

MARKET STRATEGIES



Covering High Return Balanced Investing Success Strategies For
Stocks ■ Bonds ■ Interest Rates ■ Natural Resources ■ Currencies ■ Venture Capital ■ Gold

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January 16, 2012, Market Strategies Guide to Successful Trading

\$10,000 OPTIONS ONLY ACCT:

New Trades for this week:

- (1) Buy 8 KRO Feb \$ 22.50 Calls @ \$ 1.25 O.B.
- (2) Buy 4 CALM Feb \$ 35 Calls @ \$ 2.00 O.B.
- (3) Buy 15 BMY Feb \$ 33 Puts @ \$ 0.47 O.B.

The \$10,000 Options Only account had gains last week of \$1230 last week, increasing our gains for the year to \$2665.00.

Two positions remain: the CSCO Feb19 Calls and NFLX January 100 Calls.
The Open positions are highlighted in the options table below.

Approximately \$ 1241 funds are in use.

This was another good week with gains of \$1230 and YTD of \$2665. This happened in the face of 2 very poor trades in IBM. The stock is showing some real weakness in front of its earnings due this week. It is one of my favorites and usually moves with the market technicals, but not this week... The EU issues and the relative collapse of the EURO from over 1.28 to just above 1.26, which would usually hurt our equities put only a minor crimp in our performance. Being a long weekend we have a bit more risk than normal and that is why I am carrying only 2 small positions in this account.

We will see earnings for all the major banks and some of the bigger S&P 500 stocks this week and we will make every effort to continue performance tempered with a healthy aversion to risk.....CAM

Remember, these trades are based on your participation in the TEXTING SERVICE.
To RECEIVE ALL UPDATES.

**To subscribe, simply TEXT the word UPDATES to 69302
and you will automatically be included.**

Previous closed out trades not listed here may be seen in the January 9 and 2011 weekly newsletters.

DATE	TRADE	PRICE	COST	PROCEEDS	RESULTS
1/13	Bought 3 January NFLX 100 Calls	1.47	441		
1/13	Sold 3 January NFLX 97.50 Calls	2.47		741	216 Gain
1/12	Bought 3 January NFLX 97.50 Calls	1.75	525		
1/12	Sold 5 IBM January 185 Calls	1.34		670	255 Loss
1/11	Bought 5 IBM January 185 Calls	1.85	925		
1/11	Sold 5 FSLR January 35 Calls	6.10		3050	1975 Gain
1/11	Sold 10 TZA January 25 Calls	.65		650	200 Loss
1/10	Bought 10 TZA January 25 Calls	.85	850		
1/10	Sold 8 ZSL January 15 Calls 50% RULE +GAP DOWN	.25		200	480 Loss
1/10	Sold 3 TEN January 29 Calls	4.60		1380	1080 Gain
1/10	Sold 1 GOOG JAN 13 625 Call	2.35		235	231 Loss
1/9	Bought 1 GOOG JAN 13 625 Call	4.66	466		
1/9	Sold 5 IBM January 185 Calls	1.75		875	875 Loss
1/6	Sold 2 TEN January 29 Calls	2.75		550	350 Gain
1/6	Bought 10 CSCO February 19 calls	.80	800		
1/5	Bought 5 IBM January 185 Calls	3.5	1750		
1/3	Bought 8 ZSL January 15 Calls	.85	680		
12/27	Bought 5 FSLR January 35 Calls	2.15	1075		
12/14	Bought 5 TEN January 29 Calls	1.00	500		

New trades \$ 10,000 account...In Texting we have a limited amount of words. In the interest of brevity: OPTIONS ONLY: 1 January; 2 February ; 3 March. The Quantity and Strike Price for each trade is specific. For any questions please call 702 650 3000

