

STOCK TRADER'S MARKET DATA **FREE TRIAL** GET REAL TIME MARKET INTELLIGENCE
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THURSDAY, FEBRUARY 18, 2010



BEARISH

Thursday
February 18,
2010

Dow: 28.6% S&P: 33.3% NAS: 42.9% R1K: 33.3% R2K: 38.1%

"Methodology is the last refuge of a sterile mind."

—Marianne L. Simmel (Psychologist)



Friday



Monday

NEUTRAL

Tuesday

NEUTRAL

Wednesday

LAUNCHED! Brand New Almanac Investor e-Newsletter Starts Today

By Jeffrey A. Hirsch

We have taken our trading and investment strategies to the next level. Our new digital content delivery system now delivers more content more frequently. The markets are moving fast, and in our survey a few months back you told us you'd like to hear from us with more *Almanac* strategies more often.

So starting TODAY we'll be rolling out more frequent updates on the tried and true *Almanac* strategies you want to hear about through our **NEW - redesigned Almanac Investor Alerts**. These twice-weekly alerts will give you more than ever before – including more timely versions of the in-depth articles you received each month in the *Almanac Investor Newsletter*. Plus, they'll be delivered right to your email inbox each Tuesday and Thursday at the close of the market.

New Almanac Alert features include:

- **Almanac Trading Forecast**
Get an exclusive *look at the week's market sentiments along with data tying in to the Stock Trader's Almanac*, as well as tools and insights to plan your week in trading including data from the Dow, NASDAQ, S&P, Russell 1000, and Russell 2000 indices.
- **Regular Features**
From *the ETF Corner & Portfolio* to the *Vital Stats* and *Pulse of the Market* you'll get strategy breakdowns, explanations, and detailed charts and graphics that will help you take the *Almanac* strategies and portfolio to the next level.
- **Guest Columns and Full-Length Articles**
You'll hear from regular almanac experts including Adam Hutt, David Fried, Bill Staton and John Person through monthly columns on stock strategies, commodities ETFs and more. AND, we'll feature guest articles from trading celebrities and Almanac fans on timely topics and trends including authors from the *Almanac Investor* book series and Wiley Trading.

Plus, subscribers will now see the **best of the month's articles** and news rolled up into our *Almanac Investor e-Newsletter* on the last Thursday of each month in their email inbox. This e-newsletter will also feature a look at the month ahead and can be downloaded and printed as a PDF, or you can read the whole month in review by clicking on the articles and reading them in full-text on StockTradersAlmanac.com.

Our free **Brand New Blog** now has all the daily up-to-date *Stock Trader's Almanac* stats live on the web for every NYSE trading day. Available through the blog tab on StockTradersAlmanac.com or at <http://blog.stocktradersalmanac.com/>, the Blog features regular entries every Monday, Wednesday and Friday keeping Almanac followers up-to-date between alerts with the *Almanac* Weekly Trading Forecast, musings on the market, media and speaking updates, and insights on the day's news and events.

We've designed the new Alerts, Newsletter and Blog to make it easier to get the news, strategies, data and updates you need from *Almanac Investor Newsletter* when and how you need it. You'll also see updates to the website making accessing these important features more convenient and user friendly. With expanded options for viewing and printing articles, we hope StockTradersAlmanac.com will stay on the top of your list for trading and investing news and information.

Daily Market Probability Data & Trading Notes

Just like in the Almanac on the weekly calendar pages and in the Newsletter Monthly Strategy Calendar, the **BULL icon** on the daily blog signifies favorable trading days based on the S&P 500 rising 60% or more of the time on a particular trading day during the most recent 21-year period.

A **BEAR icon** on calendar pages signifies unfavorable trading days based on the S&P falling 60% or more of the time for the same 21-year period.

Also, to give you even greater perspective we have listed for every day that the market is open the Market Probability numbers for the same 21-year period for the Dow, S&P 500 (S&P), NASDAQ (NAS), Russell 1000 (R1K) and Russell 2000 (R2K). Our complete Market Probability Calendars both long term and 21-year for the Dow, S&P and NASDAQ as well as for the Russell 1000 and Russell 2000 indices can be found in the [Stock Trader's Almanac](http://StockTrader'sAlmanac).

Other seasonalities near the ends, beginnings and middles of months; options expirations, around holidays and other times are noted for *Almanac* investors' convenience on applicable daily blogs. All other important market stats and economic releases are provided in the *Strategy Calendar* every month in our [Almanac Investor e-Newsletter](#).

