11:30 AM: 4-Week and 52-Week Bill Auctions		10:30 AM: EIA Natural Gas Report	
	1:00 PM: 10-Year Note Auction		11:00 AM: 3-Month and 6-Month Note Announcements	
	2:15 PM: FOMC Meeting Announcement		11:00 AM: 2-Year, 5-Year and 7-Year Note Announcements	
			1:00 PM: 5-Year TIPS Auction	
			4:30 PM: Fed Balance Sheet and Money Supply	Quadruple Witching

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