

**September 28, 2015**  
**Market Strategies Newsletter**

**Sample Issue**



**Balanced Investing Strategies To  
Make Money In Up Or Down Markets**

A Publication of Princeton Research, Inc. ([www.PrincetonResearch.com](http://www.PrincetonResearch.com))  
Contributing Staff: Michael King, Charles Moskowitz

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**Where To Invest In 2015 Newsletter Covering:**

**Where to Invest October 2015**  
**Best Stocks To Buy October 2015**  
**Stock Market Investing Strategies**  
**Stock Options Trade Alerts**  
**Options Trading Strategies**  
**How To Trade Options**

**Gain For The Week \$124**

**2015 YTD Profits \$ 7804**

**Over 78% Returns**

**2014 Profits = \$ 20,443**  
**Over 204% Returns**

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# TRADE ALERTS

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## **Charles Moskowitz Discussion**

We have 2 open positions:

ETSY October 15 Calls 4 @ \$ 0.90 and  
the other 4 @ \$ 0.75

Funds in Use = \$ 660

Week 39 was a slight gain of \$124 on a 100% up rule liquidation in ETSY and a 50% down rule in the XLE puts. This brings YTD gains to \$7704. Funds in use is \$660 consisting of 2 sets of ETSY 10/15 calls bought at \$.90 and \$.75.

This week was jam packed with all sorts of news, from the Pope's visit, China's Xi coming to lie to us, Auntie Janets speech and of course the Speaker of the House resigning. All in all, "A tale, told by a bunch of idiots, full of sound and fury, signifying nothing." I hope no one minds my taking a little poetic license with the quote...

The markets clearly didn't have a clue what to make over all this noise...The S&P500 had "only" a \$72 range closing down 1.36%, while the biotech heavy NASDAQ composite was down well over double that and is close to the lowest levels since the 4614 intra week low following the August 27th sell off from 4900 to 4292. Personally, I am more likely to watch this index from a buyers prospective and see if it can have a little consolidation between here and 4500. These sharp and quick sell offs have tended to make me ask "why didn't I buy that pullback?"

We were stopped out of GILD but are looking to re-buy this week in the big account and at 9.8 times earnings I am much more likely to try to buy a couple of long-dated calls for the options account. Maybe some December \$110 calls around \$2.75 or so and just sit with them. These stocks are quite oversold and a sharp rally is probably right around the corner.

This coming week should show use whether or not the market is "broken." Since we broke in mid-August we have seen sharp and fast rallies and a rising wedge that has been unable to penetrate the resistance @ 2020. If we break 1913 on a closing basis we'll be testing 1870 soon.

Also mentioned last week, October is usually a set-up for the year - end rally, so if we do hold the lows there really is much over 2020 until 2080-2100 and the highs @ 2130 or so.....CAM

## **Market Strategies \$10,000 Trading Account Trade Table**

New Trades

Buy 4 XLE October 63 Puts @ \$ 2.05

DATE	TRADES	PRICE	COST	PROCEEDS	RESULTS
09/24	Bought 4 ETSY October 15 Calls	0.75	300		
09/21	Sold 4 XLE September 25 <sup>th</sup> 63 Puts ( 50% Loss Rule )	0.58		232	236 Loss
09/21	Sold 4 ETSY October 15 Calls ( 100% Profit Rule )	1.80		720	360 Gain
09/18	Bought 4 XLE September 25 <sup>th</sup> 63 Puts	1.17	468		
09/16	Bought 8 ETSY October 15 Calls	0.90	720		

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## **MARKET LABORATORY – WEEKLY CHANGES**

Prices are copied from [Barron's Weekly](#) and [Yahoo Finance](#) and may be incorrect.

<b>Dow</b> 16,314.67 -69.91 -0.43%	<b>Nasdaq</b> 4686.50 -140.73 -2.92%	<b>S&amp;P 500</b> 1931.34 -26.69 -1.36%	<b>Transportation</b> 7850.62 -185.75 -2.31%	<b>Russell 2000</b> 1122.79 -40.36 -3.49%	<b>Nasdaq100</b> 4224.74 -99.12 -2.29%
<b>Gold (spot)</b> 1146.00 +7.90 +0.7%	<b>Silver</b> 1511.10 -5.20 -0.3%	<b>Crude</b> 45.70 +1.02 +2.3%	<b>Heating Oil</b> 154.56 +3.24 +2.2%	<b>Unleaded Gas</b> 1.3793 +0.0411 +3.0%	<b>Natural Gas</b> 2.631 -0.045 -1.7%
<b>VIX</b> 23.62 +1.34 +6.0%	<b>Put/Call Ratios</b> S&P 100 94/100's -89/100's	<b>Put/Call Ratios</b> CBOE Equity 72/100's -9/100's	<b>Bonds</b> 155-14 -10 2.95% +0.02%	<b>10 Yr. Note</b> 127-27 -04 2.16%+.03%	<b>Copper</b> 228.35 -10.25 -4.3%
<b>CRB Inflation Index</b> 195.71 +1.53 +0.8%	<b>Barron's* Confidence</b> 73.0 -2.4	<b>S&amp;P100</b> 851.90 -9.47 -1.10%	<b>5 Yr. Note</b> 120-017 -017 1.47% +0.04%	<b>Dollar</b> 96.26 +1.11 +1.2%	<b>DJ Utilities</b> 572.36 +7.37 +1.30%
<b>AAll Confidence Index</b>	<b>Bullish</b> 32.1 % -1.2%	<b>Bearish</b> 28.7% -0.4%	<b>Neutral</b> 39.2% +1.6%	<b>M1 Money Supply</b> +4.68% Sept 14 <sup>th</sup>	<b>M-2 Money Supply</b> +6.24% Sept 14 <sup>th</sup>

\* Component Change in the Confidence Index

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.

