



Page 1	Market Commentary: Manic Depression
Page 3	The DayTrading Report: ERTS, RSTI, NKTR, CHKP and MERQ
Page 8	The Swing Report: CCMP, APOL, Observations and Trailing Stops
Page 11	Notes and Guidelines

## Market Commentary: Manic Depression

*Manic Depression's touching my soul,  
I know what I want,  
but I just don't know how to go about getting it.*

*Manic Depression --- Jimi Hendrix*

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*Money changes everything  
Money, money changes everything  
We think we know what we're doin' that don't mean a thing  
It's all in the past now  
Money changes everything*

*They shake your hand and they smile and they buy you a drink  
They say we'll be your friends  
We'll stick with you till the end  
Ah but everybody's only looking out for themselves  
And you say well who can you trust  
I'll tell you it's just nobody else's money -*

*Money Changes Everything --- Tom Gray, sung by Cyndi Lauper*

In my 20-plus years as a trader -- first working at Drexel Burnham in dealing with clients, next with my father at his private hedge fund, then out on my own as a trader interacting with some of the best traders and technicians in the game -- in sharing and trying to glean what makes the mare go, what moves stocks, the arena boils down to something very basic and very simple.

As trite as it sounds, money makes the mare go. Stocks don't move, they are moved -- by people. And, when you mix money and people, you almost always get a strange brew. It never fails. You think you know someone, you think you know the market, but in reality, it is a portrait of the perverse -- pictures of Lily and Dorian Gray.

*(Continued on the next page)*

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### The Trifecta

When it comes to money and people, the three most destructive forces are unleashed. They are fear, greed, and ego. That's why as traders we don't deal in a vacuum with the market, we are dealing with other market participants, and our endeavor to pull money out of the market is largely a psychological journey. It's largely an exercise in dealing with manic depression: The highs are dizzying and the lows are crushing.

We think we know the market. We think we know somebody. We know nothing. The market can do anything at any time. Monday is testimony to that.

Despite Friday's test failure of the previous Friday's high, the market rallied sharply on Monday, sending the **Dow** and the **S&P 500** to this highest high since June of last year. Ostensibly, it was on something that nobody has ever paid any attention to, the Empire Survey. That was the excuse.

I ain't buying it. I think that there is a better-than-average likelihood that last Friday, which was a week before this Friday's triple-witch expiration, was probably a *misdirection day*. As you often see one week or so before expiration, the Boyz are playing Pin the Tail on the Donkey for option expiration.

As I said in Monday's commentary, if the S&P could recapture 992 in the first hour and stick, look to scalp the long side. That certainly played itself out.

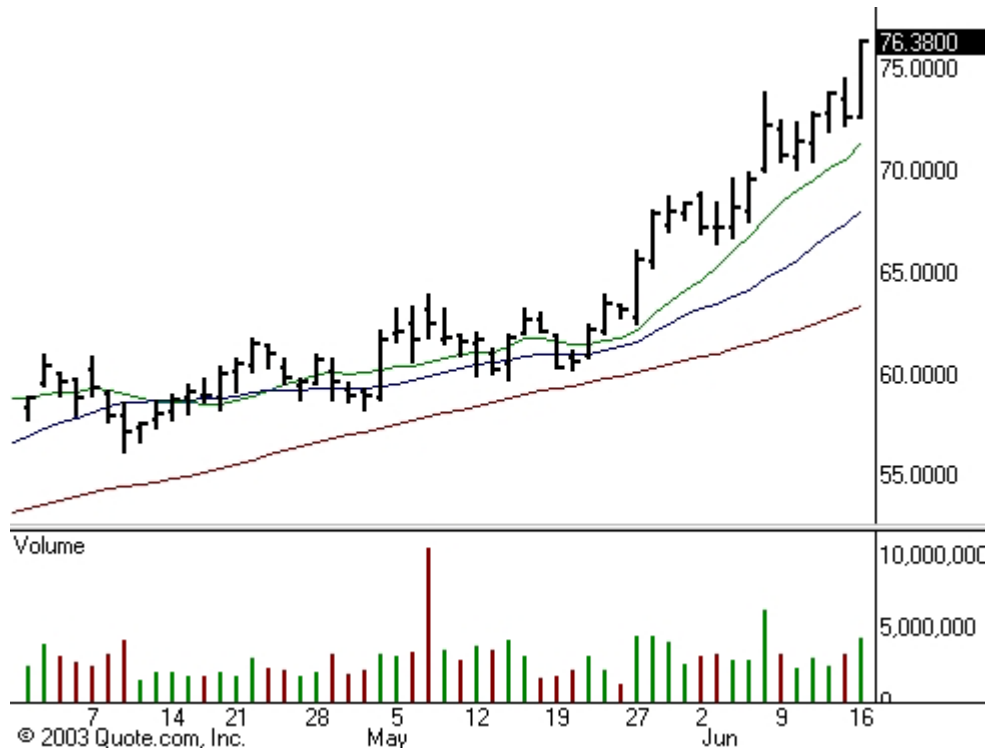
**Conclusion:** Now with the S&P only 3 points away from realizing two full cycles up from the major swing lows, we must be on guard for a gap opening above 1013-1014 that reverses down below Monday's close and stays red.

