

# MARKET STRATEGIES



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

A Publication of Princeton Research, Inc. ([www.PrincetonResearch.com](http://www.PrincetonResearch.com))

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## January 30, 2012, Market Strategies Guide to Successful Trading

To subscribe to the Options Only Acct Trades 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 4 CONN 3/10 CALLS @ \$2.10 OB

( 2 ) BUY 4 X 2/30 CALLS @ \$1.35 OB

The \$10,000 Options Only account had a loss last week of \$504, decreasing our gains for the year to \$2747.00.

Six positions remain:  
the CALM February 35 Calls,  
TZA February 22 Calls,  
WFR March 5 Calls,  
CLNE February 14 Calls,  
FXE February 130 Puts and  
JAZZ February 48 Calls.

The Open positions are highlighted in the options table below.  
Approximately \$ 4160 funds are in use.

The week was punctuated by several down waves from the start and recoveries during the trading days. Unfortunately, we got stopped out on our 50% rule in two positions in KRO and KSU, the later on record earnings and revenues...

This week we are concentrating on stocks that are above their 25 day moving averages and coming out of consolidations. This is reflected in our open trades in JAZZ, WFR, and CALM. We also had a sell of half our position in CLNE due to our 100% up rule, and this position in at the point where it's 25 day MA crossing the 200 day MA...(commonly

called "a golden cross") which generally signals a continuation of a major move. With the market having the dramatic string of UP days, and February being the "worst" month of the best six months of the year, we are long the TZA's and will be prepared as usual for any adversity.

**Remember, these trades are based on your participation in the  
TEXT MESSAGE TRADE ALERTS SERVICE TO RECEIVE ALL UPDATES.  
TEXT the word UPDATES to 69302 To Get In Now**

Previous closed out trades not listed here may be seen in the January 23 and 2011 weekly newsletters.

DATE	TRADE	PRICE	COST	PROCEEDS	RESULTS
1/27	Bought 5 JAZZ February 48 Calls	2.05	1025		
1/27	Bought 5 FXE February 130 Puts	1.07	535		
1/27	Bought 20 WFR March 5 Calls	.39	780		
1/25	Sold 2 NFLX February 97.5 Calls	7.45		1490	136 Gain
1/24	Sold 5 CLNE February 14 Calls 100% RULE	1.20		600	300 Gain
1/24	Sold 4 KSU February 75 Calls 50% RULE + GAP	.20		80	420 Loss
1/24	Bought 2 NFLX February 97.5 Calls	6.77	1354		
1/24	Sold 8 KRO February 22.50 Calls 50% RULE + GAP	.45		360	520 Loss
1/23	Bought 4 KSU February 75 Calls	1.25	500		
1/23	Bought 4 TZA February 22 Calls	1.40	560		
1/23	Bought 10 CLNE February 14 Calls (5 Open)	.60	600		
1/19	Bought 4 CALM February 35 Calls	2.40	960		
1/17	Bought 8 KRO February 22.50 Calls	1.10	880		

New trades \$ 10,000 account...In Texting we have a limited amount of words. In the interest of brevity: OPTIONS ONLY: 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> 12660.46 -60.02 -0.47%	<b>Nasdaq</b> 2816.55 +29.85 +1.07%	<b>S&amp;P 500</b> 1316.33 +0.95 +0.07%	<b>Transportation</b> 5344.78 +64.03 +1.21%	<b>Russell 2000</b> 798.85 +14.23 +1.81%	<b>Nasdaq 100</b> 2461.77 24.75 +1.02%
<b>Gold</b> 1732.20 +68.20 +4.10%	<b>Silver</b> 3379.9 +211.5 +6.68%	<b>Crude</b> 99.56 +1.23 +1.25%	<b>Heating Oil</b> 305.93 +7.45 +2.49%	<b>Unleaded Gas</b> 2.9234 +.1331 +4.77%	<b>Natural Gas</b> 2.756 +0.364 +15.54%
<b>VIX</b> 18.28 +0.25 +1.35%	<b>Put/Call Ratios</b> S&P 100 159/100's +57/100's	<b>Put/Call Ratios</b> <b>CBOE Equity</b> 62/100's +10/100's	<b>Bonds</b> 143-14+1-18 3.06% -0.04%	<b>10 Yr Note</b> 131-23 +1-146 1.90% -0.13%	<b>Copper</b> 388.90 +14.40 +3.85%
<b>CRB Inflation Index</b> 317.81 +7.90 +2.55%	<b>Barron's Confidence</b> 67.4.% 0.0%	<b>S&amp;P100</b> 595.37 -0.58 -0.10%	<b>5 Yr Note</b> 123-284 +0-244 .75% -0.14%	<b>Dollar</b> 79.01 -1.39 -1.73%	<b>DJ Utilities</b> 447.97 -0.57 -0.13%

<b>AAll Confidence Index</b>	<b>Bullish</b> 48.4 +1.2%	<b>Bearish</b> 18.9 -4.7%	<b>Neutral</b> 32.7% +3.5 %	<b>M1 Money Supply</b> +19.7%Jan16th	<b>M-2 Money. Supply</b> +10.2%Jan16th
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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**