MARKET LABORATORY – WEEKLY CHANGES

Prices are copied from Barron's Weekly and Yahoo Finance and may be incorrect

Dow 12422.06 +62.14 +0.50%	Nasdaq 2710.67 +36.45 +1.36%	S&P 500 1289.09 +11.28 +0.88%	Transportation 5175.92 +106.89 +2.11%	Russell 2000 764.20 +14.49 +1.93%	Nasdaq 100 2371.98 15.81 +0.67%
Gold 1630.80 +14.00 +0.87%	Silver 2952.2 +83.9 +2.93%	Crude 98.70 -2.86 -2.82%	Heating Oil 302.72 -4.30 -1.40%	Unleaded Gas 2.7342 -0.0174 -0.63%	Natural Gas 2.670 -0.392 -12.8%
VIX 20.91 +0.28 +1.36%	Put/Call Ratios S&P 100 182/100's -25/100's	Put/Call Ratios CBOE Equity 59/100's -4/100's	Bonds 145-00 +1-31 2.90%-0.12%	10 Yr Note 131-174+0-254 1.85% -0.11%	Copper 363.70 +20.20 +5.88%
CRB Inflation Index 307.70 -1.78 -0.56%	Barron's Confidence 67.2.% -0.5%	S&P100 584.28 +3.75 +0.65%	5 Yr Note 123-192 +0-125 .78% -0.08%	Dollar 81.46 +.21 +0.26%	DJ Utilities 450.90 -0.30 -0.07%
AAII Confidence Index	Bullish 49.1 +.2%	Bearish 17.2 0.0%	Neutral 33.7% -0.3 %	M1 Money Supply +21.9%Jan2nd	M-2 Money Supply +10.7%Jan2nd

M1...all money in hands of the public, Time Deposits Traveler's Checks, Demand Deposits
M2 adds Savings and Money market Accounts both compared with the previous year.

New Stock Recommendations

(1) Buy 2,000 DVR @ Mkt

Last week we Bought FCH and with text alerts Sold PWER, CBOE MXL and bought LEOM.

Each stock is allocated a theoretical \$ 5,000 share of the portfolio unless otherwise indicated.

Stock	Purchase Price	Purchase Date	Stop/Loss	Price/Date Sold	Profit/(Loss)
LEOM*5000	.27	1/13/12			
FCH 1500	3.25	1/9/12			
PVA 650	5.10	12/28/11	4.50x		
MXL 600	4.35	12/28/11		4.92 1/9/12	\$ 342
CVC 350	14.25	12/28/11	13.30sco	14.97 1/9/12	\$ 252
WG 1500	3.65	12/27/11	2.90x		
XOMA 2000	1.22	12/27/11	.90x		
PWER1000	3.80	12/27/11		4.86 1/11/12	\$ 1060
AEZS 2500	1.65	12/15/11			
CBOE 100	26.37	11/28/11	24.98sco	25.00 1/9/12	(\$137)
GMXR2500	1.60	12/12/11			
WFR 1200	4.12	12/6/11			
SDS 100	25.55	10/5/11			
XBOR*	1.40	8/12/11	0.70sco		
LEI*	2.06	8/10/11	1.03x		
KAJMY 165	30.45	3/21/11	29.60 sco		
LEOM*	0.30	12/17/10	0.03 sco		

Note: Previous closed out stock and option positions can be found in the January 9 and newsletters dating back to July 20, 2009. Some of the trades put are January Effect Trades. Stay alert on the free texting service for exits.

Model Portfolio Comments/Changes:

INDEX OPTION RECOMMENDATIONS

For those of you who do not buy puts to protect your portfolio, there are many ETF's that are the inverse of the DOW. The symbols are **DOG** and **SDS**, which go up when the DOW and S&P 500 go down and down when they go up.

NEW STOCK OPTION RECOMMENDATIONS

- (1) BUY 20 KRO FEB \$ 22.50 CALLS @ \$ 1.25**
- (2) BUY 10 CALM FEB \$ 35 CALLS @ \$ 2.00**
- (3) BUY 30 FEB BMY \$ 33 PUTS @ 0.47**

Option and overall Comments

We had a gain last week of \$ 3146 in an up week. Our gain for the year was \$ 2565 and with the gains last week is now \$ 5711. We have Three long options positions remaining, the CSCO Feb19 Calls, CSCO Jan13 20 Calls and the NFLX January 100 Calls. The stock table includes 12 long stock positions: FCH, PVA, WG, XOMA, AEZS, GMXR, WFR, LEI, KAJMY, LEOM, XBOR and SDS. The SDS is a double inverse SP500 ETF.

The options call for a \$ 2,500 investment unless otherwise stated, while each stock position requires \$ 5,000 unless specifically stated.

We are basing money management on a hypothetical \$ 100,000.00 and are using \$6000 in the options positions and \$ 37,000 in the 12 long stock positions for a total of \$ 43,000 with \$ 57,000 in cash. These figures are approximate. We do not count commission costs and there may be errors.

Executions that have occurred at or near the open or close of trading sometimes vary from our actual numbers. For example, when something opens down and it is through our price, we take the next trade whether it is an uptick or continues lower. This sometimes results in a 50% trade that is slightly above or below the exact number...

