Market Commentary:
Timing Is Everything

It never ceases to amaze me how the news many times breaks with the cycles. It never ceases to amaze me how the news headlines -- especially in a well-known magazine -- often coincide with significant turning points, only to see the markets move in a contrary direction to the headlines.

One of the most famous such headlines was the "Death of Equities" headline in Business Week at the very low in 1982 before the blastoff. There are abundant examples of such occurrences.

Very recently, an analyst went on TV and put out a $2,000 target on Google (GOOG:Nasdaq). This was after the stock had broken from $475 down to $400 and below its 50-day moving average.

The moral of the story is you just can't afford to pay any price for any stock no matter how good the story. It reminds me of a brilliant friend of mine who seemed to have trouble working the markets -- this friend knew the price of everything and the value of nothing.

After hours, Google was down precipitously after missing the mark on earnings. Although a higher tax rate helps explain the miss, the psychology and not the rationales were prevailing in after-market trading. That is often the case after the cycles begin to exert their pressure. So we must pay heed.

Trading long for no other reason than because the stock is going up is fine. After all, I'm a technician and I trade big-picture and short-term patterns without much authentication from fundamentals at all. I believe the Street can't keep a secret -- that the smart money almost always leaves its tracks in the form of buying and selling on the charts. That said, it certainly looks like somebody knew something Jan. 20 when Google had its biggest one-day loss and slammed through its 50-day moving average. Just askin'?
The excuse by the bulls that day was the refusal of Google to comply with a government inquiry into users’ activity based on privacy concerns. Be that as it may, momentum for momentum’s sake works well if you are willing to run for the exits when the plug is pulled.

The recent bounce in Google traced out a Right Shoulder. The break of the $400 Neckline tonight gives a projection to $325 -- interestingly right around the level of the stock’s rising 200 DMA. When they pull the plug, they pull the plug. When they put the hook in, they seldom let you off until blood is drawn.

Recently I showed a chart on Google pointing to the three drives to a potential high and a break of the 50 DMA. It reminds me of an old Wall Street bromide: *Your first loss is your best loss.*

The bounce in Google from $400 to $450 post-break (in other words, after its recent breakdown) was sharp, quick and impressive. However, if you’re a trader and didn’t exit after the stock had overbalanced its uptrend on Jan. 20, you’re in the "House of Pain" tonight.

Of course, Google may yet go to $2,000 a share in the long term. But, as they say in a rain dance, timing is everything. In the long-term, Porky Pig may also walk through the wall, but in the long term we’re all history. As traders, we have to live and die by the here-and-now sword.

**Conclusion:** We have been concerned about the possibility of a spike top and reversal in January. The chart of the S&P 500 is not all that different from that of Google. A break in the S&P back below our 1275 pivot and especially 1270 that sticks would more than suggest that, following the Principle of Tests, the S&P run-up to test its high (the S&P tagged the low of its high-bar day recently) would suggest that the recent swing low at 1259/1260 was the midpoint of a leg down.
THE DAYTRADING REPORT

Chart 1

Psychiatric Solutions
(PSYS:Nasdaq)
Long

Entry: 33.10
Stop: 32.10
Pattern: Pullback Pivot / Holy Grail

Pattern: Power Surge (3rd higher low).
Chart 2

Vital Images
(VTAL:Nasdaq)
Long

Entry: 31.35
Stop: 30.35
Pattern: Signal Day +1
Chart 3

Norfolk Southern
(NSC:NYSE)

Long

Entry:  50.05
Stop:  49.05
Pattern:  *Extended Level Boomer
THE SWING REPORT

Chart 1

Under Armour
(UARM:Nasdaq)
Long

Entry: 41.20
Stop: 39.20
Initial Target: 43.20 (trade toward)

Pattern: Jack-in-the-Box/ Signal Day +1
Chart 2

Intercontinental Exchange
(ICE:NYSE)

Long

Entry: 51.10
Stop: 49.10
Initial Target: 53.10 (trade toward)

Pattern: Cooper 1-2-3 Pullback +1 / 180 / Holy Grail
Chart 3

Precision Castparts
(PCP:NYSE)
Short

Entry: 49.40
Stop: 51.40
Initial Target: 47.40 (trade toward)

Pattern: 180

Comments: PCP looks vulnerable after testing its September high, and is now skating below its 50-DMA.
OBSERVATIONS AND TRAILING STOPS

-- Under Armour (UARM:Nasdaq) (long) did not trigger and we will use it again.

-- Wednesday is day two in Apple Computer (AAPL:Nasdaq) (long). We are long from around 74.90. Maintain the stop at 72.90 and the initial target at trade toward 75.90. As of Tuesday's close, we are up 61 cents.

-- Wednesday is day three in ZymoGenetics (ZGEN:Nasdaq) (long). We are long from 22.80. Maintain the stop at 20.80 and the initial target on trade toward 24.80. As of Tuesday's close, we are down 53 cents.

-- Wednesday is day four in Manitowoc (MTW:NYSE) (long). We are long from 63.05. On Monday we sold our first piece, locking in a gain of 2.00. Maintain the stop at 65.05 and look to sell your second piece on trade toward 67.40. As of Tuesday's close, we are up 3.45 on the second piece.

-- Wednesday is day seven in Progenics Pharmaceuticals (PGNX:Nasdaq) (long). We are long from 28.35. Maintain the stop at 26.35 and the initial target on trade toward 30.35. As of Tuesday's close, we are down 5 cents.

-- Wednesday is day eight in FactSet Research Systems (FDS:NYSE) (short). We are short from 38.60. Maintain the stop at 40.60 and the initial target on trade toward 36.60. As of Tuesday's close, we are down 1.28.

-- On Tuesday, we were stopped out of our second piece of Alltel (AT:NYSE) (short) for a gain of 1.80, after locking in a gain of 1.50 on the first piece.

-- Wednesday is day nine in Archer Daniels Midland (ADM:NYSE) (long). We are long from 28.25. On Tuesday, we sold our first piece as per instructions, locking in a gain of 2.00. Raise the stop to 30.25 on the second piece. As of Tuesday's close, we are up 3.25 on the second piece.
Day Trading 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.
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