



# STOCKWORLDWEEKLY

THE EXECUTIVE'S SUMMARY | OF THE GLOBAL MARKETS

Dow Jones	12,811 (+2.4%)
S&P 500	1,364 (+2.0%)
NASDAQ	2,874 (+1.9%)
NYSE	8,671 (+2.0%)
Russell 2000	865 (+2.2%)
Oil	113.73 (+1.3%)
Gold	1,563 (+3.9%)

## THIS WEEK'S NEWSLETTER:

### MARGIN CALL MONDAY - YUAN FALLS LIMIT DOWN TO THE DOLLAR

Tiny adjustment causes big reaction

### TESTY TUESDAY - TRICHET TALKS UP THE DOLLAR

Euro soars as Dollar continues to fall

### WEDNESDAY - QE3 OR NOT QE3? THAT IS THE QUESTION.

Bernanke holds first-ever press conference

### GDPHURSDAY - REALITY CHECK - HOW MUCH IS THAT PRICED IN EUROS?

Falling Dollar devalues reported gains in equities

### FABULOUS FRIDAY - ROYAL WEDDINGS AND A RECORD RUSSELL

Russell 2000 ends week at new record high of 865

### THE WEEK AHEAD

On Wednesday, April 27, Federal Reserve Chairman Ben Bernanke gave a precedent-setting, first time ever press conference after the release of the minutes of the latest FOMC meeting. There were no surprises in the Federal Open Market Committee (FOMC) statement, as the Fed voted unanimously to keep interest rates extremely low for an extended period.

Bernanke's comments regarding inflation and unemployment were notable. Bernanke appeared to be getting more comfortable with the prospect of inflation, but he maintained that it is not a problem because it is virtually nonexistent. He dismissed increasing oil prices as accounting for *"in the short run...pretty much almost all of the increase in our inflation forecast, at least in the very near term."* To translate his circular doublespeak, skyrocketing oil prices do not signal inflation so inflationary forecasts based on rising oil prices should be ignored. ([Click here for a link to a transcript of the press conference](#))

The markets celebrated Bernanke's remarks by selling more Dollars. The Dollar plummeted 1.5% from 73.9 Wednesday afternoon down to 72.9 by late Wednesday evening. Equities surged ahead as traders were reassured that the *"tap is still open and tightening won't happen soon."* Gold rose to 1,536.60 in the wake of Bernanke's comments and continued climbing, finishing the week at \$1,563, a new all-time high.

In this environment, the inflation the Fed won't admit is not accompanied by increasing wages, so stagflation is a better description. In a stagflationary environment, higher prices choke off economic growth and job generation. However, the Fed has no choice but to pursue a strong inflationary course to prevent an eventual default on our debt. As we wrote last week, *"There's no realistic way to pay off this debt other than gross inflation. That means we need inflation, and it has to be hyperinflation because the inflation has to occur faster than our debts are mounting."*

The Fed has no incentive to recognize inflationary pressures, and is trying to convince people that inflation doesn't exist

because it wants to keep hammering the dollar and fueling inflation. Its failure to see the results - price inflation in necessities - is stunning. Or simply a lie. Either way, we need investment strategies to hedge against inflation. For example, Phil posted four inflation-based trade ideas as a Christmas present last December, and all four of those are well in the black now. The oil-based trade idea alone is up 450%. (Details in inset box to right.)

Refusing to acknowledge that his policies are driving commodity prices higher, when asked about rising gasoline prices, Bernanke replied that growing global demand and disruptions in supply, due to unrest in the Middle East, are to blame. This is absurd because the social unrest in other countries is a direct result of higher energy and food costs, which is a direct result of the Fed's relentless "printing" of money. As the Fed devalues the Dollar, it exports inflation to other countries, causing the unrest that Bernanke says is causing supply disruptions.