# THE DAYTRADING REPORT

## Chart 1

Electronic Arts  
(ERTS:Nasdaq)  
Long

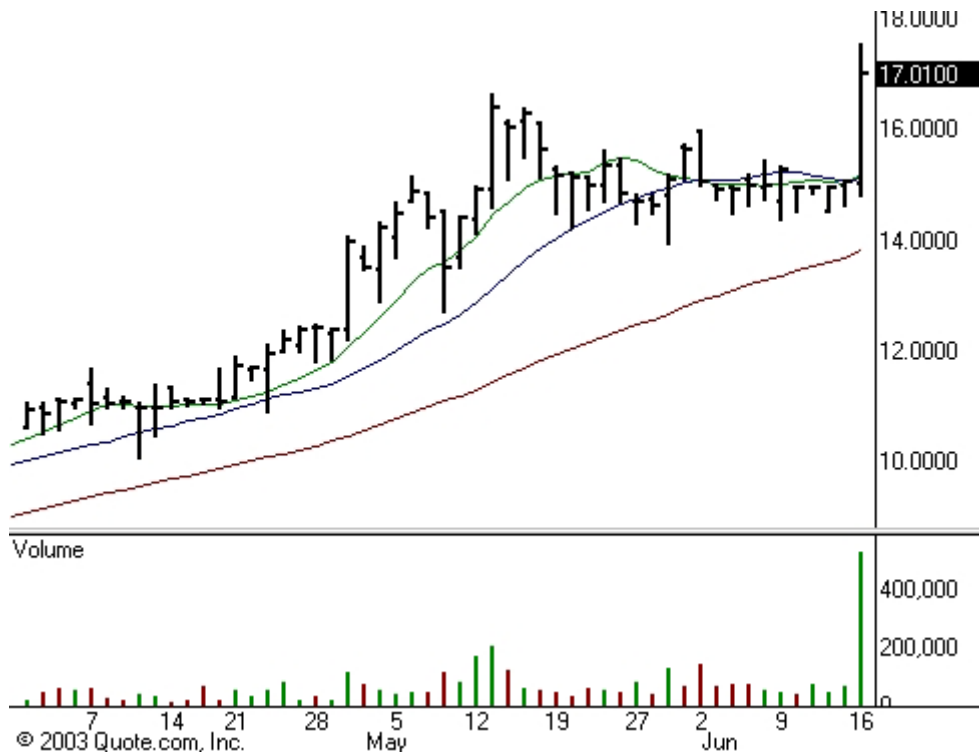
Entry: 76.60  
Stop: 75.60  
Pattern: Expansion Breakout