Previous Week's Recommendations and Rules for the \$ 100,000 account

- Text UPDATES to 69302.
- All options count for about \$ 2,500.00 for model portfolio calculations unless otherwise stated.
- When the option has doubled sell half the position.
- Stop Loss protection is either half or offered with each trade.
- The cost of the option is the asking price (or the price between the bid and ask, whichever is more realistic)
- The options will be followed until closed out.
- **Option Symbols are stock symbol with expiration month and strike price**
- **Subscribers can follow us on Twitter or call 702 650 3000 for up to date information.**

Option	CO	Date	Sold	Date	Profit/(Loss)
	ST				
<u>NFLX Jan 100</u> 6 Lots	Calls 1.47	1/13/12			
<u>NFLX Jan</u> 97.5 6 Lots	Calls 1.75	1/12/12	2.47	1/13/12	432
<u>IBM Jan 185</u> 10 Lots	Calls 1.85	1/11/12	1.34	1/12/12	(510)
<u>TZA Jan 25</u> 20 Lots	Calls .85	1/10/12	.65	1/11/12	(400)
<u>GOOG Jan 13</u> 625 3 Lots	Calls 4.66	1/9/12	2.35	1/10/12	(693)
<u>CSCO Feb 19</u> 25 Lots	Calls .85	1/6/12			
<u>IBM Jan 185</u> 10 Lots	Calls 3.50	1/5/12	1.75 50% rule	1/9/12	(1750)
<u>ZSL Jan 15</u> 20 Lots	Calls .85	1/3/12	.25 50 % rule gap down	1/10/12	(1200)
<u>FSLR Jan 35</u> 10 Lots	Calls 2.15	12/27/11	6.10	1/11/12	3950
<u>TEN Jan 29</u> 10 Lots	Calls 1.00	12/14/11	Sold 5 at 2.75 Sold 5 at 4.60	1/6/12 1/10/12	875 1800
<u>CSCO Jan 20</u>	Put/Call Spread	2/14/11	Bot 3 puts at .87	1/10/12	

2012 Put short: 0.07 credit
long Jan 20/13
Call 3 lots

3 calls at .80 left

Note: Previous closed out stock and option positions can be found in the January 9 and newsletters dating back to July 20, 2009.

This Weeks' Economic Numbers and Media Data

MONDAY	U.S. Markets are closed in observation of Martin Luther King Day. Republican Presidential hopefuls debate in South Carolina.
TUESDAY	08:30 hrs Empire State Manufacturing Jan (10.0 vs 9.5) China reports 4 th Qtr GDP. Citigroup and Wells Fargo report earnings
WEDNESDAY	07:00 hrs MBA Mortgage Index 1/07 (NA vs 4.5%) 08:30 hrs PPI Dec (0.1% vs 0.3%) CORE PPI (0.1% vs 0.1%) 09:00 hrs Net Long Term TIC Flows (NA vs \$ 4.8B) 09:15 hrs Industrial Production Dec (0.5% vs -0.2%) Capacity Utilization (78.1% vs 77.8%) 10:00 hrs NAHB Housing Market Index Jan (21 vs 21)
THURSDAY	08:30 hrs Initial Unemployment Claims 1/7 (375K vs 372 K) 08:30 hrs Continuing Claims 12/31 (3588 vs 3595) 08:30 hrs Housing Starts Dec (670K vs 685K) Building Permits (680K vs 681K) 10:00 hrs Philadelphia Fed Jan (10.0 vs 10.3) 10:30 hrs Crude Inventories 1/14 (NA vs 4.958 Mln Bbls)
FRIDAY	10:00 hrs Existing Home Sales Dec (4.57M vs 4.42M)

Economic Data

Weekly Unemployment Claims rose surprisingly to 399,000, well above consensus of 374,000 and the previous week's number of 372,000. The Continuing Claims number also grew unexpectedly to 3.628 M for the week ended December 31st, well above the consensus of 3.600 M. The rise paints a grim picture in that the improvement in Nov-Dec employment might have been seasonal.

The November Trade Balance at a negative \$ 47.8B widened from the October deficit of \$ 43.3B and well above the consensus which was a terrible disappointment and most certainly will detract from GDP 4th Qtr numbers. Stocks opened sharply lower on the number Friday morning. Michigan Sentiment saved the day, jumped surprisingly from 69.9 to 74.0 besting the consensus of 71.2. Both the Consumer Expectations (63.6 vs 61.1) and Current Conditions (79.7 vs 77.9) were at their best levels since last June.