Bernanke falls back on the government's deceptive inflation measurements which excludes inflation in prices of items people need - food and energy. Financial journalists

“Back in December, I put up my ‘Secret Santa’s Inflation Hedges’ and our oil hedge was using XLE to make the following trade:

Buy 2 XLE Jan \$55/60 bull call spreads for \$2.60 (\$520)

Sell 1 XLE 2013 \$50 put for \$4 (\$400)

The total outlay on that spread was \$120 per set and that trade was supposed to run for the year but XLE is already at \$78.98 and the Jan \$55/60 bull call spreads are now \$4.50 (\$900) and the 2013 \$50 puts are \$2.40 (\$240) for net \$660 off the \$120 entry. That’s a nice 450% gain in just 4 months - and THAT’S how we stay ahead of inflation!” - Phil

at Bernanke’s press conference didn’t ask any tough questions. It was no doubt orchestrated. No one asked Bernanke to explain why the U.S. Dollar has lost roughly 10% of its value so far this year, or how that might affect other countries, or whether the inflation we are spreading might come back to bite us.

Bernanke’s comments on unemployment were surprising. When asked about the effectiveness of QE2, considering that the official unemployment number is still around 9%, Bernanke said that while QE2 had been effective in laying the groundwork for a recovery, the policy should not be continued any longer because “the tradeoffs are getting...less attractive at this point.



*"It's not clear that we can get substantial improvements in payrolls without some additional inflation risk. And in my view, if we're going to have success in creating a long-run sustainable recovery with lots of job growth, we've got to keep inflation under control. So we've got to look at both...parts of the mandate as we choose policy."*

Data released by the Department of Labor on Thursday was discouraging. Initial jobless claims climbed 25,000 in the week of April 23 to 429,000, nearly 40,000 above expectations. The Wall Street Journal reported that roughly one million people in the U.S. were unable to find work after exhausting their unemployment benefits over the last year.

Jim Tankersley, of the National Journal wrote, *"If the press conference conveyed anything beyond the stat sheets and cryptic paragraphs the Fed typically releases after a Federal Open Market Committee meeting, it was Bernanke's clear conviction that, after two rounds of the unconventional 'quantitative easing' policy to boost liquidity and prop up the recovery, the Fed has run out of effective ways to stimulate growth and job creation."* (Fed is Tapped Out on Jobs, Bernanke Says)

In spite of weak employment numbers, the markets performed extremely well this week.

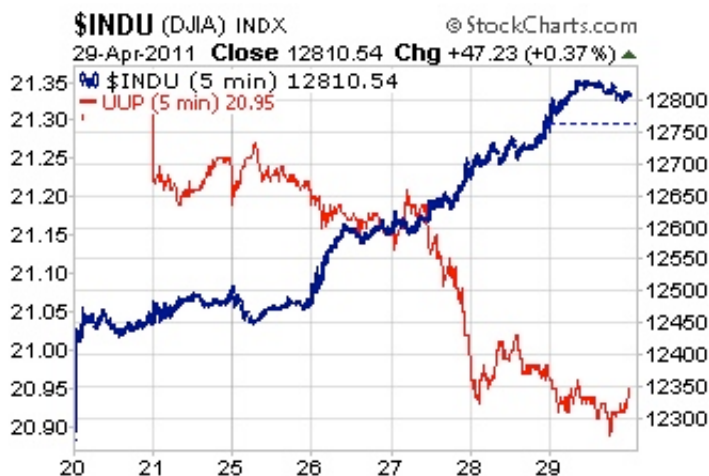


First-quarter results from roughly half of the S&P 500 showed profits at America's biggest corporations running 26% higher than a year ago. Big corporations have posted their seventh-straight quarter of earnings gains since the recession.

Sales for the S&P index are now expected to be \$262.50 a share for the first quarter, a gain of nearly 13% from a year ago. The S&P 500 chart (above), shows our "Major Breakout" levels and our 100% levels have been broken to the upside. The Major Breakout level provided support during the downturn in the markets earlier this month.