## **Market Strategies Technical Information**

Support/Resistance Levels:

**SUPPORT**

**RESISTANCE**

S&P 500	1888	1980
Dow	15,831	16,610
QQQ	100.90	105 60
Transports	7680	8027
NASDAQ	4590	4790

## **\$100,000 Trading Portfolio Stock Positions and Trades**

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

1 ) Buy 50 GILD @ \$ 96.20

2 ) Buy 500 CUBA @ \$ 7.60

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

	Purchase Price	Purchase Date	Stop/Loss	Price/Date Sold	Profit/(Loss)
SPXU 100 And 100	38.85 39.14	09/25	38.13		
SPXL 100	70.88	09/22		70.48 09/22	( \$ 40 )
SPXU 200	37.14	09/21		39.06 09/22	\$ 384
MOS 100	43.55	08/14			
SNSS 1200	2.95	06/26	0.98		
DSX 500	7.05	05/18			
CRM 100	72.90	04/29	66.25		
GILD 50	102.73	03/03	100.45		
ARRY 500	8.02	02/24	5.12	5.12 09/25	( \$ 1450 )
NAT 300 Sold 200	10.16	02/13		14.40 06/25	\$ 848
NBG 600	1.40	02/17			
BAC. Wts 5,000 lots	0.7411	12/26			
BSBR 500 500	4.84 3.75	12/18			
SAN 600	8.40	12/16			
AA 500	14.21	10/16			
FCX 150	34.99	09/09	7.75		
NBG 300	2.95	05/19			
RPTP 200 Sold 200	15.37	01/16		16.09 06/25 6.08 09/25	\$ 144 ( \$ 1858 )
NBG 300	4.08	8/12			
TEXQY* 200	6.56	7/11			
REPR* 5000	0.22	10/22/12			

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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, DXD, SDS, TZA and RWM**, which go up when the DOW, S&P 500 and Russell 2000 go down and down when they go up. The DZZ goes up double when gold goes down.

## **Market Strategies \$100,000 Trading Account**

1) Buy 8 XLE October 63 Puts @ \$ 2.05

There were two closed option positions;

XLE September 25<sup>th</sup> 63 Puts losing \$ 472 and the  
ETSY October 15 Calls making a profit of \$ 720.

Options netted a profit of \$ 248 for the week.

There were five closed out stock positions losing a total of \$ 3,254.

The remaining RPTL 200 shares were sold at \$ 6.08 losing \$ 1858. Both the GILD and ARRY positions were stopped out: the 50 GILD lost \$ 290 while the 500 ARRY lost \$ 1450.

For the entire week the result was a loss of \$ 3,006.

For the year to date we have gains of \$ 18,750.

Open position losses decreased to \$ 17,031.

The options expire on the third Friday of each Month unless otherwise posted.

The Stock table has the following 16 positions:

AA, BAC.B.WS, BSB( 2 ), CRM, DSX, FCX, MOS,  
NAT NBG (3), REPR, SAN, SNSS, TEXQY

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

We are basing money management on a hypothetical  
\$ 100,000 and are using a total of  
\$ 64,735 for the 19 open stock positions. There are two long option positions requiring  
\$ 2,376 totaling  
\$ 67,111 leaving  
\$ 32,889 in cash.

These figures are approximate and there might be errors.

We have not counted the dividends received from Apple, JP Morgan, North American Tankers, Santander, their Brazil affiliate BSBR and Blue Capital Reinsurance which was sold for a profit and many others.

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 Market Strategies \$100,000 Portfolio Trading Account**

- 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

Option	COST	Date	Sold	Date	Profit/ (Loss)
ETSY Oct 15 8 lots	Calls 0.75	9/24/2015			
XLE Sept25th63 8 lots	Puts 1.17	9/18/2015	0.58 (50% LossRule)	09/21/15	( \$ 472 )
ETSY Oct 10th 15 16 lots sold half Leaving 8 lots long	Calls 0.90	9/16/2015	1.80 100% profit Rule	09/21/15	\$ 720

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## This Weeks' Economic Numbers Earnings Releases and Media Data

Before the Open on top of the Row;  
 After the close below the Economics Information

MONDAY	<p>Cal-Maine Foods CALM ( 3.14 vs 1.14 ) Vail Reports MTN ( -1.82 vs -2.08 )</p> <p>08:30 hrs Personal Income August ( +0.4% vs +0.4% )          Personal Spending ( + 0.3% vs + 0.3% )          PCE Prices CORE ( +0.1% vs + 0.1% )</p> <p>10:00 hrs Pending Home Sales August ( + 0.5% vs + 0.5% ) President Obama meets Putin in NY on the sidelines of the U.N. General Assembly. The Senate is expected to advance a bill to fund the government through December 11<sup>th</sup> 2015 as the fiscal year is ending.</p> <p>Comtech Telecom CMTL ( 0.37 vs 0.48 ) Synnex SNX ( 1.44 vs 1.59 )</p>
TUESDAY	<p>AZZ AZZ ( 0.69 vs 0.63 ) Cantel Medical CMN ( 0.35 vs 0.28 ) Ferrellgas Partners FGP ( -0.25 vs -0.58 ) IHS IHS ( 1.47 vs 1.49 ) Walgreens Boot Alliance WBA 0.82</p> <p>09:00 hrs Case Shiller 20-city Index July ( +0.5% vs +0.5% )</p> <p>10:00 hrs Consumer Confidence Sept ( 96.0 vs 101.5 )</p> <p>Japan's Prime Minister Shinzo Abe speaks at the Japan Finance Forum in NY amid declines prices for the first time in two years.</p> <p>Barracuda Networks CUDA ( 0.09 vs 0.08 ) Costco COST ( 1.66 vs 1.58 )</p> <p>Diamond Foods DMND ( 0.21 vs 0.19 ) Landec LNDC ( 0.13 vs 0.09 )</p>
WEDNESDAY	<p>Paychex PAYX ( 0.51 vs 0.47 )</p> <p>07:00 hrs MBA Mortgage Index 09/26 ( NA vs +13.9% )</p> <p>08:15 hrs ADP Employment Change September ( 200K vs 190K )</p> <p>09:45 hrs Chicago PMI Sept ( 52.7 vs 54.4 )</p> <p>10:30 hrs Crude Inventories 09/26 ( NA vs -1.925 MlnBbls )</p> <p>Trade ministers meet to try to hammer out the Trans Pacific Partnership</p>
THURSDAY	<p>Actuant ATU ( 0.30 vs 0.51 ) Bassett Furniture BSET ( 0.26 ) McCormick MKC ( 0.87 vs 0.95 )</p> <p>08:30 hrs Initial Claims 09/26 ( 270K vs 267K )</p> <p>08:30 hrs Continuing Claims 09/19 ( 2248K vs 2242K )</p> <p>10:00 hrs ISM Index September ( 50.6 vs 51.1 )</p> <p>10:00 hrs Construction Spending August ( 0.5% vs 0.5% )</p> <p>10:30 hrs Natural Gas Inventories 09/26 ( NA vs 106 bcf )</p> <p>17:00 hrs Auto Sales September ( NA vs 5.6 Mln )          Truck Sales ( NA vs 8.5 Mln )</p> <p>CalAmp CAMP ( 0.26 vs 0.21 ) Micron MU ( 0.34 vs 0.82 ) Progress Software PRGS</p>



