



STOCK WORLD WEEKLY

THE EXECUTIVE'S SUMMARY | OF THE GLOBAL MARKETS

Dow Jones	12,092 (+2.3%)
S&P 500	1,311 (+2.7%)
NASDAQ	2,769 (+3.1%)
NYSE	8,289 (+2.8%)
Russell 2000	800 (+3.2%)
Oil	89.02 (-0.3%)
Gold	1,348 (+0.9%)

THIS WEEK'S NEWSLETTER:

MONDAY - MUBARAK'S MOOD MAY MOVE MORNING MARKETS

Protests in Egypt put markets on edge

TECHNICAL TUESDAY - CHARTING OUR FUTURE

Markets pop as Dollar drops

GROUNDHOG WEDNESDAY - THE BOJ SEES NO SHADOW!

Bank of Japan board member says economy is on track to improve

NO SALE THURSDAY - WILL THE DOLLAR SAVE RETAIL OR DOOM US ALL?

Bernanke says economy is getting stronger but still requires more liquidity while employment lags

FEDERALLY FUNDED FRIDAY - BERNANKE SAYS MORE FREE MONEY!

Non-Farm payroll numbers miss expectations by over 100,000 - economists "confounded"

THE WEEK AHEAD

The fires unleashed by rampaging inflation in food prices are now sweeping across the Middle East and Asia. Governments in the region are **teetering, toppling or bending over backwards** trying to appease their outraged populations in the wake of a fast-spreading outbreak of popular discontent. This is not surprising when tens of millions of long-suffering people are driven past the breaking point by explosive price increases in basic foodstuffs.

The decades-long repression that kept the Egyptian population under control is no longer sufficient to maintain order when people can no longer afford to buy food. **Violence is escalating in Egypt** as millions of protestors demanding the resignation of Mubarak clashed with small groups of well-armed supporters of the regime. Heavy gunfire echoed in the streets of Tahrir Square in Cairo as **government loyalists opened fire upon anti-government protestors**, adding to a death toll already in the hundreds.

The Egyptian police have long enjoyed a reputation for being brutal thugs, with a **well known and long-documented history of using harassment and torture** against political dissidents. This makes the unrest in Egypt even more notable, since protestors know that should the regime survive this revolt, the odds are very good that they will suffer retribution from police and other officials.

The crisis in food prices is now reaching a point where it is beginning to significantly affect the global financial system. On Thursday, February 3, the closely watched U.N. Food and Agriculture Organization Food Price Index marked the highest level since records began in 1990, climbing to a high of 231 in January, up 7.4% from December's 215 and topping the peak of 224 reached at the apex of the last food crisis in June 2008. This index was at 167 in July 2010, and has increased by over 38% in the last six months alone.

A six-month increase of 38% in the price of food would be enough to cause concern among the wealthiest, most food-secure countries in the world. With billions of people spending 40% or more of their income on food, an increase of this amount is enough to push hundreds of millions of people to the point where they are quite literally no longer able to survive.

What are the root causes of these worldwide increases in food prices? We believe three primary factors are involved: quantitative easing, speculation in commodity markets, and bad weather.

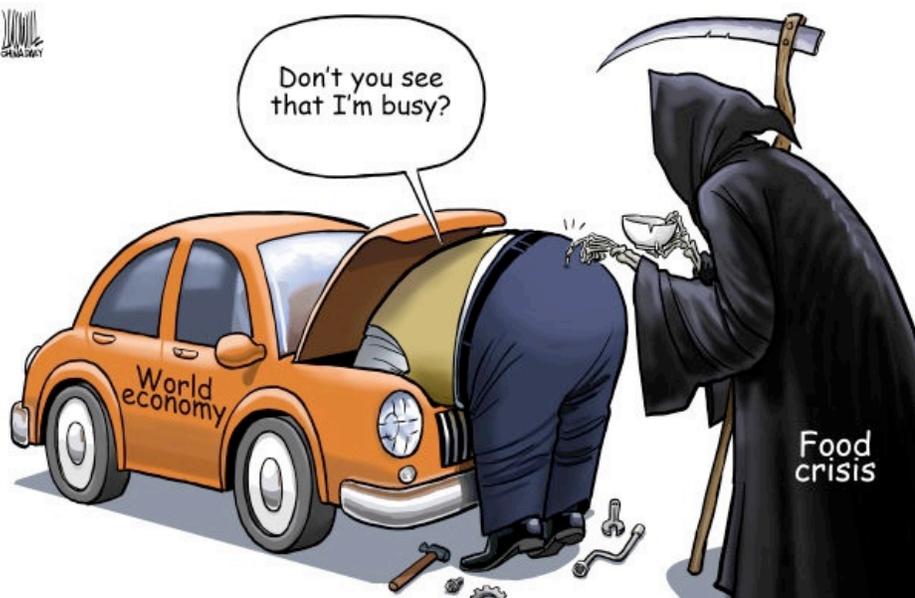
Quantitative easing means that literally tens of billions of Dollars are being pumped into the economy via the Primary Dealers and the Permanent Open Market Operations (POMO) that are being conducted almost daily. While there is much debate as to whether or not this is actually inflationary, there is little doubt that the prices of stocks and commodities have gone up over the last six months.