On Friday, construction bellwether Caterpillar Inc. announced record profits of \$1.22Bn for the first quarter, an increase of 426% from the same period a year ago. Sales climbed 57% to \$12.85Bn on surging demand for earthmoving and mining equipment - no doubt connected to rising commodity prices. (Caterpillar Profits Soar Fivefold)

This week's INDU versus UUP (Dollar proxy) chart (left) reflects a continuation of the well-established pattern of "When the Dollar drops, the markets pop." The Dollar's downtrending was already worrisome. The steep drop in the Dollar in the wake of Bernanke's comments was more troubling, but it powered the equity markets up yet again.





# Margin Call Monday - Yuan Falls Limit Down to the Dollar

Monday was a mixed day for the markets. Kimberly-Clark reported that rising input costs were problematic, more than offsetting [“its success at moving products.”](#) The Dallas Fed released the [Texas Manufacturing Outlook Survey Production Index](#) which showed seasonally adjusted current production falling to 8.1 from the March reading of 24.1.

4/25/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,480	1,335	2,826	8,485	844
PREVIOUS	12,506	1,337	2,820	8,504	846
% CHANGE	-0.21	-0.16	+0.20	-0.22	-0.17

One announcement that was not well covered in the financial media was that the [People’s Bank of China fixed the Yuan’s mid-point versus the Dollar at 6.5161 on Monday](#), microscopically weaker than Friday’s record high of 6.5156. This represents a difference of 0.0005, yet this tiny change resulted in the [Yuan falling by its daily 0.5% limit against the U.S. Dollar late Monday](#) as banks raced to comply with a central bank rule barring them from having dollar short positions overnight. Traders reported that a [“likely central bank intervention”](#) allowed the Yuan to recover some losses at the end of the trading sessions.

According to Morningstar *“dealers said they continue to expect the Yuan to appreciate gradually in the short term, due to its role in helping contain inflation... The yuan’s sharp fall Monday comes after the People’s Bank of China guided the currency to rise 0.4% against the dollar last week. The central bank set a string of record-low fixings in its continued efforts to offset imported inflation with a stronger yuan. ‘That the yuan will rise is certain, and it may be on track for a 7% yearly gain,’ a Shenzhen-based local bank trader said.”* (DJ China Yuan

[Falls By Daily Limit Against Dollar Late; Uptrend Still Likely](#))

Phil wrote, *“This marks a huge and violent reversal to the recent trend and signals that China’s usual tight control of their economy may be starting to unravel. Chinese banks scrambled to buy Dollars to meet a Central Bank rule that bars them from having Dollar short positions overnight but it’s doubtful that all were able to comply in that violent action... Ignoring problems in China was a big theme of the summer of 2008 as we rallied into the second biggest stock market collapse in history.”*

With growing concern over inflation, gold and silver have been gaining attention. While many people get into this market by buying physical coins and bars, we suggest using options strategies to multiply your potential gains. For example, Phil wrote on Monday *“GLD is the ETF that tracks gold and, if you think Gold is going to \$1,600, rather than plunk \$1,500 down on an ounce of gold to make 6.6% on a move up, you can buy the GLD \$140/160 bull call spread for \$790 (1 contract spread at \$7.90). As GLD is currently at \$146.74, that spread is currently \$674 in the money. It carries a \$116 premium BUT - for about 1/2 the cost of an ounce of gold, if GLD gets to \$160 (approximately \$1,600 an ounce) then that spread is worth \$2,000 - a \$1,210 gain on that same \$100 move up in gold!”* (I.e. The \$140 call purchased will be worth \$2,000, while the \$160 call sold will be worthless on expiration date if GLD finishes at \$160.)

Of course, the same leverage that you gain on the way up can go against you on the way down. This trade idea has done well so far, with GLD finishing the week at \$152.37.

## Testy Tuesday - Trichet Talks Up The Dollar

Tuesday was a positive day for the markets. Stocks of industrial companies such as [Ford](#), [3M](#) and [Cummins](#) reported strong earnings and boosted investor sentiment in the face of soaring European bond yields and a continuing decline in the [Case-Shiller Home Price Index](#).

