

# WEEKLY MARKET STRATEGIES

Stocks ■ Bonds ■ Interest Rates ■ Natural Resources ■ Currencies ■ Venture Capital ■ Gold

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## I. MARKET LABORATORY – WEEKLY CHANGES

<b>Dow</b> 8,277.32 +8.68 +0.10%	<b>Nasdaq</b> 1,692.01 +11.87 +0.71%	<b>S&amp;P 500</b> 887.00 +4.12 +0.47%	<b>Transportation</b> 3,005.79 -47.22 -1.55%	<b>Russell 2000</b> 477.62 +1.78 +0.37%	<b>Nasdaq</b> 100 1363.17 +8.06 +0.59%
<b>Gold</b> 958.50 +27.60 +3.0%	<b>Silver</b> 1469.5 +68.5 +4.9%	<b>Crude</b> 61.67 +5.33 +3.6%	<b>Heating Oil</b> 156.42 +11.86 +8.4%	<b>Unleaded Gas</b> 1.6806 +.1301 +7.7%	<b>Natural Gas</b> 3.515 -.583 -14.2%
<b>VIX</b> 32.63 -0.49 -1.5%	<b>Put/Call Ratios</b> <b>OEX</b> 143/100's +19/100's	<b>Put/Call Ratios</b> <b>CBOE Equity</b> 64100's +1/100's	<b>Bonds</b> 119-10 -3-19 (4.39% +0.31%)	<b>10 Yr Note</b> 119-055 -2-11 (3.45% +0.32%)	<b>Copper</b> 209.75 -8.00 +4.0%
<b>CRB Inflation Index</b> 244.10 +7.86 +3.3%	<b>Barron's Confidence Index</b> 66.2% +9.5%	<b>S&amp;P100</b> 414.48 +0.48 +0.06%	<b>5 Yr Note</b> 116-22 -292 (2.21%+ 0.21%)	<b>Dollar</b> 80.02 -3.00 -3.6%	
<b>AAll Confidence Index</b>	<b>Bullish</b> 33.7% -10.1%	<b>Bearish</b> 45.4% +10.2%	<b>Neutral</b> 20.9% -0.1%		

## II. ECONOMIC NEWS

Housing Starts and Permits for April both fell to record lows. Starts fell 12.8% from March to an annualized rate of 458K units well below the consensus of 520K. Permits fell concomitantly 3.3% to an annualized rate of 494K ( consensus 530K ). Housing starts and Permits are at extremely low levels and not likely to improve anytime soon with such a large burden of supply of unsold and foreclosed homes on the market. The continued layoffs and rising unemployment just extends the glut of unsold homes. Government action to boost mortgage lending may be required to stabilize the industry and stem the slide in real estate values.

Initial Unemployment Claims for the week ended May 16<sup>th</sup> totaled 631,000 ( consensus 625,000 ) was down from an upwardly revised reading of 643,000 the prior week ( consensus 637,000 ) but remained very dismal reading, as there is no end in sight to joblessness. Continuing Claims jumped to a record 6.662 million reflecting the very weak U.S. job market.

### III. ECONOMIC NUMBERS AND MEDIA DATA

<b>MONDAY</b>	Markets closed in U.S. for Memorial Day Holiday; U.K. markets also closed. Japan publishes its monthly report on the economy. General Motors (GM) may file for bankruptcy this week ahead of the June 1 government deadline.
<b>TUESDAY</b>	09:00 hrs S&P/Case Shiller Home Price Index for March ( -18.4% vs -18.63% ) Microsoft unveils a new version of its internet search engine at the Wall Street Journal's Digital Tech confab, through Thursday. 10:00 hrs Consumer Confidence ( 42.0 consensus vs. 39.2 )
<b>WEDNESDAY</b>	08:30 hrs Durable Goods Orders ( 0.5% vs. -0.8% ) Durable Goods ex-Transport ( -0.3% vs. -0.6% ) 10:00 hrs Existing Home Sales ( 4.65 mln vs. 4.57 mln ) Target, BJ's Wholesale, Toll Bros and John Deere report earnings
<b>THURSDAY</b>	08:30 hrs Initial Unemployment Claims for 05/23; Last week +631K 10:00 hrs New Home Sales ( 363K vs. 356K ) Dallas Fed president Richard Fisher speaks about the economic crisis.
<b>FRIDAY</b>	08:30 hrs GDP ( -5.5% vs. -6.1% ). GDP Deflator ( 2.9% vs. Unchanged ) 09:45 hrs Chicago PMI ( 42.0 vs. 40.1.) Michigan Sentiment ( 68.0 vs. 67.9 )

### IV. INDEX OPTION RECOMMENDATIONS

Two weeks ago we recommended the purchase of the DOW June 87 put (**DAVRI**) when the DOW traded below 8,358. We are holding the option at a small profit. Take half profits at DOW 8,100 and the remaining half at 7,900. Place a stop at half the cost of the option.