	( 0.37 vs 0.39 ) Radiant Logistics RLGT ( 0.03 )
<b>FRIDAY</b>	08:30 hrs Nonfarm Payrolls September ( 205K vs 173K ) Nonfarm Private Payrolls ( 200K vs 140K ) 08:30 hrs Unemployment Rate ( 5.15 vs 5.1% ) 08:30 hrs Hourly Earnings Sept ( +0.2% vs +0.3% ) 08:30 hrs Average Workweek Sept ( 34.6 vs 34.6 ) 10:00 hrs Factory Orders Aug ( -1.0% vs +0.4% )

## **Market Strategies Fundamentals**

Stocks do poorly as uncertainty looms. The S&P 500 fell 26.69 points or 1.36% to 1931.34. The Russell 2000 led all indexes to the downside percentage-wise dropping to 1122.79, down 40.36 or 3.49%. The DJ Transportation Average was second worst performer falling to 7850.62, off 185.75 or 2.31%. The Dow fell the least down 69.91 or 0.43% to 16,314.67. Nike helped support the Dow rising 11 points on Friday up 9.6%. However, for the entire year, the Dow is the biggest index loser off 8.46%. The S&P is off 6.2%; the Russell 6.8% and the DJ Transportation falling the least 3.1%.

Stocks related to consumer spending such as NIKE have fared the best by far. There are eight Dow stocks in the black this year, all related to Consumer Spending: Nike ( NKE: \$ 125 ) + \$ 28.85 or 30% for the year to date. United Health is second best ( UNH : \$ 116.37 ) + \$ 15.28 or 15.12%; Home Depot ( HD \$ 116.74 ) + 11.21% is third; Visa is fourth; ( V: \$ 70.69 ) + 7.84%; followed by Disney ( DIS: \$ 100.30 ) + 6.49%; McDonalds ( MCD: \$ 97.59 ) + 4.15% is sixth; Apple ( AAPL: \$ 114.71 ) + 3.92% is Number 7, followed by Boeing ( BA: 131.01 ) +0.79%, which is the only other stock in the Dow to be positive for the year.

There was plenty of competition from the Pope, the President of China, and the Speaker of the House. The S&P 500 declined 1.36% on the week, with the NASDAQ and small stocks doing worse. To put this in perspective

Federal Agencies are making contingency plans for a government Shutdown on October 1<sup>st</sup>. Even as the news late last week of House Speaker John Boehner's resignation reduced the likelihood of a government closure on October 1<sup>st</sup>. Federal agencies made contingency plans just in case there is a shutdown. The most immediate conflicts seem to be over funding for Planned Parenthood and Abortion.

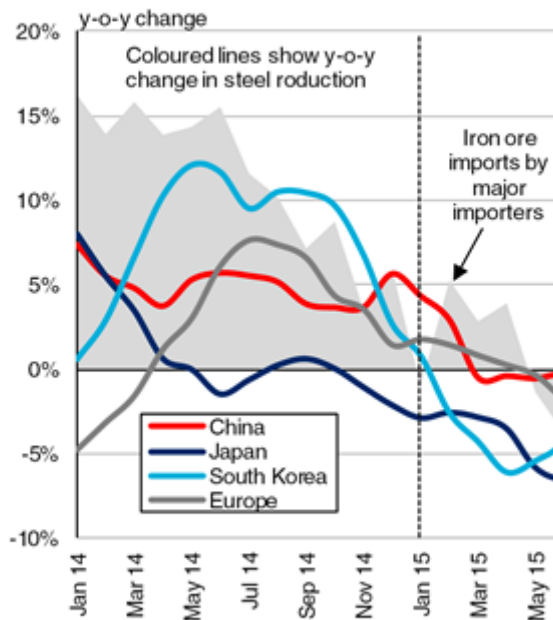
bolstered by lower costs of raw materials

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## Graph of the Month

### Steel Production Slumping

The lines show the three month moving average of the y-o-y change in each country/region's monthly steel output. The coloured area shows the three month moving average for y-o-y change in monthly seaborne iron ore imports into China, Japan, South Korea and the EU-28 nations combined.



Source : Clarksons Research

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The last time the government shutdown over funding was 2013. Shuttering the government actually costs more than keeping it open—more than \$2 billion last time. The last time it happened, for 16 days in October 2013, the White House put a price on it: 6.6 million days of lost work, \$ 2 million back pay for 850,000 federal employees who did no work and 120,000 private sector jobs gone. The preceding graph illustrates the transfer of wealth from hard core manufacturing led by steel to the consumer stocks.

The biggest move Friday came from the decline in Health Care ( XLV: \$ 66.88 ) and Biotechnology stocks ( IBB: \$ 310.24 ) both of which had been on a tear since 2012. These piping hot ETF's of the broad U.S. health care market can easily be termed as one of the super performers in the last five years and can be an intriguing bet for investors with a long-term view.

The biggest biotech ETF, the iShares Nasdaq Biotechnology ETF (NASDAQ:[IBB](#)), gained over 285% during this frame. Last year too, this high-growth sector delivered a stellar 34% return and outdid all the other sectors. The Fed's super-easy monetary policy, a whirlwind of mergers and acquisitions, promising industry fundamentals, plenty of drug launches, FDA approvals for the highly awaited drugs, ever-increasing demand in emerging markets, surging health care spending and Obama care wrote the success story at biotech.

However, the space has long been guilty of overvaluation; with even the Fed chair Yellen pointing to it last year. As a result, the space succumbs to a correction just as the broader market hits any growth-related bump and a risk-off trade sentiment takes over.

Hillary Clinton, who is a presidential candidate, recently raised concerns about the over pricing on life-saving drugs on Twitter. This tweet came on the heels of a 5,455% price hike (in about two months) of a drug called Daraprim, used to treat malaria and toxoplasmosis. This apparently eccentric pricing action was taken by a privately held biotech company Turing Pharmaceuticals.