4/26/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,595	1,347	2,848	8,555	853
PREVIOUS	12,480	1,335	2,826	8,485	844
% CHANGE	+0.93	+0.90	+0.77	+0.82	+1.04

European Central Bank Governor Jean-Claude Trichet said that he “shares the view that a strong Dollar is in the interest of the United States.” This comment was taken by some analysts as showing frustration over the Dollar’s decline, and as an attempt to talk the Dollar up. Likely, *“Trichet is practicing a little counter-rhetoric of his own, breaking a general taboo amongst Central Bankers and commenting on U.S. currency - indicating he will soften his own stance on the Euro to counter Bernanke’s printing press.”* (Phil)

Bank of Tokyo senior analyst Minori Uchida remarked, *“In the Group of Seven (G7) statement right after the Dollar index hit a record low in March 2008, the G7 said it was concerned about currency moves. The U.S.*

*doesn’t necessarily want to cheapen the Dollar against the Euro and the Yen. Its target is China. So I wouldn’t be surprised if there were international moves (to stem the Dollar’s fall).”* (FOREX - Euro slips after Trichet, but Dollar still seen wobbly)

China is dealing with its own problems because its currency is tied to the Dollar. The flood of liquidity unleashed by the Fed has caused strong inflation in China. In the news Tuesday, [China’s consumer price index will likely rise by 5.5% in April](#) as compared to a year ago. [Roughly 2,000 truckers went on strike in Shanghai between April 20 and April 22](#), and Chinese officials were quick to offer concessions by cutting some of the fees routinely charged. The concessions worked, the strike fizzled out over the weekend, but the growing discontent caused by inflation is becoming an increasingly urgent worry among Chinese authorities.

The message sent by the truckers strike is clear: inflation is causing widespread dissent, and unrest could quickly spread. The concessions achieved by workers who are as loosely organized as independent truckers - using word of mouth and text messaging to communicate - is bound to be noticed by others in China. *“If worker’s rights are not fully protected and their work ignored, there will certainly be more such strikes in the future, especially in labour-intensive industries,”* said Wang Jing, dean of the department of labour relations at Capital University of Economics and Business in Beijing.

Giving only his surname out of fear of retaliation, Fan, a 28-year-old truck driver, reported that parking fees, rent for his family’s housing and insurance on his truck have all doubled in the past five years. Over this period, his wages have stagnated. ([Analysis - China’s trucker strike highlights worries for govt](#))



# Wednesday - QE3 or not QE3? That is the Question



The FOMC minutes were released on Wednesday, followed by Bernanke's first-ever press conference. As noted above, the Dollar dropped sharply in the aftermath, and the markets popped in response.

4/27/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,691	1,356	2,870	8,609	858
PREVIOUS	12,595	1,347	2,848	8,555	853
% CHANGE	+0.76	+0.62	+0.78	+0.63	+0.62

Pimco published a report on its website strongly criticizing the Fed's policy of quantitative easing (QE). According to Pimco, *"With quantitative easing the Federal Reserve has in essence picked the pockets of Treasury bond investors around the world. Ultimately, the U.S. must own up to its past sins and let the de-leveraging process play itself out. The U.S. must invest in its people, its land, and its infrastructure, as well as promote free trade, to achieve economic growth rates fast enough to justify consumption levels previously supported by debt."*

Pimco then referred to the legendary Charles Ponzi, who popularized the well-known Ponzi scheme. One difference between the work of Ponzi and the machinations of the Fed is that Ponzi's conduct was illegal. The schemes themselves have much in common. *"Investors are no doubt worried they may have bought into an unsustainable scheme: the creation of a scourge of debt so large that the Fed itself has had to purchase the debt to keep the game going."*

*"To be sure, QE fattened the bellies of many Treasury investors, owing to substantial price gains. The problem, however, is that the Fed essentially robbed Peter to pay Paul by pushing yields below inflation and by*

