

# MarketWatch

October 16, 2009 12:43 PM EDT

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## Latest News

- 12:37p Friday's biggest gaining and declining stocks
- 12:33p U.S. stock market drop lifts VIX off 13-month lows
- 12:33p Dollar gets a lift from weak confidence data
- 12:32p Treasuries gain after inflows, economic data

DOW	-100.89	NASDAQ	-25.10	S&P 500	-11.89
9,962	-1.00%	2,148	-1.16%	1,085	-1.08%

## Emerging Markets



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With the world watching, uses its shot at hosting the World Cup next year as a chance to overcome bitter divisions.

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## Dialing down the aggression

Commentary: Political, economic forces prompt changes in strategy

STORY QUOTES COMMENTS SCREENER (16)

By Thomas Kee

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LA JOLLA, Calif. (MarketWatch) -- Admittedly, my February article calling for investors to get aggressive again was premature. Had I known President Obama would cast out Wall Street, I would have thought otherwise.

UBS strategist Art Cashin called Obama's Feb. 24 address to Congress, "Pop Tart." I think that sums it up quite well.

Trading Strategies: March 2009



### Adopting a bunker mentality

- Hulbert: How to trade a flat market
- Brodrick: Five rally killers
- Kahn: Fright not flight
- Ashbaugh: The technical trend is down
- Kerr: Get ready now for \$300 oil
- Lowell: Market politics intensify
- Maltbie: Two small-caps for the wary

Although the market started positive in February, it stalled once we realized taxes eventually will go through the roof, once we had proof that the White House didn't get it, and once we understood some banks would be nationalized.

The most important of these are Citigroup (C 4.62, -0.13, -2.74%) and Bank of America (BAC 17.27, -0.83, -4.59%). They can be "nationalized" by being diluted and then redistributed into public hands if need be. Therefore, recent political banter can be true as well. This frustrating political jargon caused an uncertain lack of trust and sent the market into a tailspin as February wore on.

Everyone loves to look back, but that's not what I'm about. Forward thinking and staying ahead of the curve has gotten us to where we are today. For anyone following my positions, we should have (PST 52.76, -0.29, -0.55%)

Microsoft (MSFT 26.13, -0.56, -2.17%) and General Electric (GE 16.01, -0.78, -4.65%). I will save additional position trades for a later article.

It's true position trades are difficult in this environment, so this once-a-month venue is cumbersome for that purpose.

### Proactive strategy

Instead, this time we should use a proactive trading strategy for March. I do think the bottom is coming soon, but this strategy will make us money on both the short and long sides of the curve.

Therefore, direction does not matter if this strategy is used. As a result, if I am wrong

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“ Obviously this ninny isn't bothered by the idea that someone might actually act on his nonsense. He didn't bother to lay out any sympathy for the damage done to his followers by his last epistle. Much easier to just blame it on Obama. Lucky for him he can use that excuse for at least another four years. He sure uses the word "investors" loosely.”

- TrayfMeat | 12:58am 3/2/09

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### First Take

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### GE brass is funnier than Jay Leno

It's clear that NBC Universal misfired by installing Jay Leno in a primetime comedy show every night. General Electric senior management would have been a better choice, writes Jon Friedman.

11:13am Today | Comments: 21

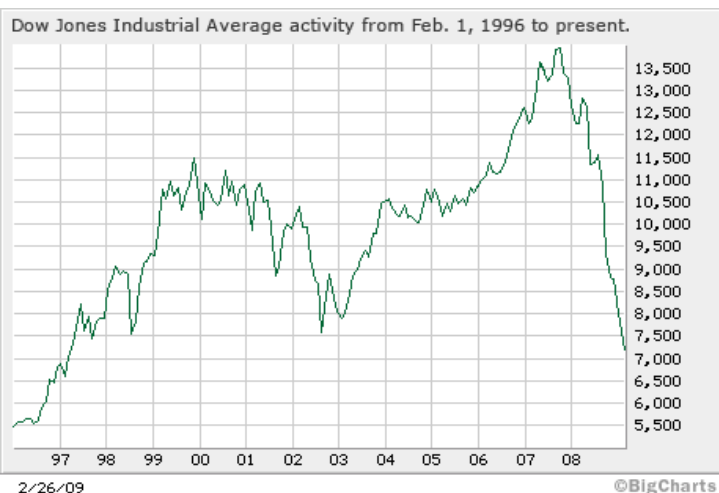
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and the bottom is not in sight, this proactive strategy will still make us money. Focus on the ProShares Ultra Dow 30 (DDM 39.89, -0.76, -1.87%) fund and ProShares Ultra-Short Dow 30 (DXD 33.18, +0.61, +1.87%). These are the double-weighted, long and short exchange-traded funds for the Dow Jones Industrial Average, respectively.

My recommendation for March is to trade proactively using these ETFs and market-based pivot points. In other words, take advantage of the volatility and avoid position trades for the time being.



I have outlined the basis for this strategy in the chart tracking Dow Jones Industrial Average activity from Feb. 1, 1996, to the present. These data points are subject to change, but these have been the integral parts of our Strategic Plan for the past handful of weeks. My clients already are using them.

First, we engaged this strategy from the test of 9054, and then again when 7441 broke lower. This will be the third phase of the Strategic Plan since Jan. 1. The downside target is 6385. Therefore, the various pivot points are: 6385, 7441, 9054 and 11776

The rules are the same as those integral to technical analysis. If support is tested we buy, if resistance is tested we short, etc. However, instead of shorting we use DXD, the double-weighted short. This plan is appropriate for qualified accounts as a result.

