

AT FRIDAY'S CLOSE:

Dow Jones	12,772	-0.8%
S&P 500	1,355	-0.5%
NASDAQ	2,937	0.1%
NYSE	7,757	-0.6%
Russell	807	1.1%
Oil	84.12	-0.9%
Gold	1,583	-1.0%

Inside this issue:**Weekly Wrap-Up****Week in Review:**

- ◆ Monday Market Momentum – Use It Or Lose It!
- ◆ Toeing the Line Tuesday – Constructively Bullish?
- ◆ Thrilling Thursday – Rumors Run the Markets
- ◆ Friday Follies – What Percentage of 12M Will be Hired?

Phil's Microwave Theory **6****The Week Ahead** **7****Biotech Corner** **8****1****2-6****7****8**

STOCK WORLDWEEKLY

THE EXECUTIVE'S SUMMARY OF THE GLOBAL MARKETS

With the US markets closed half a day Tuesday and the entire day Wednesday it was a very light trading week and not much could be made of the action.

We ended last week's issue with a bullish trade on the DIA July \$129 calls at \$1.10, which we added to our \$25,000 portfolio. We anticipated that the sugar-rush of various G20 stimulus moves that were enacted last week would at least take us through the weekend and give us a boost into the holiday on Tuesday. As it turned out that's exactly what happened with a little bit of follow-through on Monday and Tuesday, but we ditched our long positions and followed through with our plan to get back to "*cashy and cautious*" into the holiday.

On Tuesday morning, Phil warned against relying too much on the charts, which were unable to convey the full picture, as the stimulus as well as the rapidly changing currency values were distorting the read-

ings. He suggested that, instead, we consider that the extreme bearish sentiment among professional investors may not be a positive contrarian signal, but rather an accurate indication of the insurmountable challenge facing a G20 that has, so far, refused to take aggressive enough action to stop (in Phil's example) the water from continuing to drain out of the economic pool.

The small portfolios were flipped very bearish as a hedge on SQQQ was transformed into an aggressive trade on the July \$47 calls at \$1.40 and those did very well as they closed out on Friday at \$1.85 after being doubled down at \$1.05.

On Thursday Phil had suggested Amazon and EDZ short positions (as detailed below) as a hedge against an expected further downturn in the market. We did have a sharp selloff on Friday but we also had a sharp stick save into the close which left us happily "*cashy and very cautious*" into the weekend.

No balance-sheet recession here

Central-bank assets as % of GDP

Sources: Haver Analytics; *The Economist*

I think AMZN is eating a lot of up-front costs on those Kindles and the R&D on the new ones must be painful while the Big Box retailers are pushing back hard from all sides so I think they have a good chance of blowing their earnings report and I think if the overall market tanks, they will drop fast anyway. Keep in mind you don't need AMZN to drop \$60 (30%) to make money on the puts. The Oct \$185 puts are \$3.80 so we can figure a \$20 drop in AMZN (less than 10%) can net us a near double. THAT's a nice hedge!

EDZ is back on our radar at \$13.85, around where we began buying it in April before it ran up to \$19.50. The lows on EDZ were \$11.41 in early March and we can certainly sell puts below that line but keep in mind that Chinese stimulus can give us new lows – until it wears off – so cautious on that one still....

Monday Market Momentum – Use It Or Lose It!

The Institute of Supply Management's Manufacturing Index report, which monitors employment, production inventories, new orders and supplier deliveries, was published for June. For the first time since July 2009, the U.S. saw a contraction in manufacturing below 50 with national factory activity falling from 53.5 to 49.7, well below the expected 52.0. "Clearly this is the biggest sign yet that the U.S. is catching the slowdown that is well under way in Europe and China," [said Paul Dales](#), senior U.S. economist at Capital Economics in London. According to analysts, this report increases the odds that the Fed will initiate a third round of QE to prop up the economy.

Global stocks finished slightly higher on Monday amid speculation of QE3 by the Federal Reserve. The DJI fell 8.7 points, or 0.07%, the S&P gained 3.35 points, or 0.25%, and the Nasdaq rose 16.18, or 0.55%. The FTS Eurofirst 300 index closed 1.4% higher. The Euro dropped against the dollar, which itself fell against the yen. Oil prices fell more than 1% based on concerns of the [world's economies slowing growth](#).

Euro-zone manufacturing contracted in June and unemployment hit a record high according to the manufacturing purchasing managers' index (PMI). Germany saw a three-year low of 45 and Spain's PMI fell for the fifth straight month to 41.1. Unemployment in the EU rose to a high of 11.1% in May with Germany holding a steady rate of 5.6% but Spain seeing an increase to 24.6% unemployment. This, and other grim eurozone data, led to expectations that the [ECB would decrease its interest rates](#) by a quarter-percentage point to 0.75%.