*"Ahead of the Fed we took a bullish play on the Dow with a DDM (ProShares Ultra Dow30) June \$62/66 bull call spread at \$2.40 - just in case we got a Gentle Ben speech (which we did) and the Dow popped. Those were combined with the sale of the DIA July \$120 puts at \$1.60. The Dow proceeded to pop 65 points from there. That little move jacked the \$62/66 spread up to \$2.80 and dropped the July \$120 puts to \$1.40 - raising our net \$0.80 spread to net \$1.40 for a nice 75% gain in 3 hours. We don't usually worry about one-day moves in mid-term spreads but I want to point out (again) that we have no reason to fear inflation - we can use our leverage to make profits that will far, far outpace any expected rates of Dollar destruction. The important thing is to have some hedges in place because the conventional wisdom that "you can't fight the Fed" has proven true for 2 years now and it's very clear from Bernanke's speech last night that he's willing to drop our buying power another 30% in the coming year - if that's what it takes to make his Banker buddies happy." - Phil*

*undermining the value of the U.S. dollar. Peter was the unsuspecting investor in Treasury securities drawn into the Fed's scheme by the allure of ever-rising Treasury prices; Paul was everyone else invested in everything else." (Pimco's Observations As The US "Reaches The Keynesian Endpoint" - The QE2 Ponzi Scheme is "Nothing But A Profit Illusion")*



# GDPhursday - Reality Check - How Much is that Priced in Euros?



Stocks continued to climb as the Dollar continued to fall. Investors shook off Thursday's advance estimate of the **U.S. Q1 GDP growing at an annual rate of 1.8%**, down from 3.1% in Q4 of 2010. Investors also dismissed a weekly **initial jobless claims report of 429,000 versus 395,000 expected**, and 403,000 last week. The ongoing erosion of the value of the Dollar helped keep the equity markets in a jovial mood.

4/28/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,763	1,360	2,873	8,640	862
PREVIOUS	12,691	1,356	2,870	8,609	858
% CHANGE	+0.57	+0.36	+0.09	+0.35	+0.38

The charts below give a technical view of our major indexes priced in Euros, to compensate for the rapidly declining Dollar. What would appear to be a bullish market when denominated in Dollars, looks quite anemic when denominated in Euros.

The charts look equally weak when denominated in Yen, Pounds, gold, or any other "real" currency. As Phil wrote, *"What American technical traders are looking at is nothing more than a magic trick, an illusion to distract the rubes in this country who are trained from birth to buy into hype."*

The job market is still extremely weak. For example, McDonald's announced a one-day hiring event to add 50,000 minimum wage, mostly part-time workers. It received a whopping one million applications for its minimum wage jobs. While the number hired was raised to 62,000, approximately 938,000 applicants were turned away. Joe Weisenthal at Business Insider observed, *"It's Harder To Get A Job At McDonald's [6.2%] Than It Is To Get Into Harvard [7%]."* Moreover, a report from the Labor Department showed that roughly one million people have been unable to find work after exhausting their unemployment benefits over the last year. **(One Million Exhausted Jobless Benefits in Past Year)**



# Fabulous Friday - Royal Weddings and a Record Russell



Friday's strong report from Caterpillar helped push the Dow and the S&P up, while the Nasdaq barely moved. Oil finished at \$113.73, and gold hit a new record price of \$1,563. The week ended with all of our indexes well over all of our current target levels, with the sole exception of the Dow being below our 100% level (chart to right.)