### Conversion strategy

I recommend a conversion strategy using both DDM and DXD, but some people prefer using DDM only.

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hpscottie 228 days ago

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Well, good article. ...but, a number of posters here (including me) notably beachboy and many others have been using this DXD DDM strategy (or some variant with other multiple inverse ETFs) for some time now.

4. Bank of America posts \$2.2 billion loss
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It has been my concern for awhile that this moneymaking approach would start to get press and not work for us anymore. I know Cramer yells at us from time to time, but, that just keeps his followers out of the tactic, which is good. I hope that this MW article will not spawn a flurry of articles all over the media and mess up our good deal!

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CommonMan 228 days ago

+4 Votes (5 Up / 1 Dn)



And when this also blows up by end of March, who will you blame then?



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Bearperney 228 days ago

-4 Votes (0 Up / 4 Dn)



Huh?



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dragonslayer4440 228 days ago

Even (3 Up / 3 Dn)



The DOW, like a deity, moves in mysterious ways.

Only a deity can predict the movement.



So where is the loss stop rule?

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Ken-Dee 228 days ago

+4 Votes (6 Up / 2 Dn)



With banks being nationalized and the economy is heading south, I mean far south like Antarctica. The strategy that I can see right now to make money, short Financials.



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ybckorea 227 days ago

0 Votes



With financials as low as they are, are you sure that is wise. They can bounce up and cut your throat in a heartbeat.



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Ken-Dee 226 days ago

0 Votes



That could happen but I am betting that will not happen... as long as this administration keeps the billions of bailing out money flowing to AIG, C, BAC, etc... In their own words 'they are too big fail'.



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+6 Votes (8 Up / 2 Dn)

TrayfMeat 228 days ago



Obviously this ninny isn't bothered by the idea that someone might actually act on his nonsense. He didn't bother to lay out any sympathy for the damage done to his followers by his last epistle. Much easier to just blame it on Obama. Lucky for him he can use that excuse for at least another four years.



He sure uses the word "investors" loosely.

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notsofast 228 days ago

+3 Votes (4 Up / 1 Dn)



Depression ? What does that really mean ...

I agree the word " investor and depression " are used way to loosely ! Mostly from the lack of understanding of exactly what they are defined as being! But anyway heres some help with what exactly the word " Depression " is and is not !



Before the Great Depression of the 1930s any downturn in economic activity was referred to as a depression. The term recession was developed in this period to differentiate periods like the 1930s from smaller economic declines that occurred in 1910 and 1913. This leads to the simple definition of a depression as a recession that lasts longer and has a larger decline in business activity.

The Difference

So how can we tell the difference between a recession and a depression? A good rule of thumb for determining the difference between a recession and a depression is to look at the changes in GNP. A depression is any economic downturn where real GDP declines by more than 10 percent. A recession is an economic downturn that is less severe.

By this yardstick, the last depression in the United States was from May 1937 to June 1938, where real GDP declined by 18.2 percent. If we use this method then the Great Depression of the 1930s can be seen as two separate events: an incredibly severe depression lasting from August 1929 to March 1933 where real GDP declined by almost 33 percent, a period of recovery, then another less severe depression of 1937-38.

The United States hasn't had anything even close to a depression in the post-war period. The worst recession in the last 60 years was from November 1973 to March 1975, where real GDP fell by 4.9 percent.

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WHATYOUWANT 228 days ago

+2 Votes (2 Up / 0 Dn)



Depression, Investor, just words my friends !

But if " YOU " think we're in a depression (not a slow-dwn or recession) or you are an investor (not a trader or spectator) it WILL effect your actions and reactions quite a bit !



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ThomasKee 228 days ago

Even (1 Up / 1 Dn)



As far as risk controls go....

IT IS A CONVERSION STRATEGY!!!!

I hope that says it all. If not I offer 1-1 assistance through my website.



This is the return of this strategy YTD:

YTD Return: Strategic Plan = 19.26%

# trades = 14 since January 1

Currently in cash.

Good Trading.

THK.

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cameronhardesty 217 days ago

0 Votes  




Sir,

Despite the efforts of WSJ, it looks like the Dow bottomed out at 6500-- well above your 6385 estimate. If I were looking to engage in your conversion strategy, I might be wondering if your pivot points are, at best, arbitrary. Considering that we're in the most significant economic shift since the 1930s, how relevant can a technical analysis of market data from the last twelve years actually be? I think dragonslayer made a good point, which went unaddressed in your article and comment. In fact, in light of your comment, your article seems less like advice and more like an advertisement for your website. Do you personally use the pivot points you define in your article when you're in the conversion strategy? I'd be interested to know.

Cameron

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atavist 228 days ago

Even (1 Up / 1 Dn)  





This article was true hilarity as the numerous negative comments attest.



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thotdoc 227 days ago

+1 Vote (1 Up / 0 Dn)  



I have great faith in analysis that blame Obama re the blame for this mess. That blinds me a bit to the rest of their analysis.



G



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BBX 227 days ago

0 Votes  



I followed your advice last month and got GE, now see what I have... was \$14 now down to \$7.6



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cameronhardesty 206 days ago

0 Votes  



When we saw resistance last week around 7440--as you predict in this article--I began to rethink my criticism of your pivot points. But after today's surge of more than 300 points in the Dow, it's clear that your technical analysis is not a reliable tool. Your investors would be lucky to get out with a 10% loss in this plan, to say nothing of the 19.26% gain you advertised. On the bright side, it saves you some time writing April's article. Change a couple of proper nouns and your introductory sentence is already done.

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