Fundamentals (previous letters may be seen at www.princetonresearch.com)

The economy seems to be gaining strength based primarily on spending as the use of credit has risen to its highest levels since 2005. Consumers have confidence. The uptrend could find an interruption as Congress causes the usual problems delaying passage of the payroll tax cut and the extension of

unemployment benefits. Also, the dollar has resumed its uptrend which is another headwind for equities as after the close S&P downgraded several more European bond ratings as follows:

Italy, Spain, Portugal and Cyprus were slashed by 2 notches. Austria, Malta, Slovakia and Slovenia were cut by one notch. On the positive side, Belgium, Germany, Finland, Ireland, Luxembourg, Netherlands and Estonia remained the same and had their ratings affirmed. Belgium didn't have a government for two years and the result was, they avoided trouble.

There is a silver lining.

As might be expected, a strong dollar in conjunction with robust weekly treasury sales keep down U.S. borrowing costs. Results from the auction of 3-year notes showed a bid-to-cover ratio of 3.73 and demand of \$ 119.4 billion in dollars. The prior auction had bid-to-cover of 3.62 and dollar demand for \$115.8billion. Demand for 10 year notes was just as strong besting most previous auctions.

On the earnings front, Alcoa kicked off the season besting sales expectations but earnings fell short because they closed a smelter operation. This had been expected and the stock rallied following the negative results. This week another 140 companies will report and the markets will eagerly await their numbers and forward expectations.

TECHNICAL INFORMATION

Support Levels:	S&P 500	1289; 1268	Resistance S&P 500	1310; 1322
	DOW	12,320; 12,175	Resistance DOW	12,530; 12,680
	QQQ	5729; 5653	Resistance QQQ	5855; 5945
	Nasdaq	2672; 2620	Resistance Nasdaq	2724; 2775

CYCLES

Despite New Year bullishness from our [early January indicators](#) and our expectation for full-month January Barometer gains in 2012 that will support our mildly bullish 2012 Forecast, a mid-January break in equities is to be expected. Since 1996 this January break has been more pronounced and more consistent. This trade, featured in the [Commodity Trader's Almanac 2012](#), is setting up nicely right now.

The stock market has demonstrated a tendency to retreat after the first of the New Year, especially when there has been a strong fourth quarter gain. Once the New Year begins we often see a profit taking correction. Investors tend to sell stocks to lock in profits in order to defer taxes from capital gains after the New Year begins. Even though the best time to be long the overall equity markets lasts from October through late April, this January break can certainly give short term traders a nice return.

The table below of the "big" S&P 500 contract shows the typical January break. Since 1996 shorting the March contract on or about the second trading day of the New Year and holding for twelve trading has produced gains 11 of 16 years for a success rate of 68.8% and a spectacular cumulative gain of \$85,288.

Also consider that since the New York Stock Exchange began observing the Martin Luther King, Jr. holiday on the third Monday in January in 1998 that the stock market has exhibited strength in the days before the market is closed on that third Monday and weakness after. This also coincides with the pattern of weakness during January's expiration week. S&P has been down 11 of the last 13 years, while DJIA has suffered heavy losses on expiration Friday in 10 of the last 13 years.

With stocks continuing higher this week this trade is setting up a little later this year. This is why it is critical

to have a profound understanding of these seasonal patterns, but to make trading decisions using technical triggers and fundamental analysis with any eye on current events and market conditions.

In the chart of the S&P 500 below you can see that the blue chip average is pushing up against monthly pivot point resistance around 1310 and that the Sell-side MACD and the Fast Stochastic are looking close to rolling over. A pullback to somewhere between the 50-day and 200-day moving averages around 1250, above the monthly pivot point of 1243, is quite possible. There are two leveraged ETFs we are going to recommend to capitalize on this potential break using a tight stop in the event the break fails to materialize.

On today's close we will add the **ProShares UltraShort S&P 500 (SDS)**, which is two-times the inverse of the daily move of the S&P 500 to the Almanac Investor Portfolio, employing a 2.5% trailing stop and taking profits if we get a 5-7% gain; and **ProShares UltraPro Short S&P 500 (SPXU)**, which is three-times the inverse of the daily move of the S&P 500, employing a 3.5% trailing stop and taking profits if we get a 7-9% gain.

Rule 17B requires disclosure of payment for investor relations*

Princeton Research has received about \$ 2,500 per month from Lucas (LEI) marked with an asterisk. Princeton has been paid for investor relations in the past and has negotiated a contract to be paid 100,000 restricted shares from Leo Motors. In addition Princeton has bought shares. Princeton is paid by Baron Energy (BROE) to do investor relations in the amount of 300,000 shares. Princeton has also bought separate shares about 327,600 and owns the shares for its own account. USPR paid us 200,000 restricted shares. Cross Border paid us 25,000 restricted shares and we bought and own another 25,000 purchased at higher prices.

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