

# MARKET STRATEGIES



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

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Contributing Staff: Michael King, Bill Chippas, Charles Moskowitz

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**January 02, 2012, Market Strategies Guide to Successful Trading**

## **THOUGHTS FOR THE YEAR-END**

This has been a very volatile year for the markets. The “lost decade” from 1998 to 2008 for the S & P 500 has now extended another two years. However, the year-end to year-end numbers do not give us an accurate picture. This year, with the help of the Eurozone and the collapse of public confidence in the ability of our government to do what is right without bipartisan considerations, we had some dramatic action on a day by day and week to week basis. The range on the S & P 500 was 30% from the low @ 1074 to the high @ 1370 and the close @ 1257.60 was a change of only \$ .28, not percent, 28 cents.

Two weeks ago we mentioned in the Cycles section of Weekly Strategies that only twice since 1850 have equities yielded close to the 30 year Treasuries. Both times we had exponential moves higher in the equities. To tie this to the lost decade historically, we had a similar period in the Dow Jones from 1964 until 1983 that resulted in a move of over 1400% (14 Times) from 1983 to 2007. The first 1000% was reached in 1998 only 15 years later. These are life-altering, “generational” gains for those with the foresight to buy and hold stocks.

While active management of portfolios can help in the short term, REAL gains are built on “time in” the markets, not “timing” the market. While the prevalent thought is that “buy and hold” is dead, the majority opinion tends to be wrong...Remember that **“Everybody is NEVER right”**... To lose out on just one or two of the “best days” of a rally can cost you as much as 5% of actual performance for a year. With the volatility we’ve seen this year and the S & P 500 currently unchanged, to lose even 1 days of 1.5% made the difference between being ahead or being behind.

Over the period of 1991 to 2001 the return on the S & P 500 was 12.94%, but if you missed just the 5 best days your return was only 10.29%  
If you missed the best 10 days your return was 8.18%  
If you missed the best 20 days your return was 4.71%  
And if you missed the best 40 days...you LOST .56%\*

\*Ibbotson Associates

While there hasn't been an incumbent President reelected with unemployment at a rate over 7.1%, this election has the possibility of changing that statistic. It is my belief that the 2012 vote count will be the closest in history. The monies raised, reportedly over \$1 BILLION for each side is a disgraceful manifestation of what the process has become. And they say there is no money in public service.

This is one reason that we favor a *balanced* approach to investing. To make it clear, this approach does not mean we will always have both long and short positions at the same time. It may mean that if we are long, we may also be long the 20 year Treasury EFT, since when investors flee the market, they often sell stocks and buy government bonds. While these disparate positions will generally move in opposite directions, there are also times when they both move independently and can be in a consolidation phases and therefore not cause losses in either.

In closing we wish you a good and profitable year. We will do our best to guide you the way we have in 2011. The Options Only account has produced gains of almost 80% in the 31 weeks it has existed and the \$100,000 account has generated gains of 60% for the full year.

We have been asked to help those who do not wish to make a \$100,000 commitment to an account to scale back the initial investment to a \$10,000 account.

We are answering this request with an account that will only trade options. However, in order to take full advantage to this new account, you really need to also subscribe to our Texting service. There is no cost involved, but in order to receive all of the trading suggestions, in a high volatility environment, we need to communicate more often than weekly.

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

**\$10,000 OPTIONS ONLY ACCT:**

**New Trades for this week:**

- ( 1 ) Buy 10 TLT 1/124 calls @ \$ .95 or better
- ( 2 ) Buy 8 AN 2/39 calls @ \$1.40 or better

The \$10,000 Options Only account gained \$905 last week, its Fourteenth week of trading.

We came into the week with gains of \$6,973.00 and with the profits last week increased the gains to \$7,878.00.

Five positions remain: the TEN Jan 29 Calls, APC 75 Calls, IBM Jan 185 Calls, FSLR 35 Calls and the BAC warrants. The Open positions are highlighted in the options table below. Approximately \$ 3770 funds are in use.