**Chart 2**

**Rofin-Sinar Technologies  
(RSTI:Nasdaq)  
Long**

**Entry: 17.65  
Stop: 17.00  
Pattern: Expansion Breakout**



**Chart 3**

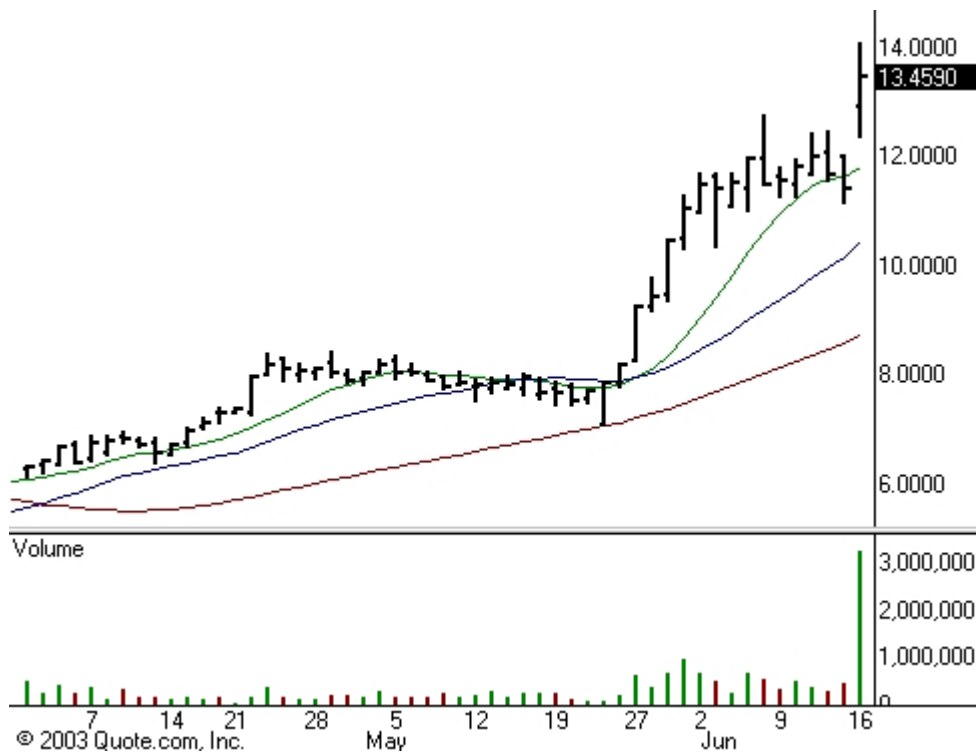
**Nektar Therapeutics  
(NKTR:Nasdaq)  
Long**