Country	June	May	MoM Change	Status
Australia	47.2	42.4	4.8	Contraction
Switzerland	48.1	45.4	2.7	Contraction
UK	48.6	45.9	2.7	Contraction
Ireland	53.1	51.2	1.9	Expansion
Czech republic	49.4	47.6	1.8	Contraction
Netherlands	48.9	47.6	1.3	Contraction
Turkey	51.4	50.2	1.2	Expansion
France	45.2	44.7	0.5	Contraction
Hungary	52.8	52.3	0.5	Expansion
India	55.0	54.8	0.2	Expansion
Germany	45.0	45.2	-0.1	Contraction
Austria	50.1	50.2	-0.2	Expansion
China	50.2	50.4	-0.2	Expansion
Italy	44.6	44.8	-0.2	Contraction
Sweden	48.4	49.0	-0.6	Contraction
Japan	49.9	50.7	-0.8	Contraction
Brazil	48.5	49.3	-0.8	Contraction
Poland	48.0	48.9	-0.9	Contraction
Spain	41.1	42.0	-0.9	Contraction
Taiwan	49.2	50.5	-1.3	Contraction
US	52.5	54.0	-1.5	Expansion
Korea	49.4	51.0	-1.6	Contraction
Russia	51.0	53.2	-2.2	Expansion
Greece	40.1	43.1	-2.9	Contraction
South Africa	48.2	53.6	-5.4	Contraction
Norway	46.3	54.5	-8.2	Contraction

Source: Bank of America

Inside Phil Stock World Member Chat

LNG – That is the whole game – exporting the gas to places with higher prices, which is why I have long-term comfort being long CHK and nat gas in general in the US. There will be exports one day but it won't be at \$18. I think prices will eventually equalize around \$5 but that's double where we are now and, for US companies – it's a LOT more gas to be produced than is needed locally now. I don't see LNG making the big profits compared to actual producers like CHK though. If LNG makes too much money, then XOM and CHK will simply build their own terminals and cut out the middle-man. The technology is not complicated and there's no particular barrier to entry – LNG is a first-mover but haven't gone anywhere in 30 years so far although, to be fair, Cheniere hasn't been mucking around with LNG the whole time.

X – X is one of the big pension stocks that should get a positive boost from the accounting change. Keep in mind it's artificial so, if

Finland and the Netherlands voiced their opposition to using the eurozone's bailout funds to lower borrowing costs for countries such as Italy and Spain by buying government bonds. The funds have the power to buy these bonds on the secondary market and directly at auction only after the benefiting country makes a request, or if the stability of the currency bloc comes under threat. "You would need an awful lot of money. The instrument can only be used by unanimity and there seems to be a small chance that this will happen," [said Dutch caretaker Prime Minister Mark Rutte](#).

The latest quarterly survey of almost 8,000 small- and medium-sized firms (SMEs) in the UK by the British Chambers of Commerce (BCC) revealed that although the country's economy remains weak, businesses are growing. It found a small rise in exporting activity in both services and manufacturing in the three months ending in June but [there was no net change in domestic activity](#).

Korean-American physician Jim [Yong Kim became the presidency of the World Bank](#). "The global economy remains vulnerable," Kim said in an email reaching out to the World Bank's staff. "The Bank Group stands ready to support countries as they design and implement longer-range strategies for sustainable, inclusive growth."

Market recap: Stocks end flat as traders talk up QE3 after the new ISM report showed manufacturing contracting for the first time in two years. As the U.S. catches the slowdown underway in Europe and China, some say the Fed could step in as soon as its next FOMC meeting. Treasury yields fall to one-month lows; crude oil futures retreat. NYSE gainers top losers nearly two to one.

we get a nice move up on X over adjusted earnings – I'd take that and run. On the other hand, the auto cycle is on the up and if the G20 puts a couple of Trillion into infrastructure – it may be time to fire up the smelters again so that's why I do like X long-term and selling the 2014 \$20 puts for \$5 nets you in at a pretty nice \$15.

Of course, with a small dividend, there's no real need to own BA and you can sell the 2014 \$55 puts for \$4.25 and buy the \$60/77.50 bull call spread for \$10 and then you are in the \$17.50 spread for net \$5.75 with a 200% upside potential at \$77.50 and your worst case is you net into 1x of BA at \$59.75 so you have the same(ish) \$11.75 max gain you have on the buy/write albeit at a \$5 higher target strike and a \$7 higher net but just the commitment to own 1x – if you don't want to go to heavy on BA right away.

Toeing the Line Tuesday – Constructively Bullish?

After its annual assessment of the American economy, the IMF lowered its estimates for the U.S.'s economic growth for both this year and next. Forecasts of national growth dropped from an expected 2.1% to 2% in 2012, and from 2.4% to 2.25% in 2013. The fund urged policy makers to help the housing sector and forewarned of a "fiscal cliff" at the end of this year when Bush-era tax cuts expire and government-wide mandatory spending cuts take effect. IMF managing director, Christine Lagarde, [said that Congress should raise the debt ceiling and the country's borrowing costs](#) to avoid spooking the global debt markets.