Speculation in commodities such as wheat and soybeans is a major factor contributing to the global crisis. As futures trader Ann Berg succinctly explained, "What for a poor man is a crust, for a rich man is a securitized asset class." At one time food was not very useful for speculative investment, since it is usually too perishable to be stored until it can be sold for an optimal price. This changed with the development of Exchange Traded Funds (ETFs) and a variety of financial innovations that allowed various foodstuffs to be traded on futures markets.

How has this worked out? "According to a study by the now-defunct Lehman Brothers, index fund speculation jumped from \$13 billion to \$260 billion from 2003 to 2008. Not surprisingly, food prices rose in tandem, beginning in 2003. Hedge fund manager Michael Masters estimated that on the regulated exchanges in the U.S., 64 percent of all wheat contracts were held by speculators with no interest whatever in real wheat. They owned it solely in anticipation of price inflation and resale.

"George Soros said it was 'just like secretly hoarding food during a hunger crisis in order to make profits from increasing prices.' An August 2009 paper by Jayati Ghosh, professor at the Centre for Economic Studies and Planning at Jawaharlal Nehru University in New Dehli, compared food staples traded on futures markets with staples that were not. She found that the price of food staples not traded on futures markets, such as millet, cassava and potatoes, rose only a fraction as much as staples subject to speculation, such as wheat." (The Egyptian Tinderbox: How Banks And Investors Are Starving The Third World)

What about bad weather? As the old adage goes, "when it rains, it pours." In this case literally so. Concerns about the massive snowstorm dubbed "Stormageddon" damaging the U.S. winter wheat crop helped push wheat prices to 2-1/2 year highs. Meanwhile, Sugar prices surged to three-decade highs as traders worried that flooding caused Cyclone Yasi would result in major damage to Australia's sugar cane crop.



With food price inflation already being a major problem even before these storms hit, we are now more concerned than ever about the impact of runaway food prices on the global economy.

Monday - Mubarak's Mood May Move Morning Markets



The markets tumbled during the previous Friday as events in Egypt sparked a flight to safety among investors. The Dollar's strength dragged the equity markets down. However, that pattern reversed on Monday. The Dollar dropped from 78.2 early in the day down to 77.6 by midday before recovering to 77.9 at the end day. This Dollar smack down helped rally the markets. The popular rebellion in Egypt continued to dominate the news, as President Mubarak remained in office, defying demands for his immediate resignation by the millions of protesters marching in the streets of Cairo, Gaza, Alexandria and other cities.

ready, willing and able to buy the bonds of various EU nations. We learned that the Dollar can still fall 5% (from 81.44 on November 30) despite Europe's very obvious problems and Japan's MASSIVE 200% Debt to GDP ratio. We learned that Uncle Ben will never stop printing money (until forced) and we learned that commodities can rise much faster than even our aggressive "Secret Santa" plays anticipated, with every one of our hedges (XHB, XLE, DBA and XLF) already over our year-end targets, all on track for gains well over 100%."