Portfolio Updates: Correction Euthanizes Weak Sectors – This Bull Still Has Legs

By Christopher Mistal

It was quite tense over the past several weeks as it appeared that another debt crisis, this time in Europe, was about to explode. From the recovery highs of mid-January, major indices corrected 8.5% on average to the lows of early February. Tensions have abated and the market has turned up.

This 8.5% correction is healthy and has restored sentiment indicators to much less frothy levels when compared to the readings taken the first week of the New Year. The number of bulls and bears is much more balanced and a positive amount of skepticism has returned. Seasonality also remains intact—although weakness did materialize earlier than usual as February is typically the weak link in the Best Six Months.

Some quick math shows us that there is an ample supply of historically positive months in front of us and time for the market to climb to our annual forecast high of Dow 11,000-12,000. There is stout overhead resistance in the Dow 10,500-10,800 range that could easily be pushed through with additional solid earnings reports and further upbeat economic news.

Stock Portfolio Updates

In spite of the correction and the waning of small caps outperformance (January Effect), the stock portfolio gained 0.1% since last issue. Excluding the substantial cash position and the new position in NGAS, previous stock positions gained 1.1% compared to a 3% loss for the Russell 2000 over the same time period.

EF Johnson (EFJI – Mar 2009) Buy Current

With no positive developments to support it, EFJI has fallen below the buy limit and is attractive at current levels. Since September shares have been prone to wild swings as new contracts are signed and the resultant buzz fades. Current conditions are ripe for a repeat and the longer term outlook remains favorable with more stimulus funding in the pipeline.

Sauer-Danfoss (SHS – Mar 2009) Hold

Shares continue to trade at a substantial premium to the offer received by Danfoss A/S to take the company private and there has yet to be a public update to the status of the deal. Legal investigations are underway, that in all likelihood will be successful in delaying the deal until fourth quarter earnings are released on March 4. If results are stronger than expected then a sweeter deal could materialize. Industry stalwarts, such as Cat and Deere, had a good fourth quarter so it doesn't seem like much of a stretch to believe that SHS could as well.

FuelCell Energy (FCEL – Feb 2009) Buy Current

President Obama is once again beating the clean energy drum. Although he frequently appears to be going in several directions when he speaks of clean coal, off shore drilling, nuclear energy and renewable sources all at the same time, the one certainty that does exist is his commitment to do something. FCEL is one of the oldest in the industry with well established ties to Washington and it is reasonable to assume that once a path is drawn (probably in pencil) that FCEL will be a beneficiary.

Equinox Minerals (EQN.T – Sept 2009) Buy Current

A \$400 million loan facility has been secured on relatively favorable terms. Interest rates range from 4-4.75% over Libor and there are no hedging stipulations. This loan will improve operating flexibility and be used to repay existing senior and subordinated debt. An improving balance sheet, a steady ramp up of mining and process plant operations has the potential to lift EQN towards the top of the global copper mining companies list.

Etruscan Resources (EET.T – Sept 2009) Buy Current

Management is expecting 80,000 ounces of gold per year from its new Agbaou mine when it begins production in 2012 and they do not see the \$106 million price tag as a hurdle. However, this good news is being offset by the potentially negative effects that a \$10 million common share financing could have on share price. Any weakness can be used to establish or add to a position.

Global Med Technologies (GLOB – Nov 2009) Hold

GLOB has agreed to be purchased by Haemonetics for \$60 million, which equates to \$1.22 per common share. Once again investigations have been launched, but a 48.7% gain in a little over four months is decent. GLOB may be worth more, but we all know what happens to pigs on Wall Street, they get slaughtered. Hold for deal completion.

African Aura Mining (AUR.V – Nov 2009) Buy Dips

Assay results from the New Liberty Gold deposit drill program are out today and are positive for the first nine holes drilled. The complete report can be viewed on the company's site: www.african-aura.com

NGAS Resources (NGAS – Feb 2010) Buy Current

On January 14, a position was added to the portfolio on the close at 1.85. Shares were pummeled by the correction, all the way down to 1.36, but have since recovered about half the decline. We are anticipating natural gas strength from the end of February to the beginning of June. NGAS is alluring at present levels.