The IMF also released reports regarding the German economy. It urged the country to work with other European countries on the debt crisis and to increase spending if necessary. [It said Germany's economic recovery is at risk](#) if the crisis spills over into the financial system and economy. "The main priorities in the period ahead will be to manage the transition to domestic demand-led growth, secure financial stability, and address the challenges posed by the euro-area crisis in conjunction with European partners."

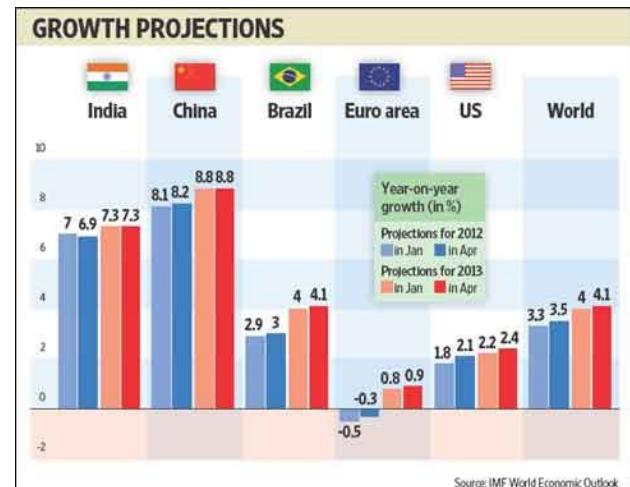
Sharp gains in oil prices lifted energy shares, and [speculation continued regarding central bank stimulus in the form of QE3](#). U.S. crude oil increased \$3.50 to \$87.25 a barrel and the S&P's energy stocks sector increased 2.2%. The DJI gained 72.43 points, or 0.56%, the S&P rose 8.51 points, or 0.62%, and the Nasdaq increased by 24.85 points, or 0.84%.

The Reserve Bank of Australia said in a statement that the country's [central bank would keep interest rates unchanged](#) at its two and a half year low of 3.5%. Australia experienced its best January-to-May period of hiring in the past 5 years. A \$513 billion investment pipeline is stimulating growth in some regions despite a decrease in export prices. Australia still has the highest borrowing costs among major developed nations, which is helping Governor Glenn Stevens keep the country's biggest resource boom since a gold rush in 1850s under control.

[Turkey's economy expanded by an annual 3.2% in the first](#)

[quarter](#) of this year, the slowest pace since 2009. It also contracted 0.4% on a quarterly basis during this same time. That was its first decrease in three years.. The country was the third-fastest expanding economy last year after its economy grew 5.2% in the fourth quarter. As the EU is its biggest trading partner, Turkey is seeking to ensure growth for its economy despite eurozone slowdowns. The Turkish Exporters' Assembly said the pace of growth in exports slowed to 3.6% in June from last year.

European car sales dropped 8.4% in May, the eighth consecutive month decline. [Fiat CEO Sergio Marchionne is considering closing a second Italian factory](#). European auto deliveries fell for a fifth straight year, causing a delay in the company's introduction of new models in Europe and a cut in regional investment by €500 million this year. Fiat's first-quarter operating losses in the region almost doubled to €207 million.



Market recap: Shares end higher in today's shortened session ahead of the Independence Day holiday, helped by stronger-than-expected factory orders and a rise in energy shares, which were boosted by a rally in oil due to renewed tension with Iran. However, consumer discretionary stocks were hurt by a fall in Redbook chain-store sales.

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Gold – There simply is not enough gold in the World for it to be used as a currency. It's a fact. Unless gold goes up to \$50,000 an ounce – it's not a viable exchange alternative and, if it did – then it would go into guarded vaults where no one would see it (or be able to count it) and we're right back to another form of fiat currency where banks will once again (as they did when on the gold standard) inflate their gold reserves to allow them to print more paper. That kind of BS in the press makes me think maybe we should be shorting this silly spike in gold.

Greek underground economy – I love how they say they can't measure GDP but they always seem to have exact figures on the "underground economy." If they are so sure it's 30% – then just add it to the GDP figure and stop whining about how you can't measure the true GDP. That would then focus the issue on properly taxing the revenues. Maybe they should do that in America

too, with our supposed \$1Tn+ shadow economy - that'd double Greece's ENTIRE economy. As to corruption and ineffective taxation – US corporations paid just \$192Bn in taxes last year – not even 10% of the Government's collections, yet they took in 80% of all revenues and made 60% of the profits. Now THAT's ineffective taxation!

F – At \$9.69, F is still a good deal and you can sell 2014 \$10 puts for \$1.92 and buy the 2014 \$10 calls for \$1.40 and that's net \$9.48 for a worst-case entry and no limit to your upside over \$10 and, since you are covered – when we get a good pop in F you can sell \$11 calls and pick up a monthly income as well.

Thrilling Thursday – Rumors Run the Markets

The markets came back from an uneventful Independence Day Holiday with little news to digest. Traders were focused on anticipated additional accommodations from central bankers and they got even more than expected. In what seemed like coordinated action ([denied by the actors](#)), the Bank of England undertook additional quantitative easing, adding £50B to its asset purchase program, the People's Bank of China cut interest rates, lowering its benchmark lending rate 31 basis points, and the ECB cut its benchmark rate by an expected 25 basis points. This was shrugged off by the markets, and stocks tilted from slightly positive to slightly negative on the news. As [Zerohedge](#) noted “today the BOE, PBOC and now ECB have all eased.... and ES is up a whopping 0.2%. Houston: we have a problem.”