1/31/11	Dow	S&P	NAS	NYSE	RUT
TODAY	11,892	1,286	2,700	8,139	781
PREVIOUS	11,824	1,276	2,687	8,062	775
% CHANGE	+0.58	+0.77	+0.49	+0.95	+0.77

There was concern among investors that the Egyptian crisis could result in higher oil prices, which would weigh heavily on the U.S. economy. It might also result in the disruption of oil shipments through the Suez Canal. The price of oil went from a low of \$85.55 early Friday, all the way to a high of \$92.44 Monday afternoon, an increase of over 8% in less than 24 hours.

Phil officially kicked off his new "\$25,000 Virtual Portfolio" which will be called the "\$25KP". The premise behind this virtual portfolio is to take \$25,000 and turn it into \$100,000 by December 31st of this year. We'll be reporting on the \$25KP during the year, but you can track its progress by clicking here.

Phil reviewed some considerations that went into the \$25KP. He wrote, "We've learned a lot about the World over the last 60 days. We learned that China, Japan and the IMF are all

StJean posted: "Moody's downgrades the Egyptian debt because of political risks - these guys, one week late and one notch short! The dollar is below the 78 line... Danger! The euro has been bouncing between 1.36 and 1.37 for the last week. Gold is down on what? Fears that the Egyptian looters will flood the market with stolen gold! And oil is stable despite the unrest in Egypt - at least 30% of the world oil transits through the Suez canal."

Phil: StJ - On the whole, I think this all falls apart on the FOREX. "THEY" can't keep the Dollar down if the OPEC boys start to panic. They are doing an amazing job (and they includes The Bernank here) of trashing the Dollar so far. Better than I thought they could, but if the Royal Families and Dictatorships of OPEC begin to stock up their safe houses around the World, there will be a huge demand for dollars that local TradeBots cannot keep a lid on. The Dollar has always been my main bearish premise and now would be a funny time to abandon it.

Technical Tuesday - Charting Our Future

U.S. Equities rallied powerfully on Tuesday, having their best day in two months. Investors downplayed concerns about Egypt and instead focused on the strong [January ISM Manufacturing Index report](#), which was up 3.9% to 60.8 versus December's 58.5. The same report showed the manufacturing input prices index was at 81.5 versus 72.5 in December, an increase of 12.4% in a single month. According to a respondent in the transportation equipment industry, "Continued weakness in the dollar is having a negative effect on the components we purchase overseas and increasing our material costs." A respondent in the chemical products industry reported "Lead times are increasing significantly, and commodity pricing is starting to increase."



they fan the flames of panic, portraying them all as equally huge disasters. Every negative story is exaggerated to make it seem as though it's the end of the world as we know it."

2/1/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,040	1,308	2,751	8,290	799
PREVIOUS	11,892	1,286	2,700	8,139	781
% CHANGE	+1.25	+1.67	+1.89	+1.85	+2.26

The charts of the Dow, S&P 500 and Nasdaq over the last two months, denominated in Euros and Yen, show that when priced in other currencies, January's rallies look less impressive (next page). The gain in equities is at the expense of the relative value of the Dollar, and for those needing Dollars most, and having the

The U.S. Dollar continued sliding from 77.6 down to 76.9 by Tuesday evening. Our UUP (Dollar proxy) versus Dow chart shows the inverse relationship between the Dollar and the Dow persisted. Our motto "as the Dollar drops, the markets pops" still looks good. The Dollar was at 81.5 at the beginning of January and this represents a 5% drop in the value of the Dollar in a single month.

This didn't stop investors from piling into equities, urged on by the advice of perennial market boosters like Jim Cramer who [explains that a strong January means a strong year](#), and therefore we should ignore all the bad news and buy stocks. As Cramer said on Monday, "We now live in a world where the media is in total hurricane disaster mode every single day. They take every geopolitical issue, every weather issue, every story of crime and punishment and