For investors it has continually been recommended that some puts are held to protect one's portfolio (portfolio insurance) against sharp market sell-offs. New and/or additional positions should have been bought on the rally into early/mid May or one can wait until the rally into July.

For those who have no put options to protect your portfolio we recommended the following options, especially on any rally: the DOW September 82 puts (**davud**) or the June 84 puts (**davrf**) and the QQQQ June 34 puts (**qavrh**) or September 33 puts (**qavug**).

For those of you who do not buy puts to protect your portfolio, there is an ETF that is the inverse of the DOW. The symbol is **DOG** and goes up when the DOW goes down and down when the DOW goes up.

### V. STOCK OPTION RECOMMENDATIONS

- ▶ All options count for 5% each for model portfolio calculations.
- ▶ When the option has doubled sell half the position.
- ▶ Stop Loss protection is 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.

### Previous Week's Recommendations:

Option	COST	Date	Sold	Date	Profit/(Loss)
DAVRD	2.00	5/18/09			
QQQRI	2.18	5/18/09			
CQWEF	4.70	5/15/09	1.85 stopped out	5/22/09	( 60% )
QCYFD	1.45	5/15/09			
DAVRI	4.80	5/13/09			
DZGFQ	1.85	5/8/09	3.40 ( half )	5/15/09	
IBBFM	2.90	5/8/09			
COHRH	2.75	5/1/09			
XJZRL	1.87	5/1/09	1.10 stopped out	5/6/09	( 41% )
ENZFL	1.70	4/24/09			
NGHQC	2.65	4/24/09	2.60	5/15	( 2% )
DAVQF	5.20	4/20/09	2.60 stopped out	5/4/09	( 50% )
GGEE	3.00	4/17/09	6.00( half ) 8.40 ( half )	5/7/09 5/15/09	140%
QQQQI	2.60	4/20/09	1.65	5/15/09	( 37% )
STPQZ	2.00	4/17/09	0.50 stopped out	5/4/09	( 75% )
SZSER	2.52	4/10/09	1.25	5/15/09	( 50% )
TGTQH	2.40	4/10/09	0.45 stopped out	5/7/09	( 81% )
QCYEC	2.45	4/3/09	4.90 ( half ) 4.60( half )	4/3/09	94%
QAVPF	2.13	3/30/09	0.50 stopped out	4/9/09	( 77% )
TGTPG	2.19	3/27/09	1.15 stopped out	4/2/09	(47% )
BNQDZ	2.30	3/20/09	2.30	4/17/09	0%
QAVPE	1.90	3/20/09	1.50 stopped out	3/23	( 21% )
XOKDC	4.40	3/13/09	7.50 ( half ) 7.00 ( half )	3/19/09 3/30/09	65%
CHLDI	2.50	3/13/09	3.10	4/17/09	24%
QGJDV	2.10	3/13/09	3.40	4/17/09	62%
QCBDA	0.90	3/6/09	3.00 ( half ) 4.00 ( half )	3/13/09 3/30/09	289%
NDQDU	0.70	3/6/09	1.85 ( half )	3/16/09 4/17/09	204%
FPADF	6.35	3/6/09	9.00 ( half ) 10.35 ( half )	3/13/09 3/30/09	52%
DIJDL	4.80	3/9/09	9.40 ( half ) 10.85 ( half )	3/16/09 3/23/09	111%
FJJDW	2.95	2/27/09	4.80 ( half ) 5.10 ( half )		68%
TBTDT	4.35	2/27/09	0.80 stopped out	3/30/09	( 84% )
QBYDZ	0.70	2/27/09	0.50 stopped out	3/5/09	(29%)
XOKDW	4.35	2/27/09	2.60 stopped out	3/2/09	(40%)
GLDOV	5.50	2/20/09	8.30 ( half ) 6.50 ( half )	2/26/09 3/20/09	35%
ENZDZ	1.95	2/20/09	1.95	4/17/09	0%
DIJCS	5.05	2/23/09	2.90 stopped out	2/27/09	(43%)
TGTOF	2.40	2/13/09	4.05 ( half ) 4.80 ( half )	3/9/09 3/2/09	84%
BHPCH	4.70	2/13/09	1.00 stopped out	3/2/09	(79%)

**Note: Previous closed out option positions can be found in the February 23, 2009, January 19, 2009, September 15, 2008 and November 24, 2008 newsletters.**

### Option Comments:

We got stopped out of the CQWFF option. We warned you that the stock is very volatile and Medicare reimbursements worries are pushing the stock down (we feel that worry is not justified and still like the stock).