In other news, several employment reports came out and all were slightly ahead of expectations. Challenger's layoff count for June came in at 37,511, down from 61,887 in May, and down from 41,432 in June last year. ADP's payroll count recorded a higher-than-expected rise of 176,000, compared with an increase of 136,000 in May, and initial jobless claims fell 14,000 during the week to 374,000. ([Econoday](#))

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SODA– What the hell? Up almost 50% off the May lows. Motley Fool has been pushing them and probably accounts for the last 10% but they gapped up hard on Feb earnings with a 25% pop so I would just stay away and hope they test \$50 again and then go for the short.

F – You can't hide from the overall weakness. Guy on Bloomberg this morning says he can't believe consumer is weak because auto sales are strong and that, in a nutshell, is everything that's wrong with MSM analysts. Auto sales are strong after 3 years of pent-up demand running into very attractive financing offers from the dealers AND lower prices on cars with significantly higher mileage that will save people money. It says nothing at all about the consumers. These so-called analysts don't read – they just watch TV and parrot the headlines – it's pathetic.

What to do with a \$250K annuities – Annuities are nice if you can

In banking news, the Libor scandal continued. [Moody's](#) lowered its target for Barclays amidst the turmoil, commenting “the shareholder and political pressure on Barclays, which resulted in the resignation of the bank's chief executive officer, chief operating officer and the stated intention of the chairman to resign, could lead to broader pressure on the bank to shift its business model away from investment banking and reform perceived failures in its business culture.”

It was same store sales reports day, and the reports were not good. “June retail sales grew at the slowest pace in more than two years, held back by flagging consumer confidence. More than half of the stores that report same-store sales in June missed analysts' expectations, which had been relatively muted to begin with.” ([WSJ](#))

In company news, FedEx slid early and then recovered after buying Brazilian Rapida Cometa. Apple rallied to as high as \$614 after Bloomberg reported the much-rumored iPad Mini was in the works. A new patent also suggested Apple was working on display glasses similar to Google's Project Glass. Microsoft detailed pricing for Windows Server 2008. Boeing delivered 150 jets in Q2, including 109 of its next generation 737 planes and six of its 787 Dreamliners. JPMorgan was sued by the FERC for emails pertaining to the energy regulator's probe into alleged manipulation of markets in California and the Midwest. ([Seeking Alpha](#))

Throughout the day, stocks drifted lower. Investors may have already factored in the potential for rate cuts or hoped the ECB might signal additional stimulus. The Nasdaq ended flat, the Dow dropped 0.4%, while the S&P 500 declined 0.5%. ([IBD](#))

Market recap: Stocks drifted lower as initial enthusiasm for a round of central bank rate faded and investors remained cautious ahead of tomorrow's U.S. jobs report. Investors may have already factored in the potential for rate cuts or hoped the ECB might signal additional stimulus. Crude oil edged lower; Treasury prices rose. NYSE losers led gainers seven to six.

live off them. Are they really guaranteed and FDIC insured is the question you need to ask. \$12,500 a year is a nice \$1,000 a month – hopefully tax free but fine if it goes up with the rates (although what rates are they based on?). Obviously, we think we can do better with our Income Portfolio but then it's risk but, then again, if she only needs \$1,000 a month, maybe it's all money she doesn't need and then isn't it more fun to try to do something with it? Probably not all that helpful but those are the trade-offs as I see them. Oh, also consider the possibility of paying off her mortgage as she's PAYING 4% on that balance and, if she isn't benefiting from the tax deduction it might make sense to just do that – especially if that 5% isn't tax-free. Keep in mind that the same environment that would send rates higher would probably inflate the house too and you can always do a reverse mortgage to get cash back out without increasing the monthly payments.

Friday Follies – What Percentage of 12M Will be Hired?

Friday began with mostly weak markets overseas, in Asia, Japan fell 0.7%, Hong Kong -0.2% and India -0.2%. China broke the trend and was up 1%. EU markets opened lower. Regarding yesterday's central bank actions, Rabobank commented, "Investors fretted about the possibility that these central banks know more than they do. Is the situation really that bad that they all acted together?" Euro Stoxx 50 -0.6%, London -0.2%, Paris -0.3%, Frankfurt -0.3%, Madrid -1.3%, Milan -0.6%. (Seeking Alpha)