*Remember, these trades are based on your participation in the TEXTING SERVICE TO RECEIVE ALL UPDATES. Previous closed out trades not listed here may be seen in the December 26, and 2011, 2010 and 2009 weekly newsletters.*

DATE	TRADE	PRICE	COST	PROCEEDS	RESULTS
12/30	Sold 10 ZSL January 15 Puts	1.00		1000	500 Gain
12/29	Bought 10 ZSL January 15 Puts	500			
12/29	Sold 2 IBM January 185 Calls	4.50		900	290 Gain
12/28	Sold 10 ZSL January 15 Calls	2.15		2150	950 Gain
12/28	Sold 4 QCOR January 44 Calls	1.40		560	600 Loss
12/27	<b>Bought 2000 BAC.W.S.B</b>	.30	600		
12/27	<b>Bought 5 FSLR January 35 Calls</b>	2.15	1075		
12/27	Sold 5 RIG January 40 Calls	1.31		655	235 Loss
12/22	Bought 5 RIG January 40 Calls	1.78	890		
12/21	Bought 10 ZSL January 15 Calls	1.20	1200		
12/21	<b>Bought 5 IBM January 185 Calls (2 Sold 12/29,3 left )</b>	3.05	1525		
12/14	<b>Bought 2 APC January 75 Calls</b>	3.40	680		
12/14	<b>Bought 5 TEN January 29 Calls</b>	1.00	500		
12/6	Bought 4 QCOR January 44 Calls	2.90	1160		

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

<b>Dow</b> 12217.56 -76.44 -0.62%	<b>Nasdaq</b> 2605.15 -13.49 -0.52%	<b>S&amp;P 500</b> 1257.60 -7.73 -0.61%	<b>Transportation</b> 5019.69 -33.60 -0.66%	<b>Russell 2000</b> 740.92 -7.06 -0.94%	<b>Nasdaq 100</b> 2277.83 -9.73 -0.43%
<b>Gold</b> 1566.80 -39.20 -2.44%	<b>Silver</b> 2791.5 -116.9 -4.02%	<b>Crude</b> 98.83 -.85 -0.85%	<b>Heating Oil</b> 291.42 +1.47 +0.51%	<b>Unleaded Gas</b> 2.6574 -.0207 -0.77%	<b>Natural Gas</b> 2.989 -0.158 -5.07%
<b>VIX</b> 23.40 +2.67 +12.88%	<b>Put/Call Ratios</b> S&P 100 213/100's +62/100's	<b>Put/Call Ratios</b> CBOE Equity 67/100's +4/100's	<b>Bonds</b> 144-26 +2-27 2.89% -0.17%	<b>10 Yr Note</b> 131-04 +1-086 1.87% -0.16%	<b>Copper</b> 343.60 -3.35 -0.97%
<b>CRB Inflation Index</b> 305.30 -0.78 -0.25%	<b>Barron's Confidence</b> 67.2.% -0.1%	<b>S&amp;P100</b> 570.79 -3.21 -0.56%	<b>5 Yr Note</b> 123-082 +0-22 .83% -0.15%	<b>Dollar</b> 80.21 +0.28 +0.35%	<b>DJ Utilities</b> 464.68 +1.74 +0.38%

<b>AAll Confidence Index</b>	<b>Bullish</b> 40.6 +6.9%	<b>Bearish</b> 30.8 +2.6%	<b>Neutral</b> 28.6% -9.4 %	<b>M1 Money Supply</b> +17.2%Dec19th	<b>M-2 Money. Supply</b> +9.4%Dec19th
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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**

Last week Bought HNR, PWER, CVC, XOMA, MXL, PVA and WG.  
We also Bought AGQ and BAC.WS.B and sold HWD and AGQ with text alerts.