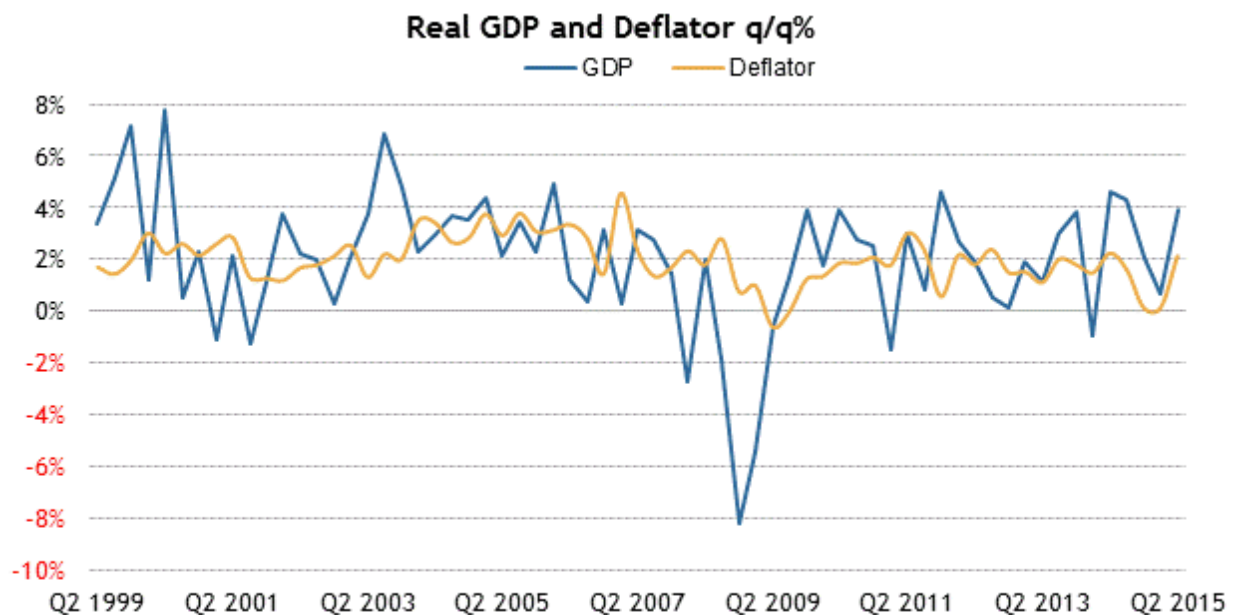
On the whole, branded drug prices underwent a rise of about 14.8% last year, as per research firm Truveris. There are several other drugs namely Cycloserine, Isuprel, Nitropress, and Doxycycline that have seen enormous price hikes this year, per the source. As a result, the drumbeat of losses for biotech stocks resumed in full volume on apprehensions of stringent government regulation on pricing matters.

GE has acted great while other manufacturing stocks have crumbled. The original General Electric was the Edison General Electric Company founded in 1889. They were immersed in banking, a low profit-highly competitive arena. GE ( GE: \$ 24.92 ) - 1.39% recovered nicely for the week following the rout in stocks generally. GE has been a high-tech company for over 125 years. Over that time period, GE has expanded its technological efforts to aircraft engines, industrial pumps, wind turbines, locomotives, industrial software and much, much more. The list is massive, and you can see it here. In fact in the 1950s and '60s, GE manufactured computers and developed its own mainframe operating system called GECOS. It had some strange things though like a 6-bit byte.

Most of the things GE sells, and there are literally thousands of things, are products that the company by and large sells directly. In Intel's case, it mostly sells parts that go into end products that other people then sell as complete units. The most obvious are CPUs that it sells in the hundreds of millions to just a few customers. In comparison to other Dow Jones members such as Intel, Intel never sees the ultimate user of its products, which limits their upside potential GE on the other hand has direct contact and a relationship with entities that will be looking for their services.

## **Market Strategies Economic Data**

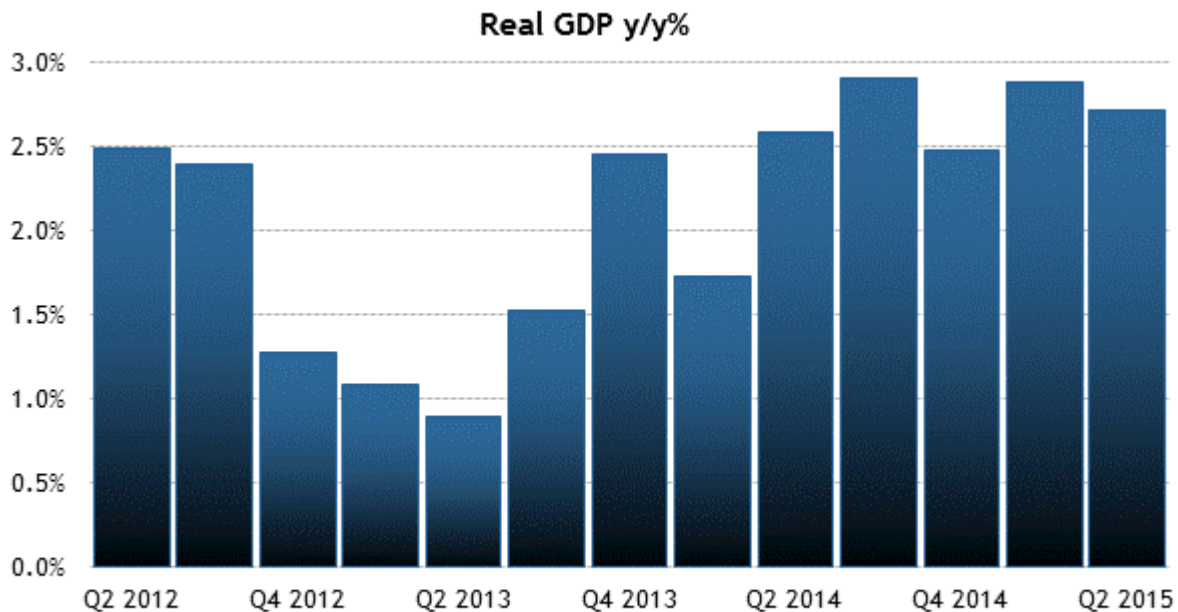
The Final estimate of Second quarter GDP growth for the U.S. came out much higher than expected at a 3.9% quarter-to-quarter seasonally adjusted annualized rate. The Briefing.com Consensus expected Q2 2015 GDP growth to remain at 3.7%. GDP increased 0.6% in Q1 2015. Real final sales were revised to 3.9% from 3.5%. That was the biggest quarterly gain since a 4.3% increase in Q3



Source: Bureau of Economic Analysis; updated 09/25/15

Briefing.com

2014.