4/29/11	Dow	S&P	NAS	NYSE	RUT
TODAY	12,811	1,364	2,874	8,671	865
PREVIOUS	12,763	1,360	2,873	8,640	862
% CHANGE	+0.37	+0.23	+0.04	+0.37	+0.43

Gallup released a poll revealing that 26% of Americans describe the economy as being in a recession, and 29% describe the economy as being in a depression. Thus, 55% of Americans think the economy is shrinking. This is in stark contrast to the FOMC's characterization of the economy as being in recovery. *"In another possible disconnect with monetary policymakers, many Americans may not see the trade-off Bernanke suggests between promoting a stronger economy and experiencing higher inflation. Right now, prices are soaring, yet the latest Gallup Daily tracking data show that 67% of Americans say the economy is "getting worse."* (More Than Half Still Say U.S. Is in Recession or Depression) The reason most Americans do not appreciate the trade-off is because our policymakers are trading the wealth and well-being of the lower 90% of the population to favor wealth accumulation by the top 0.1%. We don't like this trade off either, but we recognize the trend and plan to protect our investments.

The U.S. Bureau of Economic Analysis released the [Personal Income and Outlays report for March](#), which showed that personal income increased by 0.5%, with signs of wage pressure slowly appearing. When measured in inflation-adjusted Dollars, Disposable Personal Income fell despite the rise in wages. The question now is whether corporate America is prepared to start handing out

## Friday's Levels

4/29/11	Dow	S&P	NAS	NYSE	Russell
FRIDAY CLOSE	12811	1364	2874	8671	865
UP 100% (RUT 133%)	12938	1332	2530	8362	800
MAJOR BREAKOUT LEVELS	12000	1300	2750	8250	800
BREAKOUT LEVEL 2 (MUST HOLD)	11600	1260	2675	7935	800
BREAKOUT LEVEL 1	11500	1220	2600	7750	725



salary increases to help employees deal with inflation?

Despite abundant bad news, the markets have done very well. *"We have held our 100% levels all week, and that was our last line of resistance on the way to taking back the market highs. The Russell is already there, popping over it's all-time high of 855 and pegging 861 yesterday because - once you break the bounds of gravity - there's no limit to how high you can float. The only index that ISN'T up 100% from the March '09 lows is the poor Dow, but we expect that to change."* (Phil) Our current technically bullish position, based on the premise that inflation will lift the markets, has been working out well lately.



## The Week Ahead

Bernanke's press conference on Wednesday made it clear to investors that the Fed will continue with a policy of (near) zero percent interest rates for the indefinite future, and that as far the Fed is concerned, inflation is nothing to worry about.

Most of the world would probably disagree with Bernanke's incredible assessment. Inflationary pressures have already unleashed a tidal wave of unrest around the globe, as consumers worldwide are stretched by higher prices for food and fuel. Mass protests sparked by food price increases in North Africa and the Middle East have led to at least two governments being toppled (Tunisia and Egypt,) one government being engulfed in civil war (Libya), deadly crackdowns in Bahrain and Yemen, and now Syria appears to be sliding into chaos.

Reports of pro-Gaddafi forces [firing shells into the Tunisian town of Dehiba](#), foreshadow the possibility of that particular conflict spreading throughout the region. The Syrian town of Deraa was hit by shelling and heavy gunfire from government forces cracking down in the aftermath of Friday's "day of rage" protests against the government, with reports of more than 60 people being killed. Al-Jazeera reported that around 300 soldiers had defected and joined the protesters, sharing information on the army's movements and plans, but these reports could not be independently confirmed. ([Fresh violence hits Syrian town](#))

In China too, inflation is spurring dissent, as evidenced by the recent strike by independent truckers. China's current generation of leaders are certainly aware of how rising costs contributed to the discontent that erupted into the 1989 pro-democracy protests in Tiananmen square. China and India both reported higher than expected inflation

this month, giving additional credence to those concerned about mounting price pressures on the global economy. Economists expect the central banks of both countries to tighten monetary policy further as they struggle to contain inflation. ([China, India prices point to mounting global inflation pressure](#))