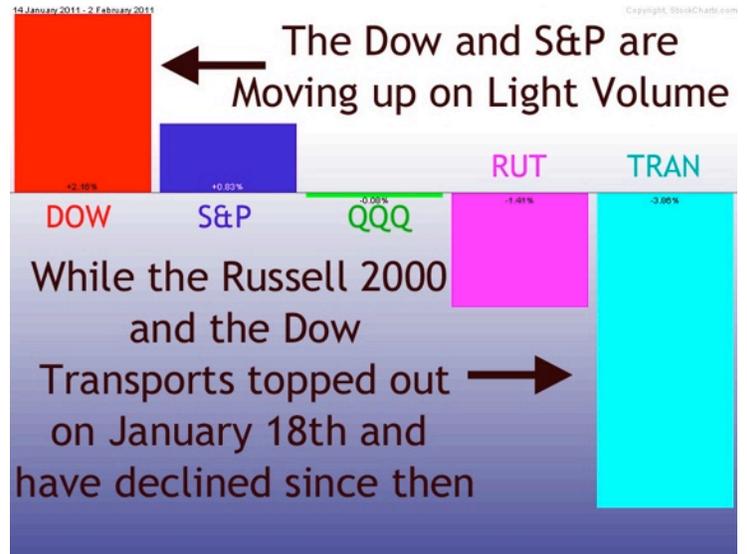
“What??? This can't be right, can it? Our markets are mighty, our markets are strong, our markets are invincible! All true, when priced in a weak currency. Unfortunately, no one (other than our Federal Reserve) pays money at the box office to see "Superman Versus the Girl Scouts," do they? We are pitting our pitiful stock markets against the weakest currency on Earth (weaker than riot-torn Egypt!) and acting like we just beat the World. In truth, the only thing we beat by believing this nonsense is ourselves.” - Phil

least exposure to equities (the bottom 90%), this is a disturbing situation.

Even after Monday's strong gains, and even after enjoying a 2.25% boost for the day, the RUT stalled out at 799.24, just shy of our "Breakout 2" level of 800. The inability of the RUT to break and stay above the 800 level has kept us reluctant to jump onto the bullish bandwagon, though it's awfully close here.

The Dow and the S&P500 indexes, which 99% of the general public use to gauge the markets, are moving higher on light volume. Because these indexes hold stocks that most people know and feel comfortable buying, they tend to keep going up while the rest of the market may silently erode. The basic concept is that big money is quietly moving out of leveraged positions such as small cap stocks, transports, and technology, in anticipation of a market correction. The Average Joe, on the other hand, continues buying into brand name Dow and S&P components thinking everything is peachy, just like Cramer says.

We have a "Perfchart" here showing the period between January 14 and February 2. As we can see, the Dow and S&P are up while the Russell 2000 and the Dow Transports index are both down. While there are only 30 stocks



making up the Dow components, there are 2000 stocks tracked in the Russell 2000, and since these are smaller and lesser-known stocks, they tend to be more useful as a leading indicator than the Dow.

We believe the continuing influence of quantitative easing and the Permanent Open Market Operations (POMO), with the near-daily injection of literally billions and billions of dollars into the economy, is the primary factor fueling the recent rally. The massive injection of liquidity into the financial system is bidding up stocks and commodities, while simultaneously contributing to a declining Dollar, and both factors are helping to boost the markets.



Groundhog Wednesday - The BOJ Sees No Shadow!



The markets were mixed on Wednesday, with the Dow managing a very slight gain while most of the other indexes were moderately down. The Dollar reversed its downward trajectory, bouncing off a low of 76.9 to end at 77.1. Intensifying turmoil in Egypt attracted investors to the perceived security of the Dollar.

2/2/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,042	1,304	2,750	8,273	796
PREVIOUS	12,040	1,308	2,751	8,290	799
% CHANGE	+0.02	-0.27	-0.06	-0.21	-0.34

The big news of day was the Bank of Japan (BOJ) like the proverbial groundhog, coming out of its hole and declaring an early spring. BOJ's policy board member [Hidetoshi Kamezaki](#) expressed an upbeat view of the Japanese economy saying, "Japan's economy is likely to gradually exit its standstill toward spring" as he left a meeting with business leaders in Saga, Southern Japan. Just like our own Federal Reserve, the Bank of Japan has few options as it already has zero percent interest rates and the printing presses running full tilt. After last week's downgrading of Japanese debt to AA- by Standard and Poor's, the first downgrade of Japanese debt since 2002, Mr. Kamezaki's optimistic comments would seem somewhat disconnected from reality.