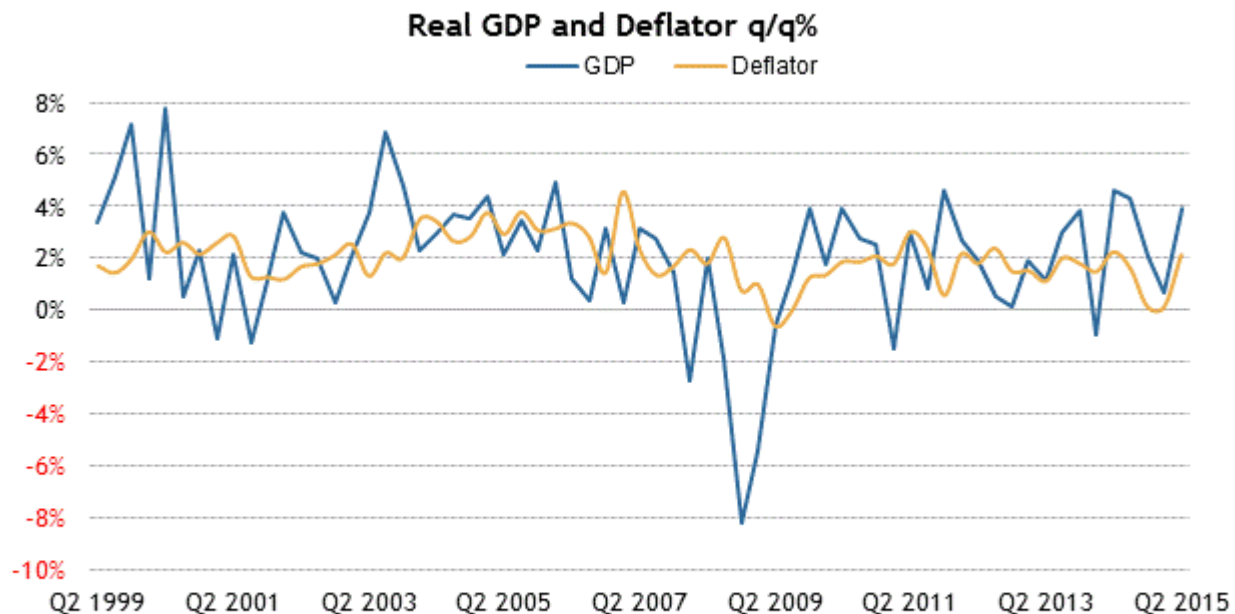


Source: Bureau of Economic Analysis; updated 09/25/15

Briefing.com

Stocks opened strong based on the solid GDP numbers and European buying but were sold off amid a huge rout in both Health Care and Biotech stocks.

U.S Treasuries ended the session lower but off the lows as an afternoon sell-off encouraged safe-haven buying of government debt. Fed Chairlady Yellen spoke after the close on Thursday and said most members of the FOMC believe that the rate hike will be necessary before the end of 2015. This was viewed as a positive and along with the positive GDP and great earnings from Nike, boosted stocks early, only to sell off later in the session. The Health Care Spider ( XLV: \$ 66.88 ) fell 2.7% overnight and 5.7% on the week as it came crashing down through its 13- day moving average.



Source: Bureau of Economic Analysis; updated 09/25/15

Briefing.com

As you can observe from the above graph, the Deflator is creeping up to the Fed's goal of 2% inflation.

## Market Strategies Cycles

October has a dreadful history of market crashes such as in 1929, 1987, the 554-point drop on October 27, 1997, back-to-back massacres in 1978 and 1979, Friday the 13th in 1989 and the 733-point drop on October 15, 2008. During the week ending October 10, 2008, DJIA lost 1,874.19 points (18.2%), the worst weekly decline in our database going back to 1901, in point and percentage terms. It is no wonder that the term “Octoberphobia” has been used to describe the phenomenon of major market drops occurring during the month. Market calamities can become a self-fulfilling prophecy, so stay on the lookout and don’t get whipsawed if it happens.

But October has become a turnaround month—a “bear killer” if you will. Twelve post-WWII bear markets have ended in October: 1946, 1957, 1960, 1962, 1966, 1974, 1987, 1990, 1998, 2001, 2002 and 2011 (S&P 500 declined 19.4%). Eight were midterm bottoms. Current market weakness, the first 10% correction in nearly four years, could be setting up October 2015 to be another “turn-around” month. History does suggest a down August followed by a down September has preceded a robust fourth quarter for the S&P 500.

Options expiration week in October provides plenty of opportunity. On the Monday before expiration the DJIA has only been down six times since 1982 and the Russell 2000 is up twenty of the last twenty-five years, seventeen straight from 1990 to 2006. Expiration day has a spotty record as does the week as a whole. After a market bottom in October, the week after options expiration is most bullish; otherwise it is susceptible to downdrafts.

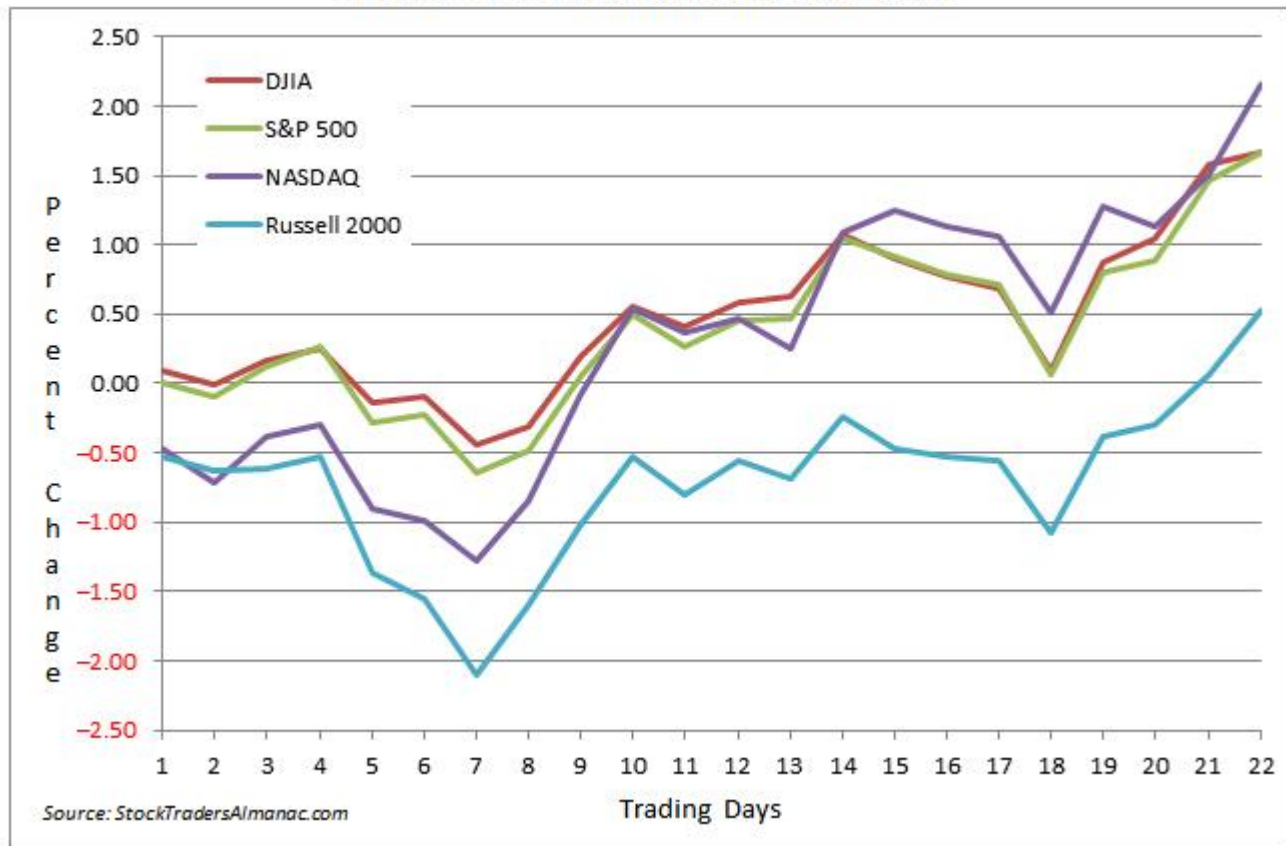
Pre-election year Octobers are ranked dead last for DJIA (since 1951), NASDAQ (since 1971), and Russell 2000 (since 1979); second worst for S&P 500 (since 1951). Eliminating gruesome 1987 from the calculation only provides a moderate amount of relief. Should a meaningful decline materialize in October it is likely to be an excellent buying opportunity, especially for depressed technology and small-cap shares.