Japan is still struggling in the aftermath of the massive disaster of March 11. [Bank of Japan Governor Masaaki Shirakawa met with a government financial committee on Saturday, April 30](#) and declared that the Bank of Japan (BOJ) "sees the outlook for Japan's economy as very severe." The BOJ kept monetary policy unchanged on Thursday even as it lowered its growth forecast for the current fiscal year. Japanese companies are dealing with shortages of critical parts from companies such as Renesas Electronics, a supplier of about 40 percent of the world market of automobile microcontrollers. Toyota recently said it is facing shortages of 150 critical parts, from electronic controllers to rubber parts and paint additives. ([A Japanese Plant Struggles to Produce a Critical Auto Part](#))

*Lee Adler at the Wall Street Examiner* discussed the tepid performance of the reporters present during Bernanke's so-called press conference, writing, "*None of the reporters seriously questioned Bernanke about the Fed's track record of badly misunderstanding the economy. None confronted him about the Fed's money pumping causing the runaway gas price inflation which Bernanke blames on worldwide demand. Well, there was a lot of demand for housing in the US in 2005 too.*"

*"There's real demand and there's speculative bubble driven demand. The Fed refuses to admit the difference and the mainstream financial media blindly supports*

that delusion. Virtually everyone is happy to ride down Bernanke's Highway to Hell without so much as a vaguely serious question about the Fed's competence, even after it has proven itself to be totally, and probably willfully, ignorant of the facts on the ground time and time again."

Not all financial analysts are buying the party line. As we mentioned earlier, Pimco's Bill Gross has been quite vocal in his criticism of the Fed's policies. This week [Tyler Durden of Zero Hedge](#) reported "For months Bill Gross has been very vocally antagonizing the US Treasury by telling anyone who cared to listen that US debt is nothing short of the world's biggest ponzi and that Ben Bernanke is Satan. For the longest time Tim Geithner took this effrontery peacefully, always willing to offer the other cheek. Until (Friday) night. In what is quite possibly a direct warning shot fired straight at Pimco's primary revenue driver, the Treasury has made it clear Bill may want

to focus on unicorns and rainbows in his next monthly letter."

What happened? The Treasury Market Practices Group proposed the introduction of new "fails charges" of up to 3% for MBS trades, an action that is a direct threat to Pimco, one of the world's most active managers of Mortgage Back Securities (MBS)/ Agency securities. Why is the Treasury taking this particular action at this time? Tyler Durden speculates "*the Treasury has now taken a direct jab at PIMCO, which is certainly Tim Geithner's way of telling Gross to shut up with his endless Ponzi scheme references about the US economy, and Satanic comparisons for Ben Bernanke. We expect to have the leaked data of PIMCO's April TRF [Total Return Fund] holdings within the week. We will inform readers then if this tactic of unprecedented bullying by Tiny Tim has worked. But far more importantly, if this action was indeed taken with PIMCO (and an appropriate warning) in mind, it means that things are really starting to unravel.*" ([Geithner Vs. Gross Round 2: Is The Latest "Market Normalization" Proposal By The Treasury A Warning Shot Fired Straight At Alarmist PIMCO?](#))



We have a trade idea courtesy of David at All About Trends who writes, "ISRG is setting up for a potential move higher. We've spent a fair amount of time on Pullbacks Off High's (POH) chart patterns and one look at ISRG pretty much tells the story. This stock is prone to 3-5 point mood swings on a daily basis. That works for you and against you."

"For us, a big part of our success has been that of the POH long-side trade setups of leading stocks in clearly defined uptrends. It's really the only pattern you'll ever need to know in

uptrending markets. ISRG has pulled back to a prior support level and above the 50 day average. Those levels tend to act as supports. We are going to continue to stalk this stock till it stages an upside crossover of the Pink line. Then we will step in and buy a call option on this issue.