However, Mr. Kamezaki's comments make sense if you consider that jawboning the markets with optimistic statements for public consumption is one of the few tools still available to him. With companies like Honda reporting a 40% drop in net profits in the fourth quarter compared to the same quarter a year ago, or Shiseido Cosmetics (Japan's largest) reporting a 62% decline in net profits, it would

seem that the Japanese economy could use all the jawboning it can get.

Phil's new \$25KP posted a virtual gain as Monday's trade idea of picking up 4 NFLX Weekly Feb \$210 puts at \$2.50 was turned around and cashed out for a profit. The puts opened on Wednesday morning at \$3.80, when Phil posted "You guys better be out of those NFLX puts on that open in the \$25kp!" shortly after the markets opened Wednesday morning. The NFLX trade idea worked out to a \$400 gain for the \$25KP. Another profitable trade (not in the \$25KP) was made from short positions on USO, discussed in Member Chat.

Inside Member's Chat:

Shadowfax posted: *"USO shorts were the big money maker today.. Congrats to the brave."*

Jomptien posted: *"Phil/USO.. the short 39 calls are up 30% - take it off now or wait? Thanks"*

Phil: Cool move down on USO! Don't be greedy. Dollar jumped briefly up to 77.45 - that was most of the move but it's being pushed back. Seemed like Yentervention to me as Yen went from 81.4 to 81.9 very fast.

We are still watching the Russell 2000 (RUT) to see if it breaks above and then stays above our "Breakout 2" level of 800. The other indexes have been above those levels for some time, but the RUT continues to lag. This has been holding us back from getting bullish.

No Sale Thursday - Will the Dollar Save Retail or Doom Us All?

The U.S. markets were moderately higher on Thursday, responding well to [Federal Reserve Chairman Ben Bernanke's speech at the National Press Club](#). Bernanke's speech can be summarized as follows: Inflation is low, the economy is strong but requires quantitative easing until we see improvement in the unemployment numbers. Therefore, the Federal Reserve will continue to provide stimulus as needed until employment improves in the U.S.

2/3/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,062	1,307	2,753	8,289	799
PREVIOUS	12,042	1,304	2,750	8,273	796
% CHANGE	+0.17	+0.24	+0.16	+0.20	+0.31

This stimulus, in the form of quantitative easing via POMO operations, essentially translates into free money for the Primary Dealers on Wall Street. In other words, what Bernanke is really saying to the Primary Dealers is "I am going to continue to give you free money for as long as the unemployment numbers are bad."

Commenting on Bernanke's speech, Phil wrote: *"We can summarize Bernanke's statement to be: 'I will continue to give you FREE MONEY, as long as you DO NOT hire any American Workers. Just to be clear (and he was), I am telling you (nudge, nudge, wink, wink) that hiring American workers will make me stop giving you FREE MONEY. In fact, if you hire too many workers or, even worse, give the workers you currently have pay raises - I shall not only stop giving you FREE MONEY, but I shall also raise the interest rates on the money you borrow."*

Inflation would be one thing that could bring the Fed's program of quantitative easing

to an end. Controlling inflation is one of the primary mandates of the Federal Reserve, so anything resembling serious inflation in the U.S. economy would be more than ample justification for halting quantitative easing. But if you pretend there is no inflation, and can somehow convince people to play along, then no problem!

How does the Fed pretend there is no inflation? By using techniques like "Hedonics" to conceal increases in prices. For example, a 14 ounce loaf of bread could be sold for a Dollar last year, and now that same loaf of bread is only 12 ounces, but still sells for a Dollar. The Fed will say that the loaf of bread may be smaller, but it was baked with better wheat or a higher quality of eggs or fortified with additional vitamins, and is therefore equivalent to last year's loaf. Having come to this conclusion, the Fed then proclaims there is no inflation.

This is what makes it possible for Ben Bernanke to stand in front of the National Press Club and keep a straight face as he says things like *"overall inflation remains quite low: Over the 12 months ending in December, prices for all the goods and services purchased by households increased by only 1.2 percent, down from 2.4 percent over the prior 12 months."*

Yes, in the marvelous world of the Bernanke, inflation is only 1.2 percent. [John Williams of Shadowstats.com](#) differs with this conclusion, pointing out that if one merely calculates inflation using the same methodology that was used to calculate the inflation rate back in 1980, then the real inflation rate is currently around 8%. We believe strong inflation is on the way, and will be adapting our trade ideas to this premise.