(A full position is \$5,000)

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)
AGQ 125	39.14	12/29/11		42.57 12/30	428.75
BAC.WS.B 5000	.30	12/27/11			
PVA 650	5.10	12/28/11	4.50x		
MXL 600	4.35	12/28/11			
CVC 350	14.25	12/28/11	13.30sco		
HNR 675	7.40	12/28/11	6.80x		
WG 1500	3.65	12/27/11	2.90x		
XOMA 2000	1.22	12/27/11	.90x		
PWER 1000	3.80	12/27/11			
AEZS 2500	1.65	12/15/11			
HWD 500	9.64	12/14/11		10.62 12/30	\$ 490
GMXR 2500	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	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 December 26 and newsletters dating back to July 20, 2009. Some of the trades put on last week 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 TLT 1/124 calls @ \$ .95 or better

( 2 ) Buy 15 AN 2/39 calls @ \$1.40 or better

### **Option and overall Comments**

We had a gain last week of \$2338.75 in a mixed week. Our gains for the year were \$ 60,785 and with last week's gains are increased to \$ 63,123.75. We have Four long options positions remaining, the IBM Calls, TEN Calls, APC Calls, FSLR Calls and the CSCO Spread. The stock table includes 16 long stock positions: PVA, CVC, MXL, HNR, WG, PWER, XOMA, AEZS, GMXR, WFR, CBOE, LEI, KAJMY, LEOM, SDS, XBOR and BAC Warrants. 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 \$5775 in the options positions and \$ 67,400 in the Sixteen long stock and BAC Warrant position for a total of \$ 73,175 with \$ 26,875 in cash. We had 48 letters in 2011. This is our 1st letter for 2012.**

**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) at the close the previous Friday or at the open on Monday.
- 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 ST	Date	Sold	Date	Profit/(Loss)
ZSL Jan 15 20 Lots	Puts .50	12/29/11	1.00	12/30/11	1000
FSLR Jan 35 10 Lots	Calls 2.15	12/27/11			
RIG Jan 40 15 Lots	Calls 1.78	12/22/11	1.31	12/27/11	( 705 )

<u>ZSL Jan 15</u> <u>20 Lots</u>	<u>Calls</u> 1.20	12/21/11	2.15	12/28/11	1900
<u>IBM Jan 185</u> <u>10 Lots</u>	<u>Calls</u> 3.05	12/21/11	Sold 5 @ 4.50 5 left	12/29/11	725
<u>APC Jan 75</u> <u>5 Lots</u>	<u>Calls</u> 3.40	12/14/11			
<u>TEN Jan 29</u> <u>10 Lots</u>	<u>Calls</u> 1.00	12/14/11			
<u>OCOR Jan 44</u> <u>10 lots</u>	<u>Call</u> 2.90	12/6/11	1.40	12/28/11	( 1500 )
<u>CSCO Jan 20</u> <u>2012 Put short:</u> <u>longJan20/13</u> <u>Call</u>	<u>Put/Call Spread</u> 0.07	2/14/11			

Note: Previous closed out stock and option positions can be found in the December 26 and newsletters dating back to July 20, 2009.

### This Weeks' Economic Numbers and Media Data

<b>MONDAY</b>	Markets Closed in U.S. for New Year's celebration
<b>TUESDAY</b>	10:00 hrs ISM Index Dec ( 53.4 vs 52.7 ) 10:00 hrs Construction Spending Nov ( 0.5% vs 0.8% ) 14:00 hrs FOMC Minutes from 12/13 meeting Republican Primary in Iowa
<b>WEDNESDAY</b>	07:00 hrs MBA Mortgage Index 12/31 ( NA vs -2.6% ) 10:00 hrs Factory Orders Nov ( 2.1% vs -0.4% ) 14:00 hrs Auto Sales Dec ( NA vs 4.36M ) 14:00 hrs Truck Sales Dec ( NA vs 5.98M )
<b>THURSDAY</b>	07:30 hrs Challenger Job Cuts Dec ( NA vs -12.8% ) 08:15 hrs ADP Employment Changes Dec ( 180K vs 206K ) 08:30 hrs Initial Unemployment Claims 12/31 ( 375K vs 381 K ) 08:30 hrs Continuing Claims 12/24 ( 3620 vs 3601 ) French Bond Auction will draw attention 10:00 hrs ISM Services Dec ( 53.0 vs 52.0 ) 11:00 hrs Crude Inventories 12/31 ( NA vs 3.899Mln Bbls )
<b>FRIDAY</b>	08:30 hrs Unemployment Rate Dec ( 8.7% vs 8.6% ) 08:30 hrs Payrolls Dec ( 150K vs 120K ) Nonfarm Private Payrolls ( 170K vs 140K ) Ave Workweek ( 34.3 vs 34.3 )