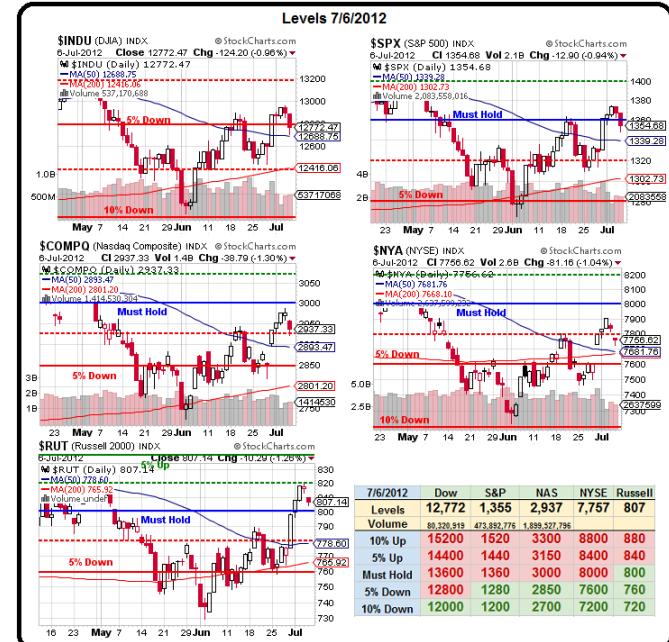
The much anticipated and potentially election-influencing jobs report came out early Friday. It was disappointing. "The Labor Department reported that the U.S. saw just 80,000 new jobs created in June, below expectations for 100,000. And the dour jobs data was the most recent update on what appears to be a soft patch for the global economy"...."The report was poor enough to disappoint, but not terrible enough to send stocks higher on hope the Fed would immediately come running in," said Richard Sichel, chief investment officer at Philadelphia Trust Co. (WSJ) The die was cast for a down day in the markets.

While pundits reviewed the report, investors dug deeper, and the news got even uglier. Spanish bond yields once again rose over 7%. (CNNMoney) The ECB's recent decision to lower deposit rates to 0% led Goldman, JP Morgan, and later BlackRock, to close money market funds in Europe (Businessweek). The Euro fell to a two year low against the dollar, down 4% from the European Summit just a week ago (Reuters). To make matters worse, Finnish Finance Minister Jutta Urpilainen commented in an interview that Finland would rather leave the eurozone than pay down the debt of other countries in the currency bloc. "Collective responsibility for other countries' debt, economics and risks; this is not what we should be prepared for," she added. (WSJ)

In company news, the smartphone wars continued with Samsung joining Apple on the profitable side of the stage, with HTC and RIMM on the other. Bloomberg reported that "Amazon.com Inc. (AMZN) is developing a smartphone that would vie with Apple Inc. (AAPL)'s iPhone and handheld devices that run Google Inc. (GOOG)'s Android operating system" (Bloomberg). Best Buy chose to part ways with its Geek Squad (WSJ), and Duke parted ways with its CEO Bob Johnson, after just five days. Coke plotted its assault on the dairy market, and Comcast prepared to stream 3500 hours of video coverage of the Olympics. Tech stocks continued a slide beginning after hours on Thursday, with Informatica

down 29%, the technology sector down 2.4% (SF Chronicle). Citrix was down 7.5%, RVBD down 8.1%, F5 6.9%, EMC 4.6%, and HPQ another 3.5%. (HPQ's 2009 market crash low was \$24.56, it closed Friday at \$19.57.)

An afternoon note by WSJ reporter (and Fed-whisperer) Jon Hilsenrath prompted a 3:15 pm stick-save in the market: "Friday's disappointing jobs report increases the likelihood that the Federal Reserve will launch a new bond-buying program to boost economic growth" (WSJ). Hilsenrath's speculation helped the market recover in the final hour. The Nasdaq fell 1.3%, but had been off as much as 1.8% previously. The S&P 500, ended down only 0.9% after being down 1.4%. The Dow Jones industrial average pared its 1.5% loss to 1% (IBD).



Market recap: Stocks book solid losses following the weak Non-farm Payroll report, but close well off session lows, helped by a late-day QE rumor. The S&P 500 -0.9%, the Nasdaq -1.3%. For the week the S&P lost a bit less than 1%. Europe closed sharply lower for a 2nd consecutive day, with several money market funds closing the doors to new investment in light of the ECB's 0% deposit rate. The 10-year Treasury yield fell 5 bps to 1.55%. Gold -1.6% to \$1,583.

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\$25KP Portfolios—The \$25KPs are not hedged portfolios to grind out an income, they are bets but the \$25KP is much more conservative than the \$25KPA (hence it makes 1/3 as much) but that doesn't mean it's not betting. If all you have is \$25,000 – you can't afford to hedge. What's your goal going to be – running \$25,000 for a year to make \$2,500? That's silly. If you can sit at a keyboard and trade – then you have enough skill to go get a job and work 100 hours for \$25 and MAKE \$2,500 while the other \$25,000 sits safely in a bank. If you want to invest \$25,000 with low risk – then you shouldn't be making short-term trades in the first place. We had BAC, WFR, SVU, CHK, JPM, X, BTU, ABX – TONS of opportunities to make small, \$5,000 investments in good stocks at 30-40% discounts from already beaten-down prices that could be well-hedged and diversified. Just take the Income Portfolio and buy 1 of each contrace instead of 10 or 50 shares instead of 5,000 if you don't want risk but never fool yourself into thinking you are going

to make over 20% a year without quite a lot of risk and, if you aren't willing to follow through on the risky trades you enter – then you are defeated before you begin.