Since 1991, October, the first month of the fourth quarter has improved substantially, climbing to fourth best DJIA month with an average gain of 1.6%. It’s the third best S&P 500 month (+1.6%) AND second best for NASDAQ (+2.3%). Russell 2000 has not seen as much improvement with October climbing to #8. October’s typical performance appears in the next chart over the recent 21-year span 1994 to 2014. On average, early month weakness has proven to be an excellent buying opportunity, especially for NASDAQ (purple line) as early losses were quickly recouped leading to an average gain of over 3% from early month lows to the close

### **New Ideas for October Seasonalities**

Transports enter their historically favorable season at the beginning of October and it runs until May. **iShares DJ Transports (IYT)** is attractive below current levels with a buy limit of \$134.08. The stop loss is \$120.67 and auto sell is \$175.95. Top 5 holdings are: FedEx, United Parcel Service, Kansas City Southern, Union Pacific and Ryder System. With nearly 70% of U.S GDP coming from consumers, seasonal strength in the consumer sector overlaps nicely with the transportation sector. All those holiday gifts need to be moved from the factories to the stores. Lower energy prices can also give this trade a boost. If IYT trades below its buy limit, we will cover the IYT short trade and simultaneously establish a new long position.

### TYPICAL OCTOBER TRADING 1994-2014



Crude prices tend to peak along with the end of summer. Driving season and hurricane problems tend to come to an end which is an obstacle to demand while supply continues to abound. Seasonal direction is highlighted in yellow

The weak period for crude is just beginning and could be the catalyst for lower stock prices as evidenced by the chart below.





Shorting the February crude oil futures contract in mid-September and holding until on or about December 9 has produced 21 winning trades in the last 32 years. This gives the trade a 65.6% success rate and theoretical total gains of \$99,860 per futures contract. Following three consecutive years of losses, this trade has been successful for three years straight.



# SEPTEMBER 2015

**Sector Seasonalities: Long = (L); Short = (S)**

Start: Consumer (L), Oil (S)

In Play: Biotech (L), High-Tech (L), Semiconductor (S),

Utilities (L), Cyclical (S), Materials (S), Gold & Silver (L), Transports (S)

Finish: None

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT	SUN
<b>First Trading Day, S&amp;P Up 13 of Last 20</b>  Semiconductor Billings - 9/1	<b>1</b>  <b>Average September Gains Last 21 Years:</b> Dow: <b>-0.5%</b> Up 11 Down 10 Rank #10 Construction Spending ISM Index Vehicle Sales	<b>2</b> S&P: <b>-0.1%</b> Up 12 Down 9 Rank #9 Beige Book Factory Orders Productivity and Costs	<b>3</b> NAS: <b>0.1%</b> Up 12 Down 9 Rank #11 Chain Store Sales Int'l Trade Deficit ISM Non-Mfg. Index	<b>4</b> ECRI Future Inflation Index Employment Rate	<b>5</b>	<b>6</b>
<b>7</b> <b>Labor Day (Market Closed)</b>	<b>8</b>  <b>Day After Labor Day, Dow Up 14 of Last 21</b>  Consumer Credit	<b>9</b>  Import/Export Prices Wholesale Trade	<b>10</b>  <b>In Memory</b>  PPI Treasury Budget U Mich Consumer Sentiment	<b>11</b>  <b>Triple Witching Day, Dow Up 10 of Last 13</b>	<b>12</b>	<b>13</b>
<b>14</b>  <b>Rosh Hashanah</b>  <b>Monday of Triple Witching Week, Russell 2000 Down 10 of Last 16</b>	<b>15</b> <b>Expiration Week 2001, Dow Lost 1370 Points (14.3%), 2nd Worst Weekly Point Loss Ever, 5th Worst Week Overall</b> Business Inventories Industrial Production Retail Sales	<b>16</b>  CPI NAHB Housing Mkt Index	<b>17</b> FOMC Meeting Housing Starts Philadelphia Fed Survey SEMI Book to Bill Ratio	<b>18</b>  <b>Triple Witching Day, Dow Up 10 of Last 13</b>	<b>19</b>	<b>20</b>
<b>21</b>  <b>End of September Prone to Weakness From End-of-Q3 Institutional Portfolio Restructuring Week After September Triple Witching Dow Down 20 of Last 25 Average Loss Since 1990, 1.2%</b>  Existing Home Sales	<b>22</b>  <b>Yom Kippur</b> 	<b>23</b>  <b>Last Day of Q3 Dow Down 13 of Last 17</b>	<b>24</b> Durable Goods New Home Sales	<b>25</b> GDP - Q2 Final U Mich Consumer Sentiment	<b>26</b>	<b>27</b>
<b>28</b>  Personal Income/Spending	<b>29</b>  Agricultural Prices Consumer Confidence	<b>30</b>  <b>Last Day of Q3 Dow Down 13 of Last 17</b> ISM-Chicago	<b>*Tuesdays:</b> Weekly Chain Store Sales & Avg Hourly Earnings <b>*Wednesdays:</b> Oil & Gas Inventories <b>*Thursdays:</b> Weekly Unemployment Report, Weekly Mutual Fund Flows & Weekly Natural Gas Storage Report <b>*Fridays:</b> Weekly Leading Economic Index <b>*Except holidays</b>			
Economic release dates obtained from sources believed to be reliable. All dates subject to change.		 Bull symbol signifies a favorable day based on the S&P 500 Rising 60% or more of the time on a particular trading day 1994-2014	 Bear symbol signifies an unfavorable day based on the S&P 500 Falling 60% or more of the time on a particular trading day 1994-2014			