Federally Funded Friday - Bernanke Says More Free Money!



Friday morning the Bureau of Labor Statistics (BLS) released the January Non-Farm Payroll numbers, showing unemployment dropping to 9.0% from December's rate of 9.4%. It also showed that only 36,000 jobs were created during January. [CNNMoney reported](#), *"Economists surveyed...were expecting the economy to add 149,000 jobs during the month, and the unemployment rate to rise to 9.5%. After the report was released, economists weren't quite sure what to make of the numbers, and used a mix of colorful adjectives like 'lousy,' 'mysterious,' and 'confounding.'"*

The markets shrugged off the news and the major indexes posted modest gains, ending the week on an up note.

2/4/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,092	1,310	2,769	8,289	800
PREVIOUS	12,062	1,307	2,753	8,289	799
% CHANGE	+0.25	+0.29	+0.56	+0.00	+0.19

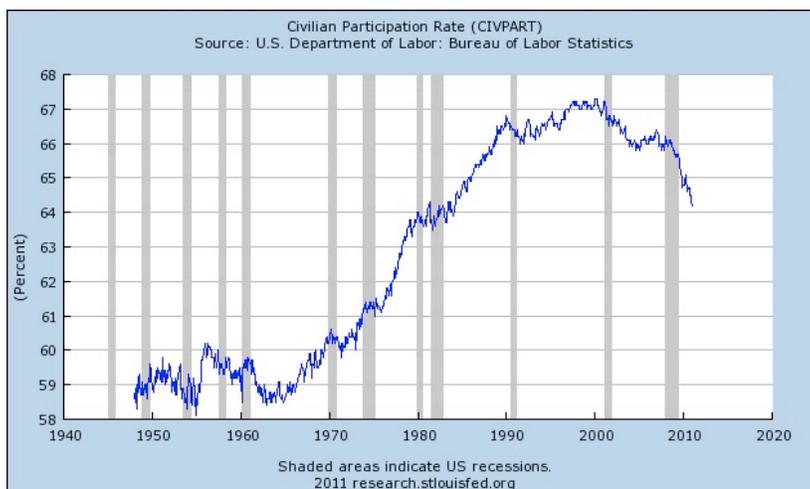
The U.S. economy needs to add about 150,000 jobs each month just to keep up with population growth, so how can the unemployment rate have gone down when there weren't enough jobs added to keep up with population growth? Look at the chart below: The percentage of the U.S.

population that is actively participating in the labor force has dropped dramatically since 2000, from a peak of 67.2% to today's 64.2%, representing three percent of 300 million people.

There are now nine million fewer people in the U.S. participating in the workforce than there were just ten years ago! Considering the current state of the economy, it is difficult to imagine that these people have voluntarily retired to live off of the income from their investments. Considering the rapidly increasing numbers of people receiving food stamps, now over 43 million or 14% of the population, it seems more likely these people have been driven into poverty.

The BLS also reported that, as of January 2011, there were 6.2 million long-term unemployed (jobless for 27 weeks or longer), 8.4 million "involuntary part-time workers" (those who would like to work full time but are unable to find full time work), 2.8 million "marginally attached" workers (not counted because they have not looked for work in the last four weeks) and one million "discouraged workers" who have simply given up trying to find work.

The U.S. has a rapidly declining workforce participation rate, huge numbers of long-term unemployed, millions of people who are unable to find suitable full-time employment. After spending literally trillions of Dollars in quantitative easing programs designed to stimulate the economy, the U.S. is still struggling to create jobs. According to the BLS, "Since a recent low in February 2010, total payroll employment has increased by an average of 93,000 per month. In other words, the economy is creating 57,000 fewer jobs per month than it would take to merely keep the workforce participation rate stable during that time.



The Week Ahead

Egypt has been dominating the news this week. As of Saturday, President Mubarak was still hanging on to power while protests continued into their twelfth day. The situation in Egypt appears extremely unstable, as rumors of an assassination attempt against newly installed Vice President Omar Suleiman circulated amid denials by the Egyptian government that such an attack actually happened.