Bottom Fishing - I'm not keen on bottom-fishing until we see earnings. Anyway, the June bottom is miles from here and I'm still concerned we're forming those "M" patterns on the Big Chart if sentiment changes. Don't forget the volume is super-light right now. If people come back next week in a selling mood – THEN things can get ugly.

Taking Profits—Had we not doubled down, I would have been more inclined to wait and see but, as it was, we had another \$1,000 to put into the win column at \$1.85 – not something you walk away from or risk. In a \$25KP – any week I can book a \$1,000 win puts me on the path to a \$50,000 gain for the year (up 200%). It's very important to learn to take those profits and be happy.

Phil's Microwave Theory

Last year in an interview Jim Rogers said:

"I am as confused as anybody else (about the level of bearishness on the Euro). Usually that indicates a rally... Once a technical rally starts, who knows where it can go from that."

Don't you wish other people would be that honest with us? It's very hard for people who give opinions for a living to stand in front of an audience and say: ***"I don't know."*** Somehow they seem to feel that they HAVE to know and, what's worse, once they force themselves to make a decision, they somehow feel obligated to defend it, even if new evidence comes out to the contrary.

This is exactly what's wrong with financial reporters and analysts, especially the clowns on TV (as well as pretty much anyone who makes a living giving you their opinion). My Members are familiar with something I'm going to share with you now. It is a Nobel Prize-worthy theory that I feel helps make me a better trader and I thought this would be a good time to share it with you:

People love to make random decisions and stick to them like they were directly given it as a commandment! How does this relate to microwaves? Well, aside from the fact that our brains are constantly being fried by the things every day (ever drive on the highway and see one of those dishes aimed right at you? Do you know birds die if they fly too close to them?), this is what I observe:

You put something in the microwave, say pizza, and you put in a time, say 3:33 (or maybe you are a whole number person and do 3 or 4 minutes). Now, unless you are a chain store pizza buyer your pizza slice is probably not always the same size or maybe it has different toppings etc., but you probably put in the same number every time.

Theory number 1: People tend to repeat behavior, especially if it was successful in the past. So the light goes on and the little thing spins and you are either a watcher or a walker (as you may have guessed - I hit the button and leave the room!), but either way you usually end up standing by the oven with 20 or 30 seconds to go waiting for it to stop.

Here's where the Nobel Prize committee has to recognize me:

Theory number 2: Everyone likes to think they KNEW (not know) something.

- Now you are standing there watching the pizza spin and looking at the timer.
- You may think it is done.
- You may KNOW it is done (you see cheese boiling)
- You may be hungry.
- You may be in a hurry.

But – you WILL wait and you WILL watch the little numbers count down until you hear that beep. Go on, try it – I dare you to open the door with 3 seconds left!

Theory number 3: We stick to arbitrary prior decisions despite new information to the contrary.

You pick a random number of seconds to cook food and then, despite observations to the contrary or a change in the situation, you stick to your original decision. In fact - you are trapped by it! It is very, very hard to ignore your own advice, even though you didn't intend it to be advice to your future self at the time – just a number you picked on a whim. Your future self always defers to you (your past self) because he/she thinks you are/were the greatest thing since sliced bread.

This is what happens to people just 3 minutes after a decision is made, what about trade decisions that are made days or weeks ago?

Ah hah, so it does go back to trading (I bet you thought I was losing it!)....

Rather than re-research, reread, rethink, reexamine our targets, we tend to treat them as set in stone. Learning not to do this will make you a much better trader (and also help you to finally redecorate the living room or clean out your desk or whatever).

Old decisions were made by the old you. The new you has learned things since then (even if it was just 3 minutes ago). The new you is older and wiser and more experienced and has had the benefit of reviewing your GUESS (because that is all it was) in light of real world circumstances and the new you is ready to make a BETTER decision.

Often the new me can't imagine what the old me was thinking when I made a trade or set a target (or gave that girl my phone number) but since I know AND ACCEPT how often the old me makes mistakes, I have no problem overriding my decisions even if it means a complete reversal!

If you can do that, you can beat the market, because 95% of the people you are trading against cannot let go of those arbitrary targets they set for themselves when circumstances were different.

When Apple, for example is upgraded to \$270 but it stutters at \$255, SELL! Open the door and take the pizza, it's done!!! If it isn't (you take a bite of your pizza and it's still a bit cold) then get back in. That's right, the old me bought Apple at \$230 last month, when an analyst said \$270 and the stock went to \$255 in 4 weeks and I feel like a genius so I start counting my \$40 profit and thinking about what I will do with it. The next week it "flat lines" between \$240-\$250 and volume drops but the old me said \$270 and it looks like I was right before, as I'm up \$25 – so I should have another \$15 coming to me....