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## **Undervalued Small Cap Stocks**

**Lower Priced stocks that look to be a buy:**

**Repro-Med Systems, Inc ( OTCQX: REPR 0.31 )\*** is now a member of the OTCQX, a leading U.S. Stock Exchange. Repro-Med Systems is a unique U.S. manufacturer of proprietary and patented medical devices world-wide which maintains offices and manufacturing facilities in Chester, NY. Principal products include the Freedom 60 Syringe Infusion System, RMS High-Flo Subcutaneous Safety Needle Sets and the RES-Q-VAC Medical Suctioning Pump. In addition to being regulated by the FDA which has the authority to approve medical devices for marketing in the U.S., RMS complies with ISO International standards for quality development and manufacturing. RMS Medical Products is a d/b/a of Repro-Med Systems, Inc which was founded in 1980.

The Freedom60 has a proprietary technology that makes it desirable for the delivery of medications in a variety of therapies. It is very popular for the delivery of subcutaneous immunoglobulin for the treatment of primary immune deficiency disease. The infusion pump uses “dynamic equilibrium” which safely adjusts the flow of medication in accordance with what the patient’s body can accept. This minimizes complications often encountered with other infusion systems which can lead to site reactions and discomfort for the patient. The portability and simple operation of the FREEDOM60 Improves quality of life for patients who otherwise might have to use a complicated electronic pump mounted to a cumbersome infusion pole. Patients then don’t have to be confined.

RMS High-Flo Subcutaneous Safety Needle Sets are being welcomed by healthcare providers and patients alike for their consistently high quality. The infusion sets are an ideal companion for the company’s FREEDOM 60 pump. The needle sets are patented and approved by the FDA. There has not been a new technology in needles other than Repro Med’s vastly better needle sets in quite some time.

RES-Q-VAC is a hand-held suction pump used to clear a patient’s airway or for other purposes when reliable hospital quality suctioning is needed. It uses patented technology to protect users from airborne pathogens and spillage of suctioned material. It is used by emergency service personnel and other first responders, as well as in hospitals and other institutions. There also is a version for use by dentists. RES-Q-VAC is invaluable in the event of disasters where power is lost because it doesn’t require electricity.

The Freedom 60 Syringe Infusion System is a method for administering medication through a small needle to the subcutaneous tissue, which is the fatty tissue just under the skin. Subcutaneous infusion allows medication into the vascular system more slowly. Combined with

more frequent delivery this provides more consistent and stable blood levels. The elimination of large swings in these levels decreases side effects improving overall quality of life. RMS provides High-Flo needles to optimize liquid flow. Their smaller 26 gauge high flow needle flows at the same rate as the considerably larger 24 gauge needles, which are considerably less painful when entering the skin.

The Freedom 60 has had great success in Europe reflected in a huge sales increase of 47.8% first quarter 2015 up from same quarter 2014.

Repro-Med Systems, Inc has had an increase in sales each of the last four years. They finished the year of 2014 with \$ 11.2 million in sales reflecting top line growth of 29% from 2013. In each of the previous two years they had a 12% increase in sales. The company has had at least \$ 700 thousand of net income in each of the past four years and has no debt. The patented needle sets alone can give the company a huge growth potential. In my opinion, with new products coming on stream, the stock should trade between \$ 3 and \$ 8 in the next two years.

**Immune Therapeutics, Inc. (IMUN 0.19)\* Buy now. IMUN** Naltrexone is an opioid antagonist used primarily in the management of alcohol and opioid dependence; the FDA approved Naltrexone in 1984 at 50mg. However, in much lower doses there is "Accumulating evidence suggests LDN can promote health supporting immune-modulation, which reduces various oncogenic inflammatory autoimmune processes.

The value of Naltrexone as an immune modulator was recognized by Dr. Ian Zagon at the University of Pennsylvania.<sup>2,3</sup> The late Dr. Bernard Bihari, a Neurophysician from New York, USA (who passed away on May 16th, 2010) began treating his patients in the late 1980s<sup>4,5</sup>. Since that time, many doctors throughout the United States prescribe LDN for a number of indications including Multiple Sclerosis (MS), Parkinson's disease, Crohn's disease, HIV/AIDS, cancer and other autoimmune and inflammatory diseases.

A number of research and clinical trials have been completed and undergone in regards to LDN immunotherapies, with phase I and phase II clinical trials successfully run at a number of universities in the United States and Europe, including Pennsylvania State University Medical School at Hershey; University of Chicago; State University of New York; SUNY Upstate Medical University; London Health Sciences Centre - University Hospital, USA; Alpert Medical School of Brown University; Department of Neurology, San Raffaele Scientific Institute; Division of Rheumatology, St. Louis College of Pharmacy; Department of Internal Medicine, University of Utah; Jondi-Shapoor University of Medical Sciences; Department of Psychiatry & Behavioral Sciences, Duke University Medical Center; and Multiple Sclerosis Center at UCSF<sup>6</sup>. These efforts were pioneered by leading immunologists Dr. Nicholas Plotnikoff, Dr. Ronald Herberman, Dr. Bernard Bihari, Dr. Angus Dalgleish, Dr. Ian S. Zagon, Dr. Jill Smith, Dr. McLaughlin, Dr. Jacqueline McCandless, and Moshe Rogosnitzky, among others.

## **HOW LDN WORKS**

The mechanism of action of naltrexone, in autoimmune diseases and cancer, is still being researched, but there are theories as to the mechanism of action that both explain why LDN works on both autoimmune diseases and cancers, as well as inflammatory disease.