**“We’ve done this all month and our current profit for the month is \$10,122.75 for those that trade in tandem with us!”**

We also have a trade idea from Pharmboy, who likes the biotechnology company Oncothyreon (ONTY). Oncothyreon is working to develop oncology products to improve outcomes for cancer patients. It announced on Friday that it will sell 10 million shares of its common stock at \$4 each to raise about \$40 million. ([Oncothyreon raising \\$40M in stock sale](#)) The stock dropped over 8% to \$4.53 on the news. The company [said in a statement](#) that it “currently intends to use the net proceeds of the offering to fund the development of PX-866, Oncothyreon’s PI-3 Pan-isoform irreversible Kinase inhibitor, and ONT-10, Oncothyreon’s proprietary follow-on vaccine to Stimuvax. Stimuvax, currently in a Phase 3 pivotal trial, is a vaccine for patients with non-small cell lung cancer and is partnered with Merck KGaA. The offering proceeds may also be used for general corporate purposes. The offering is expected to close on or about May 4, 2011, subject to

the satisfaction of customary closing conditions.”

Pharmboy writes, “The PI-3 kinase inhibitor is interesting and many big pharma companies are also working in the space. Data are not due for a while, but if the offering of stock is for \$4, why not get in below that by selling the June 2011 \$4 puts for 25c or better?” If the stock closes below \$4 at expiration, ONTY will be put to you at \$4, with a cost basis of \$3.75 or less.

“*Dollar is falling faster than the indexes are rising - I’m comfortable being bearish over the weekend.*” - Phil

Going into next week, Lee Adler at the Wall Street Examiner is looking for a short lived pullback on Monday, followed by the usual buy-the-f\*cking-dip success story. He writes, [Treasury] “supply will be very light next week... The Fed has scheduled POMO of \$19.5-25.5 billion. Once Monday’s settlement is digested, there will be a whole lot of cash around looking for a place to go. It’s a recipe for a bullish week in both stocks and bonds once Monday is out of the way.”

While we are currently technically bullish, based on inflation as our investing premise, we took a bearish stance heading into the weekend, just in case reality prevails. Phil wrote that he is “*trying to get more bullish, really I am - but to do so I end up reading and my reading leads to stuff...that SHOULD NOT BE IGNORED. I’m not saying we shouldn’t participate in the madness of the markets - we are happy to do so. But we are not going to make the mistake of overcommitting our assets to long positions that may become trapped in later.*” So the dichotomy continues with us somewhat bullish, but worried because the economy is not supporting the rise in stock prices.





## Next Week's Economic Calendar

Monday 2	Tuesday 3	Wednesday 4	Thursday 5	Friday 6
10:00 AM: ISM Manufacturing Index	7:45 AM: ICSC-Goldman Store Sales	7:00 AM: MBA Purchase Applications	6:00 AM: Monster Employment Index	8:30 AM: Employment Situation
10:00 AM: Construction Spending	8:55 AM: Redbook	7:30 AM: Challenger Job-Cut Report	8:30 AM: Jobless Claims	3:00 PM: Consumer Credit
11:00 AM: 4-Week Bill Announcement	10:00 AM: Factory Orders	8:15 AM: ADP Employment Report	8:30 AM: Productivity and Costs	
11:30 AM: 3-Month Bill Auction	11:30 AM: 4-Week Bill Auction	9:00 AM: 3-Year, 10-Year Note Announcements	9:30 AM: Ben Bernanke Speaks	
11:30 AM: 6-Month Bill Auction	11:30 AM: 52-Week Bill Auction	9:00 AM: 30-Year Bond Announcement	10:30 AM: EIA Natural Gas Report	
		10:00 AM: ISM Non-Manufacturing Index	11:00 AM: 3-Month and 6-Month Bill Announcements	
		10:30 AM: EIA Petroleum Status Report	3:00 PM: Treasury STRIPS	
			4:30 PM: Fed Balance Sheet and Money Supply	
<b>POMO DAY (\$6Bn - \$8Bn)</b>	<b>POMO DAY (\$6Bn - \$8Bn)</b>	<b>POMO DAY (\$1Bn - \$2Bn TIPS)</b>	<b>POMO DAY (\$1.5Bn - \$2.5Bn)</b>	<b>POMO DAY (\$5Bn - \$7Bn)</b>

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