This is terrible logic!!! Why are you listening to the old you? (I know, it sounds kind of schizophrenic) You've had 3 weeks of observations (where AAPL struggled in the \$260s), yet you are willing to ignore that in order to slavishly follow, not even what you thought, but what some analyst thought 3 weeks ago (and he was probably listening to the old him).

You are you from the future. Full of knowledge that the old you wishes he had at the time.

"For this is the tragedy of man: circumstances change and he does not." - Machiavelli

HOMEWORK: Watch Back to the Future, part 2, where old Biff steals the 1950-2000 sports almanac and gives it to the young 1955 version of himself. He tells himself all he has to do is pick the winners and he'll never lose. Obviously, right? Then why do you keep sticking to decisions you made in the past when you ARE you from the future? You know more than you did then, listen to yourself – that should be obvious too!

Also, watch Deal or No Deal (NBC) with the Microwave Theory in your hand and think about how you make decisions.

Let me know if this is helpful of if I am losing it – I always like to know how the old me is/was doing!

"People like us, who believe in physics, know that the distinction between past, present, and future is only a stubbornly persistent illusion." - Einstein

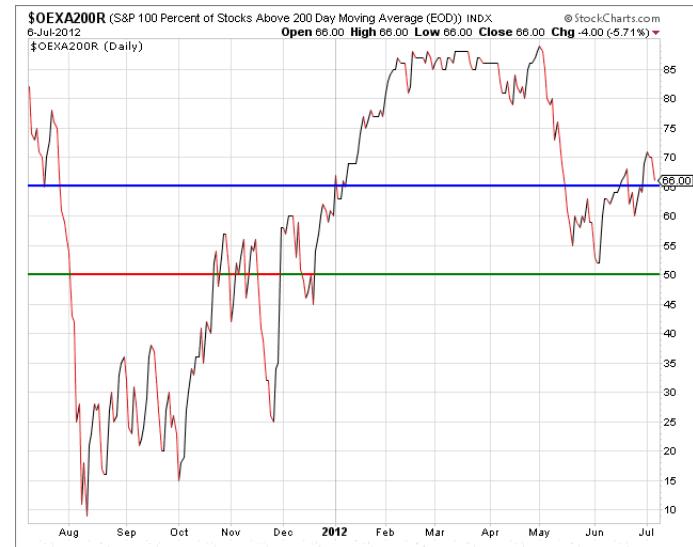
The Week Ahead

Best Stock Market Indicator: Poised at a Tipping Point Courtesy of Doug Short.

The \$OEXA200R Monthly (the percentage of S&P 100 stocks above their 200 DMA) is a technical indicator available on **StockCharts.com** that I use to find the “sweet spot” time period in the market which offers the best chance of making money. See [Is This the Best Stock Market Indicator Ever?](#) for a discussion of this technical tool.

The chart to the right is current through Friday’s close.

OEXA200R is barely hanging on above 65%. Two of the three secondary indicators are negative while the third, MACD, is barely positive. The market is poised at a tipping point; volatility and risk have increased substantially. Based on this indicator system, the current conditions are untradeable.