According to Mark J. Donahue's paper on LDN that uses interviews from Dr. David, Gluck, Dr. Jacquelyn McCandless, Dr. Jarred Younger, and Dr. Ian Zagon:

"LDN is an opioid antagonist that not only blocks the reception of opiates, but also the body's own endogenous opioids - endorphins. However, because LDN is administered in such a 'low dose' it is believed that LDN only briefly (for 3-4 hours) obstructs the effects of endorphins. Sensing an endorphin deficit, the hypothalamus signals for increased production of endorphins in what is called 'the rebound effect.' The rebound effect results in three things happening:

The study of immune cell glial interactions is in its infancy. Glial cells are the immune cells in your central nervous system (brain, spinal cord). They are very involved in dysregulation of pain systems, neuroinflammation, and some neurological diseases such as Multiple Sclerosis, Alzheimer's, Parkinson's disease, Autism, ALS, infections of the brain.

LDN has treated Crohn's Disease, HIV/Aids, Multiple Sclerosis, Autism, Fibromyalgia, Prostate Cancer, Hepatoblastoma, Gastrointestinal Disorders, Melanoma, Gulf War Syndrome, based on clinical studies and patient data.

Recently the company received its first license to sell their drug in Nigeria. The potential revenues could be just in Nigeria alone over 50 million plus. . There world -wide potential is unlimited and could exceed 2-3 hundred million in the next few years. This stock has tremendous potential and we believe could trade easily over one dollar per share by the end of 2015.

**Enzo Biochem (ENZ 3.21) Bought at our price of \$ 2.78.** This turbulent market has had an effect on the price of Enzo Biochem. The markets, in my opinion, have been in a rotating correction and in some instances, a bear market for some months. It appears that the cause of this is China but I am sure that there are other factors. If you remember the 'flash crash' of 2010 the market correction was over quickly and those that held through that market decline profited handsomely over the years after the crash. I think that the market is giving us another chance to buy Enzo Biochem at a bargain price. The Company's fiscal year was over July 31. I would imagine the Quarter and Year results will be made available by mid-October. With the cash settlement in two litigations the cash position should show a major improvement. Top line revenues should also show an improvement. Depending on R&D expenses and litigation expenses the net loss should also show improvement. At today's price of \$2.90 the Company is valued at approximately \$130 million and with revenues approaching \$100 million or 1.3 times revenues. The last Craig Hallum report had a fair value of Enzo's business of \$6 per share. When Ampiprobe is approved and into the market that number is projected at \$14 per share. There is always risk in the market so the investment is not without risk but if held over time should deliver handsome profits off of today's price. Items to look forward to by the end of the year would be litigation news and an Ampiprobe decision all of which should have a positive impact on the stock price.

**Premier Holding Corporation (PRHL: 0.06)\* Volume on Friday 27,200 shares. Shares Outstanding 189,218,861** We initiate coverage of the Premier Holding Corporation with an immediate target of \$ 0.65, which would be 10x the current closing price which was also the bid price offered mostly at \$ 0.07. The deregulated energy business is estimated to be a \$ 500 billion+ industry in the U.S. and is estimated to be 5-7 times larger than the lucrative telecom deregulation market launched in the early 1980's. According to the U.S. Energy Information Administration the deregulated retail electric supply market in the northeast alone is over \$ 75 billion annually and the current New York market is approximately \$ 7.7 billion.

In February 2013 they purchased 80% of the Power Company ( "TPC" ) which is in the deregulated energy space, a \$ 500 billion market. The company offers electricity and gas to consumers in the deregulated energy markets. PRHL through its subsidiaries accumulates residential and commercial

clients in deregulated markets from all subsidiaries and cross sells energy and energy efficient products and services. In addition PRHL provides top management and financial support services. They provide two basic deliverables to clients: (1) Energy alternatives brought about by deregulation that result in lower cost energy and (2) Offer energy efficient solutions that provide savings through utilization of state of the art technologies. When Premier acquired TPC, they had sold 11,000 energy contracts. Today that number is over 100,000 contracts. (Residential Equivalent Contracts)

## **Fundamental Analysis Stocks To Buy with Stops**

The HDGE surged last week to 11.44 its best close above both the 13 and 50 day price moving averages. The break-out above 11.04 was the buy signal and an opportunity to make money while the markets are plummeting. We bought the HDGE @ 11.04. HDGE is the BEAR hedge. We were able to buy Golar. We bought Golar and were stopped out at \$ 41.90 for a loss of \$ 196 plus commissions. Don't be discouraged. It can take time to get a good trade on the books. At times it can take up to three attempts. Use stops. Keep losses small. We were able to buy Southwest Air (LUV) at 30.50. We bought Harley Davidson (HOG) at 54. We bought Virgin Air (VA) at 32.20. Please check on the previous weekly market letters if there are questions. We are long in Diana Shipping at 6.60. DSX is looking better and you should buy now if not already long. We bought Bank of America and continue to like the banking sector.

Symbol	Name	Business Description	PE	P/S	MV mln	Price	Buy Limit	Stop Loss Or sold
VA	<b>Virgin Air</b>	Regional Airlines	7.2	1.0	1.5B	<b>35.42</b>	<b>32.20</b>	29.50
LUV	<b>Southwest Air</b>	Regional Airlines	16	1.15	22.6B	<b>38.09</b>	<b>33</b>	32.31sco
HOG	<b>Harley Davidson</b>	Consumer Goods	14	1.87	11.6B	<b>53.88</b>	<b>54</b>	52.39sco
ENZ	<b>Enzo Biochem</b>	Life Sciences	NA	1.35	134M	<b>3.21</b>	<b>2.78</b>	2.44x
BAC	Bank of America	Commercial Bank	10	2.02	165.3B	<b>15.89</b>	<b>16.45</b>	15.22x
HDGE	Advisor Shares	Ranger Bear ETF				<b>11.44</b>	<b>11.04 X</b>	11.00X
GLNG	Golar	Liquefied N.G. Hedging	NA	30.39	3.14B	34.48	32.44	30.50
DSX	Diana Shipping	Dry Cargo Shipping	N/A	3.7	611	<b>6.84</b>	<b>6.60</b>	5.90

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When there is no movement in penny stocks, even though there is none or very small losses, we will liquidate ( sold AIVN on stop ) even though we like the company, if money is needed for better opportunities.

We now believe REPR represents upside opportunity. The Target ADR trades at about \$ 4.50 in U.S. vs 0.05 in Australia. Princeton owns 400,000 Australia shares and about 900 U.S. ADR's.

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## **CONTACT**

Please Direct All Inquiries To:

**Mike King  
(702) 650-3000**

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

**Charles Moskowitz  
(781) 826-8882**

**[CAM@MoneyInfo-LLC.com](mailto:CAM@MoneyInfo-LLC.com)**

**Princeton Research  
3887 Pacific Street, Las Vegas, Nevada 89121**

**[www.PrincetonResearch.com](http://www.PrincetonResearch.com)**