A natural gas pipeline supplying Jordan and Israel was attacked by “a group of masked men” setting off an explosion at a gas terminal in El-Arish, Egypt. While the fire was quickly extinguished, the attack gave investors a new reason to be concerned about possible disruptions in oil and natural gas supplies in the region. Economists at Credit Agricole said on Friday that the impact of the prior 11 days of street protests would continue throughout 2011, while the crisis is costing the Egyptian economy at least \$310 million a day. That’s a total of more than \$3.6Bn as of Saturday, February 5.

The Federal Reserve will release the next POMO schedule this coming Thursday, February 10. The announcement will likely establish a busy schedule of upcoming POMO events, with tens of billions of Dollars being spent every week. Furthermore, rumors are flying that after QE2 runs its course, QE3 will materialize closely on its heels. Kansas City Fed President Thomas Hoenig said that another round of bond buying “may get discussed” if the numbers look “disappointing.”

The financial environment portrayed in the news may seem treacherous even while the stock market continues to levitate. Disruptive events such as the protests in the Middle East, distorting events such as quantitative easing, and continuing problems such as intractable unemployment can make investment decisions difficult for a news-conscious investor. However, with eyes wide open to the challenges facing our economy, we are ready to find opportunities to grow our investments.

On Saturday Phil posted “[Breakout Defense Part Deux - Five More Trades that make 500% in a Rising Market](#)” and reviewed his previous picks from back in December in the “[Breakout Defense - 5,000% in 5 Trades or Less](#)” article.

If you commit just 2% of your portfolio’s “sideline cash” to a spread of trades such as

Phil’s review of his “Breakout Defense - 5,000% in 5 Trades or Less (Members Only)” trade ideas as of February 5, 2011:

- *FAS Apr \$20/25 bull call spread paired with the sale of the April \$21 puts for net .15, now \$3.98, up 2,553%.*
- *DBC Apr \$27 calls at \$1, now \$2.05 - up 105%*
- *4 DBC Jan \$22/27 bull call spread paired with the sale of the 3 USO 2013 \$30 puts for net \$170, now \$740 - up 335%*
- *DBC Jan \$26/30 bull call spread paired with the sale of the \$22 puts for net .30, now \$1.50, up 400%*
- *SSO Jan \$30/June \$42 diagonal call spread paired with the sale of and SPX LAST Jan \$1,185 put that already expired worthless for net .40, now \$10.85, up 2,613%.*
- *GE Jan \$17.50/20 bull call spread paired with the sale of the 2013 \$12.50 puts for a net .15 credit, now \$1 - up 766%.*
- *50 HOV 2013 \$5/7.50 bull call spreads paired with the sale of 10 2012 \$5 puts for net \$650, now \$1,250 - up 92%*

those listed in the box on the previous page, and those trades make 2,000% in gains, this will result in a 20% boost to your *ENTIRE* portfolio. These are the kinds of trade ideas that Phil describes in his new “Breakout Defense Part Deux” article.

For example, Phil talked about a trade idea based on using his “Wimpy” strategy (I will gladly pay you Tuesday for a hamburger today) to open a position on, for example, Apple Inc. (AAPL) The basis of the “Wimpy” strategy is this: If there is a stock you would like to own, but is a bit expensive for your liking, then why not sell short puts on that stock? AAPL is currently over \$340 a share, yet January 2012 \$250 put options are currently selling for \$8.90. You could realize \$890 worth of gains simply by being willing to purchase AAPL at \$250 a share. Should AAPL drop below that price, you’ll end up spending \$25,000 to purchase 100 shares of AAPL. If you are a believer in Apple, and want to own that stock long-term, why not use a strategy like this to

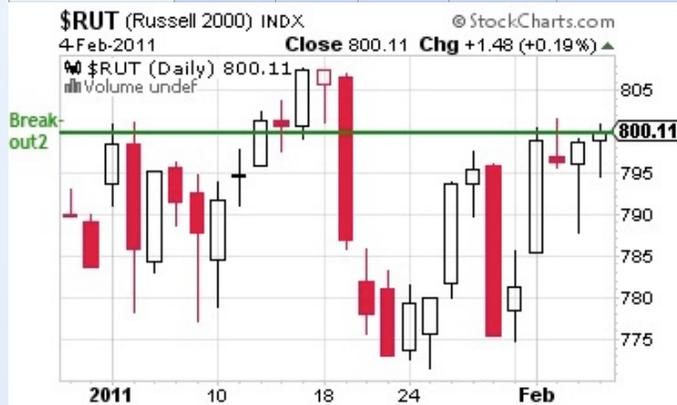
ensure that you either realize short-term gains at no cost, or end up owning a quality stock that you’d like to have in your long-term portfolio, and you get it at a discount of 25%.