- ( 1 ) [BUY 1600 QUIK @ MKT.](#)
- ( 2 ) [BUY 1200 CDTI @ MKT.](#)
- ( 3 ) [BUY 2000 PRKR @ MKT.](#)
- ( 4 ) [SELL 165 KAJMY @ \\$33.50 OB](#)

Last week with text alerts, we Bought AOI and Sold FCH and a portion of 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)
AOI 1500	3.02	1/26/12			
CALM 150	37.23	1/19/12			
DVR 2000	2.77	1/17/12			
LEOM*5000	.27	1/13/12	.	.42 1/24/12	\$750
FCH 1500	3.25	1/9/12		3.89 1/24/12	\$ 960
WG 1500	3.65	12/27/11	2.90x		
AEZS 2500	1.65	12/15/11			
GMXR2500	1.60	12/12/11			
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 23 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**

We are long the TZA Feb 140 Calls for protection

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, SDS and TZA,** which go up when the DOW, S&P 500 and Russell 2000 go down and down when they go up.

### **NEW STOCK OPTION RECOMMENDATIONS**

- ( 1 ) [BUY 8 CONN 3/10 CALLS @ \\$2.10](#)

## Option and overall Comments

We had a gain last week of \$ 442 in mixed week. Our gain for the year was \$ 8347 and with last week's gain has increased to \$ 8789. We have six long options positions remaining, the TZA February 22 Calls, WFR March 5 Calls, CLNE February 14 Calls, FXE February 130 Puts, JAZZ February 48 Calls and CSCO Jan 20 Calls. The TZA is a Triple Inverse Russell 2000 EFT. The stock table includes eleven long stock positions: CALM, AOI, DVR, WG, AEZS, GMXR, 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 \$6,650 in the options positions and \$ 51,750 in the 11 long stock positions for a total of \$ 58,400 with \$ 41,600 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 ST	Date	Sold	Date	Profit/(Loss)
<u>WFR MAR 5</u> <u>40 Lots</u>	Calls _____ .39	1/27/12			
<u>JAZZ Feb 48</u> <u>10 Lots</u>	Calls _____ 2.05	1/27/12			
<u>FXE Feb 130</u> <u>10 Lots</u>	Puts _____ 1.07	1/27/12			
<u>NFLX Feb97.5</u> <u>4 Lots</u>	Calls _____ 6.77	1/24/12	7.45	1/25/12	272
<u>TZA Feb 22</u> <u>8 Lots</u>	Calls _____ 1.40	1/23/12			
<u>KSU Feb 75</u> <u>8 Lots</u>	Calls _____ 1.25	1/23/12	.20 (50% rule)	1/24/12	( 840 )
<u>CLNE Feb 14</u> <u>20 Lots</u>	Calls _____ .60	1/23/12	10 at 1.20 (100% rule)	1/24/12	600
<u>KRO Feb 22.5</u> <u>20 Lots</u>	Calls _____ 1.10	1/17/12	.45 (50% rule)	1/24/12	( 1300 )

**Note: Previous closed out stock and option positions can be found in the January 23 and newsletters dating back to July 20, 2009.**

### This Weeks' Economic Numbers and Media Data

<b>MONDAY</b>	08:30 hrs Personal Income Dec ( 0.4% vs 0.1% ) Personal Spending ( 0.1% vs Same ) CORE PCE Prices ( 0.2% vs 0.1% )
<b>TUESDAY</b>	08:30 hrs Employment Cost Index 4 <sup>th</sup> Qtr ( 0.4% vs 0.3% ) 09:00 hrs Case Shiller 20 City Index Nov ( -2.6% vs -3.4% ) 09:45 hrs Chicago PMI Jan ( 62 vs 62.5 ) 10:00 hrs Consumer Confidence Jan ( 67 vs 64.5 )
<b>WEDNESDAY</b>	07:00 hrs MBA Mortgage Index 1/07 ( NA vs NA ) 08:15 hrs ADP Employment Change Jan ( 175K vs 325K ) 10:00 hrs ISM Index Jan ( 54.7 vs 53.9 ) 10:00 hrs Construction Spending Dec ( 0.4% vs 1.2% ) 10:30 hrs Crude Inventories 1/28 ( No Estimate ) 14:00 hrs Auto and Truck Sales Jan ( 12.0 mln vs 10.24 mln ) Chrysler is expected to show the strongest growth.
<b>THURSDAY</b>	08:30 hrs Initial Unemployment Claims 1/28 ( 375K vs Same ) 08:30 hrs Continuing Claims 1/14 ( 3525 vs 3550 ) 08:30 hrs Productivity Preliminary 4thQtr ( 0.6% vs 2.3% ) 08:30 hrs Unit Labor Costs 4 <sup>th</sup> Qtr ( 0.8% vs -2.5% )
<b>FRIDAY</b>	08:30 hrs Nonfarm Payrolls Jan ( 170K vs 200K ) Private Payrolls ( 145K vs 212K ) 08:30 hrs Unemployment Rate Jan ( 8.5% vs Same ) Hourly Earnings ( 0.2% vs 0.2% ) Ave Workweek ( 34.4 vs 34.4 ) 10:00 hrs Factory Orders Dec ( 1.6% vs 1.8% ) 10:00 hrs ISM Services Jan ( 53.1vs 52.6 )