**Entry: 14.20 (Alternate Entry -- on any pullback  
toward 13.00)**

**Stop: 50 cents from entry**

**Pattern: Expansion Breakout**

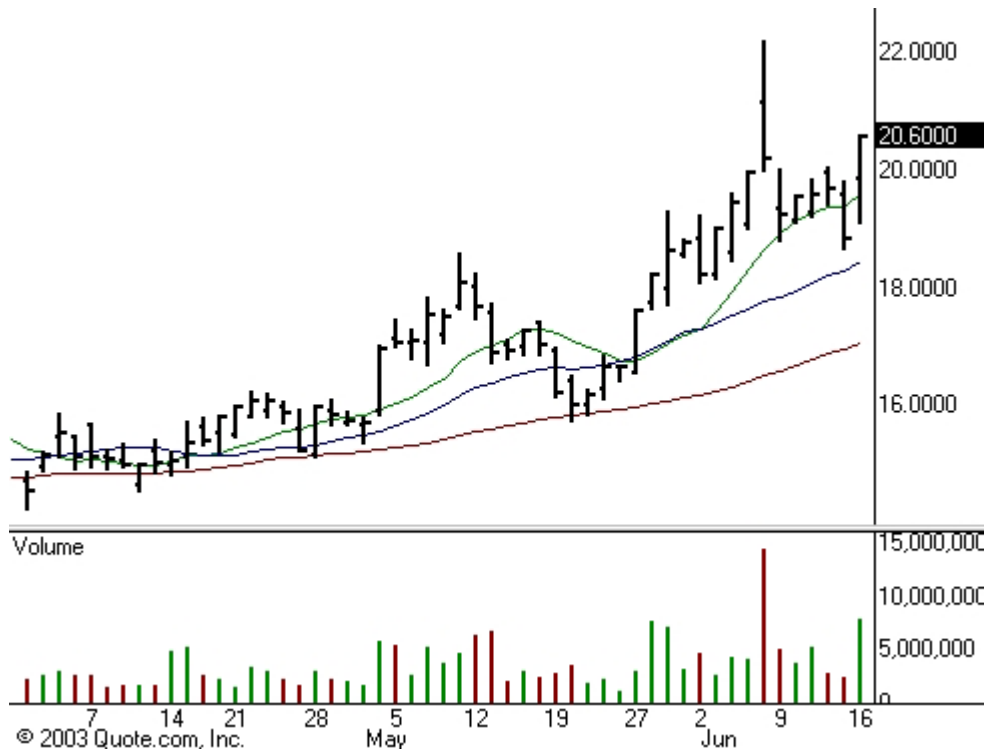
**Comments: Cheapie du Jour**



**Chart 4**

**Check Point  
(CHKP:Nasdaq)  
Long**

**Entry: 20.75  
Stop: 19.75  
Pattern: Solid Continuation Setup**

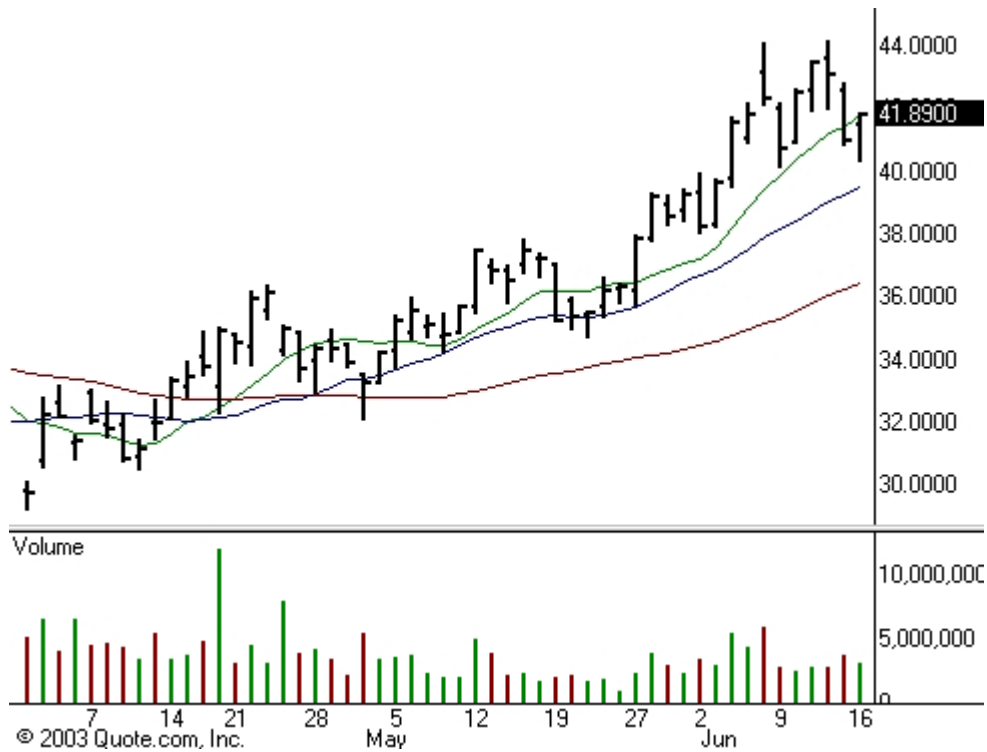


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**Chart 5**

**Mercury Interactive  
(MERQ:Nasdaq)  
Long**

**Entry: 42.05  
Stop: 41.05  
Pattern: \*Cooper 1 2 3 Pullback / 180**



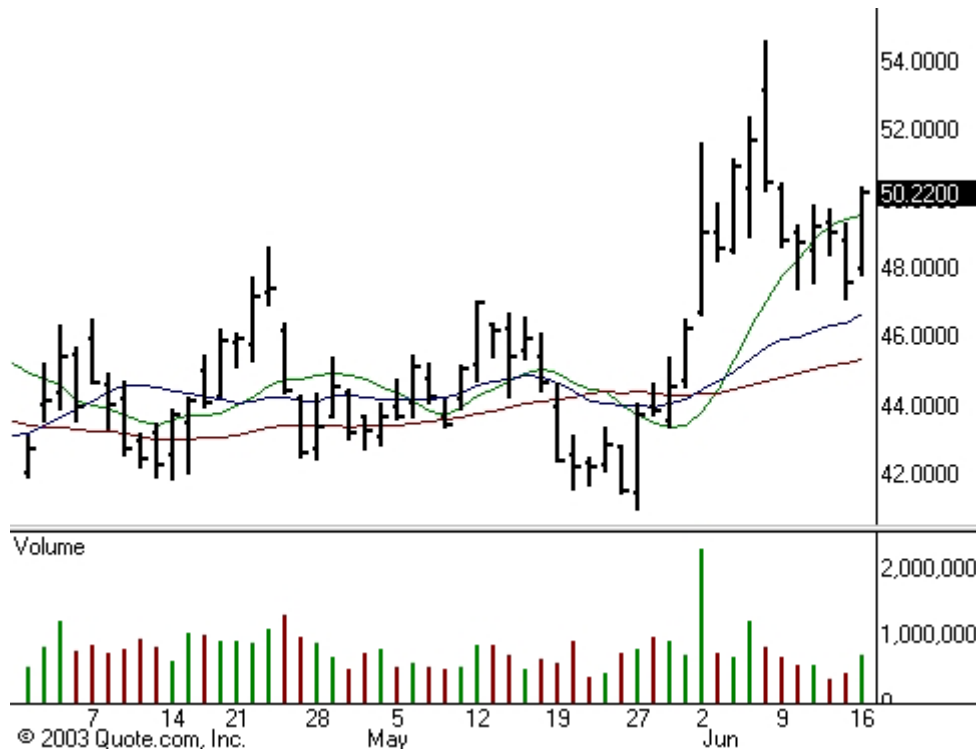
# THE SWING REPORT

## Chart 1

**Cabot Microelectronics  
(CCMP:Nasdaq)  
Long**

**Entry: 50.50  
Stop: 48.50  
Initial Target: 52.50**

**Pattern: V-Thrust**



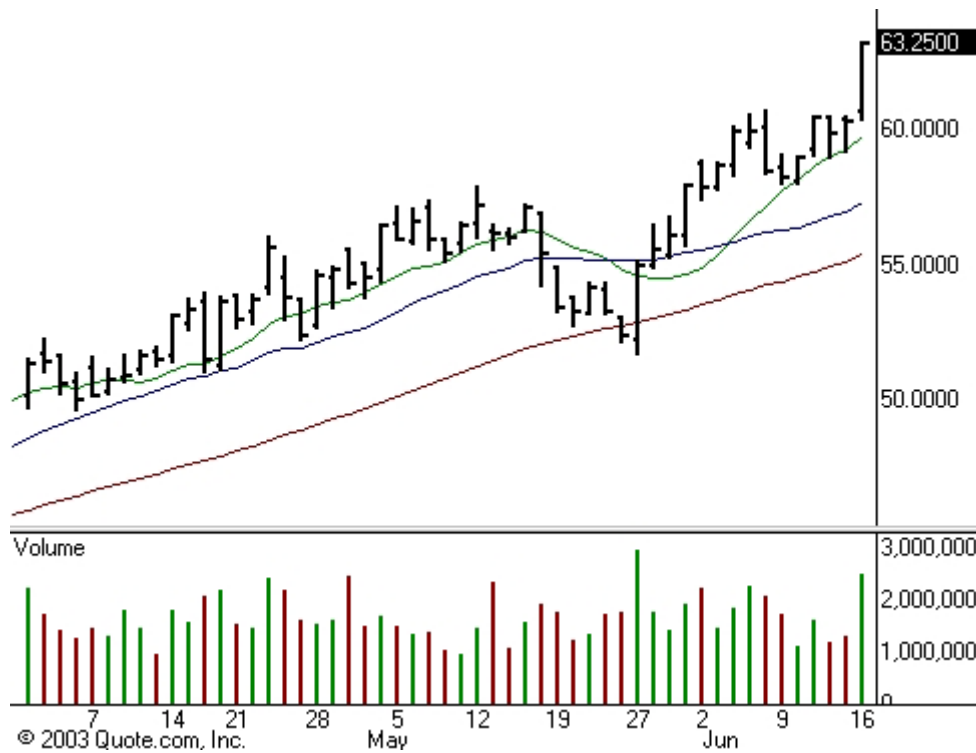


**Chart 2**

**Apollo Group  
(APOL:Nasdaq)  
Long**

**Entry: 63.40  
Stop: 61.40  
Initial Target: 65.40**

**Pattern: Expansion Breakout**



### OBSERVATIONS AND TRAILING STOPS

- Tuesday is day two in **NPS Pharmaceuticals** (NPSP:Nasdaq) (long). We are long from 27.35. Raise the stop to 27.35 and maintain the initial target at 28.45.
- Tuesday is day two in **Inter-Tel** (INTL:Nasdaq) (long). We are long from 20.90. Maintain the stop at 18.60 and the initial target at 23.20.
- **Kronos** (KRON:Nasdaq) never triggered.
- Tuesday is day three in **FTI Consulting** (FCN:NYSE) (short). We are short from 25.25. Maintain the stop at 26.65 and the initial target at 23.85.
- On Monday we sold the second half of our position in **Forest Laboratories** (FRX:NYSE) (long) at 59.50, locking in a gain of 2.60. We also locked in a gain of 1.60 on the first piece.