### Economic Data

The employment situation improved gradually throughout the year. Manufacturing also got better as more capacity was used. In addition Auto and Truck sales turned around markedly not just in the U.S. but also in China, where GM vehicles had more sales than any other brand.

The British Petroleum oil spill had deleterious repercussions with much more EPA regulation and many businesses closing and loss of jobs as a result. This adversely affected oil production in the Gulf of Mexico, increased unemployment and adversely affected the U.S. balance of trade.

**Fundamentals ( previous letters may be seen at [www.princetonresearch.com](http://www.princetonresearch.com))**

It was a tumultuous year with huge volatility lasting almost the whole year. The major bellwether S&P 500 had jumped 2.3% last January, was up over 8% by the end of April only to fall down by 11% for the year by the end of August, a down move by 19%. The major problem was the highly disappointing messy debt ceiling debate and even though there was an eventual increase, serious damage was done resulting in a credit downgrade. Standard and Poors downgraded the U.S. credit rating to A+ from AAA. It was a drawn out conflict between parties and representatives of special interest groups that put their personal loyalties ahead of what was best for the nation. The extreme volatility wreaked havoc on portfolios and money managers but made some great value opportunities.

The European situation made the dollar very strong which cause overhead resistance to upward momentum of many leading multinational stocks. The greenback closed at 80.50, up 1.46 for the year. The European Union has its problems with such extreme economies ranging from rich and prosperous exporters like Germany, and poor countries with little prospect for economic growth like Greece but who have huge entitlements owed to their people.

The Dow led all major indexes up 651.99 or 5.6% on the year. The S&P 500 also eked out a gain of just 1.64; Nasdaq fell 43.39; the Russell lost 39.28 and Transports lost 77.96.

Earnings remained the bright spot as all year they continually bettered expectations. S&P earnings are expected to have been up over 11.5% over the past 12 months and are expected to grow another 8.8% in 2012.

## TECHNICAL INFORMATION

<b>Support Levels:</b>	<b>S&amp;P 500</b>	<b>1253; 1232</b>	<b>Resistance S&amp;P 500</b>	<b>1274; 1289</b>
	<b>DOW</b>	<b>12,175; 11,920</b>	<b>Resistance DOW</b>	<b>12,380; 12,680</b>
	<b>QQQ</b>	<b>5553; 5492</b>	<b>Resistance QQQ</b>	<b>5653; 5729</b>
	<b>Nasdaq</b>	<b>2568; 2511</b>	<b>Resistance Nasdaq</b>	<b>2663; 2716</b>

## CYCLES

*Only twice since 1850 in America have 30-year bond returns been as close to equity returns as they are today. And both times multi-decade bond-bear markets followed. During these periods the stock market jumped as much as 7-fold.”-  
Oxford Club newsletter, 11/12/11*

### **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. 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. .

## CONTACT

Please Direct All Inquiries To:

Mike King  
Princeton Research  
3887 Pacific Street, Las Vegas, Nevada 89121

Phone: (702) 650-3000

Fax: (702) 697-8944

[mike@princetonresearch.com](mailto:mike@princetonresearch.com)

Visit: [www.princetonresearch.com](http://www.princetonresearch.com)

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