Almanac Investor Stock Portfolio

Almanac Investor Stock Portfolio

Ticker	Company	Recommended Date	Price	2/17/2010 Price	Value ***	Net % Return ***	Buy Limit ¹	Stop Loss ¹	Current Advice ¹
EFJI	EF Johnson	2/11/09	1.19	0.99	\$831.93	-16.8%	1.00		Buy Current
HYC	Hypercom ²	2/11/09	1.20	3.91	\$1,629.17	162.9%		2.00	Hold
PRX	Par Pharmaceutical ²	2/11/09	12.56	25.10	\$999.20	99.9%			Hold
SHS	Sauer-Danfoss	2/11/09	8.00	12.00	\$1,500.00	50.0%		10.00	Hold
FCEL	FuelCell Energy ²	3/18/09	2.50	2.61	\$522.00	52.2%	2.75	2.50	Buy Current
ACCL	Accelrys	5/13/09	4.50	6.29	\$1,397.78	39.8%		4.75	Hold
CALP	Caliper Life Sciences ²	5/13/09	1.28	3.28	\$1,281.25	128.1%		2.00	Hold
EQN.T	Equinox Minerals **	8/19/09	3.74	3.41	\$911.76	-8.8%	3.50		Buy Current
EET.T	Etruscan Resources **	8/19/09	0.48	0.38	\$791.67	-20.8%	0.42		Buy Current
GMC.T	Geovic Mining **	8/19/09	0.61	0.78	\$1,278.69	27.9%			Hold
GLOB	Global Med Technologies	10/14/09	0.82	1.20	\$1,463.41	46.3%			Hold - Being Acquired
AUR.V	African Aura Mining	10/22/09	1.05	1.20	\$1,142.86	14.3%	1.05		Buy Dips
ANLY	Analysts International	12/16/09	0.68	0.58	\$852.94	-14.7%	0.65		Buy Current
SCKT	Socket Mobile	12/16/09	2.81	2.97	\$1,058.19	5.8%	2.81		Buy Dips
SYPR	Sypris Solutions	12/16/09	2.55	2.96	\$1,160.75	16.1%	2.55		Buy Dips
NGAS	NGAS Resources	1/13/10	1.85	1.65	\$891.89	-10.8%	1.70		Buy Current, Added 1/14 @ 1.85
Cash From Half & Closed Positions					\$53,540.80				
Total Portfolio Value					\$71,254.29				
Open Position Average % Return						35.7%			
% Change from 1/11/10						0.1%			
% Change 1-Year						8.6%			
Portfolio % Gain Since Inception - July 2001						223.9%			

¹ STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss
² Half position * Adjusted ** Canadian Dollars
 *** Based on \$1000 initial investment in each stock, Net % Return includes half & closed positions, Value is open position value

ETF Portfolio Updates

Positions in the Banking, Real Estate, Oil and Natural Gas sectors were stopped out on February 4 and 5. Banking and Real Estate seasonal strength never materialized while holding shares of **SPDR KBW Bank** (KBW) and **Vanguard REIT VIPERS** (VNQ) for several months. Although both of these seasonalities have several months left we are *not* going to re-enter these trades.

When gains do not occur during favorable periods there are typically stronger forces at work. Banks are being dragged down by rising loan delinquencies due to high unemployment and exposure to potential sovereign debt defaults. Real Estate could be in for a difficult spring as the Fed will soon complete its \$1.25 trillion mortgage-backed-securities purchase program. As they are nearly the entire market now, there is great uncertainty as to who the buyers will be. If mortgages dry up or rates rise sharply sales are likely to decline.

However, the Oil and Natural Gas seasonal trades are looking attractive. As you can see in the charts below of **iShares S&P Global Energy** (IXC), **First Trust ISE-Revere Natural Gas** (FCG) and **SPDR Oil & Gas Equip & Service** (XES) MACD has recently confirmed a buy signal and during the correction all issues held and rebounded from monthly pivot point support levels. Look to enter new positions on dips (likely caused by a rally in the dollar) to levels just above support and below the monthly pivot point.

iShares S&P Global Energy (IXC)



First Trust ISE-Revere Natural Gas (FCG)



FCG: First Trust ISE-Revere Natural (Daily bars)

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2/17/10 16:00 = 18.03 (-0.04)



SPDR Oil & Gas Equip & Service (XES)



XES: SPDR S&P Oil & Gas Equipment & (Daily bars)

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2/17/10 15:59 = 29.03 (+0.03)



Of the four alternative energy ETFs, only Market Vectors Nuclear Energy (NLR) is not down double digits. Remember, these are non-seasonal, long-term trades with exposure to global markets. They trade in the U.S., so delays and setbacks on energy policy here will have a big impact on price. But our sluggish action will not affect the decisions being made in countries such as China, India and Korea. TAN, FAN, NLR, PBW are attractive at current levels.