- On Monday we were stopped out of **Alliant Techsystems** (ATK:NYSE) (long) for a loss of 2.00.
- Tuesday is day four in **Urban Outfitters** (URBN:Nasdaq) (long). We are long from 36.00. Maintain the stop at 34.00 and the target at 38.00.
- Tuesday is day four in **United Online** (UNTD:Nasdaq) (long). We are long from 24.75. Raise the stop to 24.75 and look to sell half your position on any trade toward the adjusted target of 25.90.
- On Monday we were stopped out of **ITT Educational Services** (ESI:NYSE) (short) for a loss of 50 cents.

## Notes and Guidelines

### DayTrading Report:

Trades marked ▲ indicate stocks that are considered small-cap, trading 500K shares or less. As you know, thin stocks are generally more volatile and trade with a wider spread.

**Trades marked \* indicate patterns that don't conform to the original rules of the pattern but are defined as "in the spirit of" their namesakes.**

**The 1-Point Gap Rule:** Any stock recommendation that opens 1 or more points above the listed entry price (for longs) or 1 or more points below the listed entry price (for shorts) should be ignored for the day. Please note that history suggests that entering a stock on a gap open increases your potential for a loss.

Reminders: A signal is not valid unless the stock trades at or above the listed entry price for longs and at or below the listed entry price for shorts. ***If a position moves 1 point in your favor in this choppy environment, it is a good idea to sell half the position and move your stop on the remaining position to break even.***