### New Recommendations:

**AMZN**- Amazon.com- 75.64- has been forming a two month top formation and looks ready to break down. A close below 73 would be very bearish (a break down out of a head and shoulder top formation). We will not wait for 73 to be broken but buy puts now and keep a tight stop. Buy the June 75 Put- **ZQNRO**- 3.20- for a move back to 70 and then lower. Place a stop loss on the option when the stock closes over 80. Take half profits when the stock is at 70.

**LHCG**- LHC Group- 22.86- broke up out of a base formation last month and rallied to resistance at 30. Has now pulled back to support around 22-23 so calls are timely. Buy the June 22 ½ Call -**HQCFX**- 1.90- for a move back to 25-26 and then possibly higher. Place a stop loss on the option if the stock closes below 20. Take partial (half) profits when the stock is at 25.

## VI. MODEL STOCK PORTFOLIO

- Each stock is allocated a 5% share of the portfolio (unless otherwise indicated).
- We recommend a 10% position in ENZ and CAGC.

Stock	Purchase Price	Purchase Date	Stop/Loss	Price/Date Sold	Profit/(Loss)
CSR	6.26	5/15/09	5		
DUG	17.56	5/8/09	16	20 ( half ) 5/15	
SPNG	0.0197	5/1/09	0.013	0.03 (half )5/14	
GG	27.01	4/17/09	25	30 (half) 5/6/09	
FXI	31.85	4/10/09	28	35 (half)5/8/09	
AMED	29.97	4/3/09	26	35 (half )5/4/09	
DUG	22.46	4/3/09	20	20stopped out 5/4/09	(12%)
BOOM	5.23	3/6/09	4.00	14.18 half (4/20/09	
NGLS (10%)	8.67	11/28/08	6.00	.9.70 (4/20/09)	18%
ENZ (10%)	4.29	11/21/08	2.50		
CAGC (5%)	1.35	9/19/08	0.40		
CAGC (5%)	0.75	11/17/08	0.40	1.50 (5/5/09)	100%
MTBR	0.09	6/29/08	0.02		

Note: Previous closed out positions can be found in the March 23, 2009 letter.

## New Stock Recommendation

**BCLE**- Bio Clean International- 0.0615- dropped from 0.15 to support at 0.06 in a week so is a timely purchase for a move back to 0.10 and then higher. Is very volatile and speculative and only for high risk accounts. Has a good chance of getting some nice contracts soon. Place a stop loss at 0.04. Take half profits when the stock is at 0.10.

## Model Portfolio Comments/Changes

Take the remaining half profits on our GG position on Tuesday morning. Gold is overbought so should pull back. We will use the Tuesday opening price for portfolio calculations. Many of our portfolio stocks held up quite well this past week. We will hold all positions into our expected cycle top in July.

## **VII. FUNDAMENTAL NEWS**

Treasury yields hit a seven-month high as the benchmark 10 year Treasury yield rose 0.32% to 3.45% and up from 2.75% mid-April. All this occurred while the stock market was flat and the dollar very weak. Traditionally, a quickly rising treasury yield could blunt a stock market rally.

On the other hand, PUT/CALL ratios as posted in the above table ( Above 125/100 in the OEX PUTS according to Barrons is bullish ) are at least friendly albeit their very low volume, as is the huge percentage rise in the Barron's Confidence Index. Uncertainty in the market has led to range trading and a very choppy affair, which could continue into summer months.

Financials led the way Monday with a 7% gain as the Dow rose 235 points. It was just the fourth-beginning-day of the week up day as sixteen of them have been losers so far this year with five down at least 250 points or more. Bear markets are traditionally populated with "Blue Mondays." At least May was more balanced with two of the three weekly openers on the plus side. The good news has been that banks have been able to raise the necessary cash to repay TARP lending.