We have been tracking our “Breakout 2” levels for weeks now, waiting to see if the Russell 2000 (RUT) would confirm this rally, if only from a technical point of view. As of Friday afternoon, the RUT managed to rise above 800 and stayed there through the close of markets. We’ll be watching the RUT next week to see if it stays above 800, which will confirm a technical premise for investing in this rally.

Our weekly newsletter trade idea comes from Pharmboy, who writes: “*Biogen Idec (BIIB)*, formed through the 2003 merger of Biogen Inc. and Idec Pharmaceuticals Corporation (Idec), is a biotechnology company focused on developing treatments for cancer, autoimmune and inflammatory diseases. The company’s portfolio of approved drugs includes Rituxan and Zevalin, both of which treat B-cell non-Hodgkin’s lymphoma. Biogen Idec also markets Amevive, a drug to treat psoriasis, and the best-selling treatment for relapsing multiple sclerosis, Avonex. I wrote about it a few months back at Phil’s Stock World, and after an impressive run up, I still like this company for several reasons. First, its pipeline is substantial, including three later stage monoclonal antibodies (mAbs). Second, it generates a nice cash flow and has plenty of cash to use for smaller, focused acquisitions. And last, but not least, it has ‘only’ a \$16B market cap. Perfect for a potential takeover for one of the larger pharmaceutical companies that needs something now (Lilly?). I like a mellow play of buying the Jan 2012 \$60/70 bull call spread for \$5.25 or better, selling the Jan12 \$60 puts for \$4.35 or better. That is a \$10 spread for \$0.90 that is all in the money and has a 900% upside.” If the stock ends at \$70 or greater on expiration in January 2012 (right?), then one would make \$9.10 on the options, which would be a ten bagger if you get the options for \$0.90.

Watching Must Hold Levels

2/6/11	Dow	S&P	NAS	NYSE	Russell
BREAKOUT LEVEL 2 (MUST HOLD)	11600	1260	2675	7935	800
BREAKOUT LEVEL 1	11500	1220	2600	7750	725
UP 10%	11220	1177	2420	7500	700
UP 7.5%	10965	1146	2365	7280	672



Next Week's Economic Calendar

Monday 7	Tuesday 8	Wednesday 9	Thursday 10	Friday 11
11:00 AM: 4-Week Bill Announcement	7:30 AM: NFIB Small Business Optimism Index	7:00 AM: MBA Purchase Applications	8:30 AM: Jobless Claims	8:30 AM: International Trade
11:30 AM: 3-Month Bill Auction	7:45 AM: ICSC-Goldman Store Sales	10:30 AM: EIA Petroleum Status Report	10:00 AM: Wholesale Trade	9:55 AM: Consumer Sentiment
11:30 AM: 6-Month Bill Auction	8:55 AM: Redbook	1:00 PM: 10-Year Note Auction	10:30 AM: EIA Natural Gas Report	
3:00 PM: Consumer Credit	11:30 AM: 4-Week Bill Auction	6:45 PM: Ben Bernanke Speaks	11:00 AM: 3-Month and 6-Month Bill Announcements	
	11:30 AM: 52-Week Bill Auction	6:45 PM: Dennis Lockhart Speaks	2:00 PM: Treasury Budget	
	1:00 PM: 3-Year Note Auction		4:30 PM: Fed Balance Sheet and Money Supply	
POMO DAY (\$7Bn - \$9Bn)	POMO DAY (\$1.5Bn - \$2.5Bn)	POMO DAY (\$6Bn - \$8Bn)	Next Release of new POMO schedule	NO POMO Scheduled as of 2/6/11

In Memory of Stuart Klein

1934 - 2011

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