Charts: The green line is a simple 10-day moving average, the blue line is a simple 20-day moving average, and the red line is a simple 50-day moving average.

### The Swing Report:

Trades marked ▲ indicate stocks that are considered small-cap, trading 500K shares or less. As you know, thin stocks are generally more volatile and trade with a wider spread.

**Trades marked \* indicate patterns that don't conform to the original rules of the pattern but are defined as "in the spirit of" their namesakes.**

**The 2-Point Gap Rule:** Any stock recommendation that opens 2 or more points above the listed entry price (for longs) or 2 or more points below the listed entry price (for shorts) should be ignored for the day. Please note that history suggests that entering a stock on a gap open increases your potential for a loss.

**Initial Target:** Target price at which you should look to sell/cover half your position.

Reminders: A signal is not valid unless the stock trades at or above the listed entry price for longs and at or below the listed entry price for shorts. ***If a position moves 2 points or more in your favor in this choppy environment, it is a good idea to sell half the position and move your stop on the remaining position to break even.***

Charts: The green line is a simple 10-day moving average, the blue line is a simple 20-day moving average, and the red line is a simple 50-day moving average.

### Money-Flow Timing Model:

If you are interested in information regarding the model, please visit:

<http://www.mutualmoneyflow.com>.

### Contact Info

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