Bad news came at the close last Wednesday when the Fed released minutes from its April FOMC meeting lowering their GDP projections for the remainder of this year as well as 2010 and 2011. Their new demure forecast threw cold water all over what could have been a more robust up-week, dampening bull spirits and sent stocks into a defensive posture the rest of last week. The DJ Transportation average led a decline falling 1.55% on the week, not too bad, but the worst decline for any of the indexes. The Dow, S&P 500, Nasdaq and Russell all managed to post slight gains for the week, at the expense of the dollar, with the DOW holding at an important support (DOW 8,200) level.

The greenback continued to give up ground plummeting 3.6% for the week. This gave commodities, especially Gold + 3% and Crude +3.6%, a boost and the CRB advancing 3.3%.

## **VIII. TECHNICAL INFORMATION**

The week before last week was a down option expiration week. The few days following such an expiration are then usually up days. That is exactly what happened early last week with the market rallying sharply last Monday. The rallies on Tuesday and Wednesday were on low volume and ended up with a sharp reversal on Wednesday. The sell off on Thursday May 21 got down to just about exactly the lows made Friday May 15 at DOW: 8,221, S&P 500: 879 and QQQQ: 33.31 (compared to 32.95 on May 15) and then bounced to close above those levels. We have been looking for a high in our cycle time frame due in late April/early May (plus or minus a week) and the highs

came in on Friday May 8 at DOW: 8,587 and at S&P 500: 930 and on May 6 at QQQQ: 35.34. We have a short term cycle due now in mid-late May and another one mid-June. It is possible that the cycle low was made on May 21. The action this week will tell us. Closes below the May 15/21 lows at DOW: 8,221, S&P 500: 879 and QQQQ: 32.95 would confirm that a steeper sell off was in progress, possibly only bottoming mid-June. If these levels hold then the market will indicate strength and can then rally into our next intermediate cycle in July (with a possible low in mid-June). This past week put option buying increased (showing pessimism) but is not yet at the levels associated with a good bottom. Also, the momentum oscillators have turned down indicating that more selling is likely. Below the May 15/21 lows there is support at the April 28 lows at DOW: 7,939, S&P 500: 847 and if these levels are broken then there is support at the April 21 lows at DOW: 7,791, S&P 500: 826 and QQQQ: 32.08 and then at the April 7 lows at 7,750, S&P 500: 814 and QQQQ: 31.21. If those lows are broken then there is support at the March 30 lows at DOW: 7,437, S&P 500: 779 and QQQQ: 29.65. If there are closes above the May 6/8 highs then the upside targets are DOW: 9,000, S&P 500: 980 and QQQQ: 38.00. Once the pullback is over, whether it is sharp or shallow, we expect higher prices into our intermediate cycle in July. A pullback that breaks the support at DOW: 7,750 S&P 500: 814 and QQQQ: 31.21 would show market weakness much greater than we expect at this time and the lows at DOW: 6,979, S&P 500: 724 and QQQQ: 27.71 could then be tested. The parameters to watch are thus very clear and let the support and resistance levels govern your trading and your stops. We are in a bear market that appears to be far from over and we expect lower prices later this year. However, every bear market has several good rallies that can last from a few weeks to a few months and are definitely worth playing. We are in one of those rallies now.

The support and resistance levels to watch now are: S&P 500: support is at 879, then 866, then 847, then 826, then 814 then 766 while resistance is at 930, then 944 and then 1008 for the QQQQ: support is at 32.95, then 32.08, then 31.21, then 29.65, then 28.98 and then 27.7 while there is resistance at 35.34 and then 36.15 and for the DOW: support is at 8,220, then 8,099, then 7,939, then 7,791, then 7,759 and then 7,437 while there is resistance at 8,587-92 and then 9,026-9,088.

## **IX. CYCLES**

We had an intermediate-term cycle due in late February/early March (plus or minus a week) and the low came in on March 6/9. The next important cycle was due in late April/early May (plus or minus a week) and it came in on May 6/8. The cycle following that one is a short term cycle in mid/late May (expected to be a low which could have come in on May 21) and another short term cycle in mid-June. An intermediate cycle is due in early/mid July (expected to be a high).

## **X. LEGAL DISCLOSURE**

### **Rule 17B requires disclosure of payment for investor relations**

Princeton Research has received about \$ 2,500 per month from MTBR with asterisk. MTBR is reviewing a contract which would pay \$ 2,500 per month plus some restricted shares. The main principal of Princeton Research has obtained his own shares amounting to 2,500,000 shares.

Princeton Research has received 550,000 restricted shares from BCLE in exchange for investor relations services.

## **XI. CONTACT**

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## **XII. UNSUBSCRIBE**

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