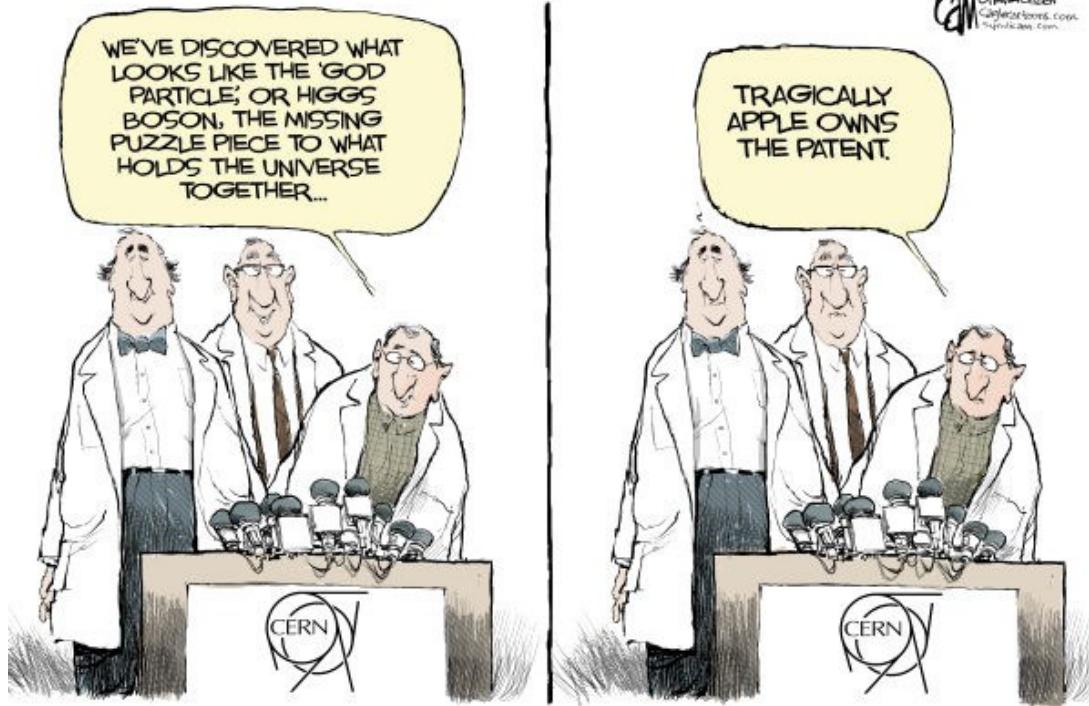


Mon, July 9	Sun, Jul 1	Wed, Jul 11	Thu, Jul 12	Fri, Jul 13	Legend
China Business Climate Index Sunday	Japan Consumer Confidence 1:00 AM / 40.7	China New Yuan Loans / Foreign Exchange Reserves	Japan BoJ Rate Decision 0.1%	Japan Industrial Production 0:30 AM	Credit Market
China CPI (YoY) Sunday / 2.3%	Great Britain Industrial Production (YoY) 4:30 AM / -2.1%	Germany CPI (MoM) 2:00 AM / -0.1%	Euro-Zone ECB July Monthly Report 4:00 AM	US PPI (YoY) 8:30 AM / -0.4%	Equities Market
China PPI (YoY) Sunday / -2.0%	Great Britain Manufacturing Production (YoY) 4:30 AM / -1.9%	Germany CPI (YoY) 2:00 AM / 1.7%	Euro-Zone Industrial Production (MoM) 5:00 AM / 0.0%	US PPI Ex Food & Energy (YoY) 8:30 AM / 2.6%	Energy
Japan Machine Orders (YoY) Sunday / 7.0%	Great Britain NIESR GDP Estimate 10:00 AM	Japan Machine Tool Orders (YoY) 2:00 AM	Initial Jobless Claims 8:30 AM / 374K	US U. of Michigan Confidence 9:55 AM / 73.5	International
Japan Machine Orders (MoM) Sunday / -2.6%	4-Week Bill Auction 11:30 AM	US Trade Balance 8:30 AM / -\$48.4Bn	EIA Natural Gas Report 10:30 AM	Fed Lockhart Speaks 1:20 PM	Fed Speak
Japan Eco Watchers Survey (Current) 1:00 AM / 47.5	3-Year Note Auction 1:00 PM	EIA Petroleum Status Report 10:30 AM	30-Year Bond Auction 1:00 PM		
Fed Evans Speaks 1:00 AM	Japan Tertiary Industry Index (MoM) 7:50 PM / 0.2%	US Fed Releases FOMC Meeting Minutes 2:00 PM	Fed Williams Speaks 3:40 PM		
Switzerland Unemployment Rate 1:45 AM / 2.9%		10-Year Note Auction 1:00 PM	China Industrial Production YTD (YoY) 10:00 PM / 10.5%		
Euro-Zone Sentix Investors Confidence 4:30 AM / -25.8		Australia Unemployment Rate 9:30 PM / 5.2%	China Industrial Production (YoY) 10:00 PM / 9.8%		
3-Month Bill Auction 11:30 AM			China Real GDP YTD (YoY) 10:00 PM / 7.9%		
6-Month Bill Auction 11:30 AM			China Real GDP (QoQ) 10:00 PM / 1.6%		
Fed Williams Speaks 11:55 AM			China Real GDP (YoY) 10:00 PM / 7.7%		
US Consumer Credit 8:58 AM / \$8.5Bn			China Retail Sales YTD (YoY) 10:00 PM / 14.4%		
China Trade Balance 10:00 PM / \$24Bn			China Retail Sales (YoY) 10:00 PM / 13.5%		

Courtesy of Pharmboy

Walgreen's (WAG—\$29.62) is the leading drug store in the United States and Puerto Rico with approximately 8,000 stores. In addition, the Company also owns Take Care Health Systems, a manager of worksite health and wellness centers as well as the websites Drugstore.com, Beauty.com and VisionDirect.com. Walgreen's currently has a P/E of 10 and a PEG (price to earnings growth) of 1.09, both of which are historically very low. In fiscal year 2011 Walgreen had Diluted Earnings per Share of \$2.94, which was a gain of 38.7% over 2010. The stock has a dividend yield of 3.7%. The company is in direct competition with the pharmacy benefit managers (ExpressScripts), but they are trying to expand overseas. Recently, the company announced they were purchasing 45% of Alliance Boot Group, a leading international pharmacy led health and wellness group. Alliance Boot has 3,300 health and beauty stores, operates 370 pharmaceutical wholesale distribution centers, and develops its own beauty products like No7, and Soltan, the leading European sun protection product. Under the Boots name, it is the leading European pharmacy store with stores in the United Kingdom, Norway, Republic of Ireland, the Netherlands, and Lithuania. It is also growing its presence in emerging markets in Asia, Turkey, Egypt, and through a joint venture in China.

I like purchasing 100 shares of stock and selling the January 2014 \$30 calls and puts for \$7.80.



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