Almanac Investor ETF Portfolio

Almanac Investor ETF Portfolio

Ticker	Exchange Traded Fund	Recommended		2/17/2010		Buy Limit ¹	Stop Loss ¹	Auto Sell	Current Advice ¹
		Date	Price	Price	Return				
TIP	iShares Barclays TIPS Bond	1/14/09	100.00	104.11	4.1%	103.50	100.50		Buy Dips
IHI	iShares DJ US Medical Devices	7/15/09	50.10	54.24	8.3%		48.81	69.88	Hold
IHE	iShares DJ US Pharmaceutical	7/15/09	53.11	57.80	8.8%		52.08	62.39	Hold
IBB	iShares NASDAQ Biotech	7/15/09	78.39	85.65	9.3%		76.95	109.94	Hold
XLP	SPDR Consumer Staples	8/19/09	25.92	26.90	3.8%		24.19	31.68	Hold
XRT	SPDR Retail	8/19/09	35.26	36.47	3.4%		32.70	43.09	Hold
IYT	iShares DJ Transports	9/16/09	67.23	72.33	7.6%		64.98	84.75	Hold
XLI	SPDR Industrial	9/16/09	26.55	28.46	7.2%		25.53	33.85	Hold
KBE	SPDR KBW Bank	9/16/09	22.69	22.83	-1.7%				Stopped Out 2/4 @ 22.30
XLB	SPDR Materials	9/16/09	29.92	31.77	6.2%		28.57	38.80	Hold
VNQ	Vanguard REIT VIPERS	9/16/09	41.37	43.58	0.2%				Stopped Out 2/4 @ 41.45
DIA	Diamonds	10/9/09	98.69	103.38	4.8%		92.94		Hold
IWM	iShares Russell 2000	10/9/09	61.42	62.47	1.7%		56.08		Hold
QQQQ	PowerShares QQQ	10/9/09	42.48	44.57	4.9%		40.03		Hold
SPY	S&P 500 Spyder	10/9/09	107.26	110.26	2.8%		99.16		Hold
IXC	iShares S&P Global Energy	11/18/09	36.40	34.40	-9.7%				Stopped Out 2/5 @ 32.88
DBA	PowerShares DB Agriculture	11/18/09	26.15	25.50	-2.5%				Hold
XLE	SPDR Energy	11/18/09	57.13	56.82	-0.5%	57.50	51.03	72.11	Buy Current
TAN	Claymore/MAC Global Solar	12/16/09	10.55	8.62	-18.3%	9.50			Buy Current
FAN	FirstTrust Global Wind Energy	12/16/09	15.09	13.32	-11.7%	15.10			Buy Current
NLR	Market Vectors Nuclear Energy	12/16/09	22.50	21.90	-2.7%	22.50			Buy Current
PBW	PowerShares WilderHill Energy	12/16/09	11.17	9.80	-12.3%	10.25			Buy Current
FCG	First Trust ISE-Revere Natural Gas	1/13/10	18.25	18.03	-6.5%				Stopped Out 2/4 @ 17.07
XES	SPDR Oil & Gas Equip & Service	1/13/10	29.70	29.03	-7.2%				Stopped Out 2/5 @ 27.56
IHF	iShares DJ US Healthcare Prov	2/3/10	47.48	48.72	2.6%	48.50	44.21	57.99	Hold, Added 2/4 @ 47.48
IYW	iShares DJ US Tech	2/3/10	52.46	55.08	5.0%	52.75	49.50	63.83	Hold, Added 2/4 @ 52.46
IXC	iShares S&P Global Energy	2/18/10	33.20	34.40	New	33.20	29.88	41.63	Buy Dips
FCG	First Trust ISE-Revere Natural Gas	2/18/10	17.10	18.03	New	17.10	15.39	22.50	Buy Dips
XES	SPDR Oil & Gas Equip & Service	2/18/10	27.70	29.03	New	27.70	24.93	36.44	Buy Dips
				Open Position	Average % Return			0.3%	
				Average Total % Return				0.7%	

¹ STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss

Disclosure Note: At press time, officers of the Hirsch Organization held a position in GMC.

STANDARD TRADING GUIDELINES!

BUY LIMITS ARE GOOD TIL CANCELLED.

ALL STOPS EFFECTIVE ONLY WHEN THE STOCK CLOSES BELOW THE STOP PRICE.

ALWAYS SELL HALF ON A DOUBLE.

Please Trade Carefully. Jeffrey A. Hirsch