### Economic Data

Most of the December economic reports were weak, well below expectations: The GDP at 2.8% was 0.4% below consensus of 3.2%. That alone is a major disappointment. Leading Economic Indicators at 0.4% were 0.3% below expectations. Both New Home Sales ( 307K vs 321K and Pending Home Sales of -3.5% vs -3.0% ) were disappointing. Initial Unemployment Claims at 377K although negative were just 2,000 claims above. The only positive report was Durable Goods at 3.0% vs 2.0% and ex-Auto 2.1% vs 0.7%.

We are expecting a very positive Auto report at 14:00 hrs Wednesday showing burgeoning domestic sales.

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

A lot of good news. However, this news which caused the bull to run is behind us:

( 1 ) The Fed has extended the period for low interest rates through the year 2014.

( 2 ) Congress has a better attitude now than anytime in the past eight months. Republican leaders seem willing if not eager to pass the Payroll Tax extension and the House seems to be cooperating. Boehner seems to want the extension to pass. The Democratic-controlled U.S. Senate on Thursday rejected a measure that would have prevented a \$1.2 trillion increase in the debt ceiling, putting an end to legislative debate on the politically contentious issue until after the November presidential election. Last summer, S&P had downgraded U.S. one notch from AAA to AA+ as a result of the ineffectiveness of Congress.. This helped the bears launch an avalanche of selling between August and October that took the S&P 500 below the bellwether 1100 mark.

( 3 ) Europe is now a non-event. Any bad news there such as Greece is a buying opportunity here.

( 4 ) With that evidently behind us before election time politics, and the new policy of the Fed to keep rates and the dollar low for an extended period of time, big cap stocks are too cheap and need to be bought on declines to the 200-day moving averages. This includes CAT, DE, F, IBM, Microsoft, MMM, UNP. Even Banking stocks like JP Morgan ( JPM: \$ 37.21 are a buy at \$ 36.00-\$ 36.54 ). Notice the key reversal day Jan 18<sup>th</sup>.

The world will become adjusted to \$ 90- 100 oil as common-place and costs, both labor and material, will move higher throughout the year as headwinds to profits. High Union wages have been easily accepted by the auto companies without impeding profitability.

## **TECHNICAL INFORMATION**

<b>Support Levels:</b>	<b>S&amp;P 500</b>	<b>1304; 1289</b>	<b>Resistance S&amp;P 500</b>	<b>1334; 1346</b>
	<b>DOW</b>	<b>12,530; 12,360</b>	<b>Resistance DOW</b>	<b>12,740; 12,890</b>
	<b>QQQ</b>	<b>5957; 5880</b>	<b>Resistance QQQ</b>	<b>6113 6190</b>
	<b>Nasdaq</b>	<b>2775; 2724</b>	<b>Resistance Nasdaq</b>	<b>2829; 2883</b>

## **CYCLES**

According to the stock Market Almanac, which is an excellent source of cycles, sometimes the weak link in the Best Six months, which is November through April, the month of February tends to follow the current trend, though big January gains often correct or consolidate during the month which has both Valentines and Presidents days as Wall Street evaluates and adjusts market outlooks based on January's performance. Since 1950, January S&P 500 gains of 2% or more corrected or consolidated in February 70.4% of the time. January losses were followed by February losses 62.5% of the time.

Since 1950, February is up only slightly more than half the time and, depending on the index, up or down marginally on average. However, small cap stocks, benefiting from "January Effect" carry over; tend to outpace large cap stocks in February. The Russell 2000 index of small cap stocks turns in an average gain of 1.0% in February since 1979—just the seventh best month for that benchmark. A very strong February in 2000 boosts NASDAQ and Russell 2000 rankings in election years. Otherwise, February's performance, compared to other presidential-election-year months, is mediocre at best with no large-cap index ranked better than ninth (DJIA and S&P 500 since 1952, Russell 1000 since 1980).

After January's typically strong finish February opens well for large cap stocks. The first trading day is bullish and it has traded higher in 15 of the past 21 years with an average S&P 500 gain of 0.5%, Strength fades after that until the stronger eighth, ninth and eleventh trading days. Expiration week is marred by two bearish days and begins an often weak second half of the month. Neither small caps nor technology shares completely escape mid-month weakness.

Presidents' Day is the lone holiday that exhibits weakness the day before and after. (*Stock Trader's*

*Almanac 2012*, page 86). The Friday before this mid-winter three-day break is exceptionally treacherous and average declines persist for three trading days after the holiday.

### **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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