

Chris SCHUMACHER Last Close: \$12.23

El Paso (EP:NYSE)

52-Week Range:
\$8.15 -- \$13.15

Bulls Pass on El Paso

- The stock did not bounce after forming a double-top and selling off.
- Instead, it formed a base.
- A recent break of resistance that then reversed shows distribution is still strong.
- Also, updates on Computer Associates, Engelhard, NiSource and Sirva.

The Short Advisor Portfolio

The Short Advisor Portfolio and Watch List are on page 4 of today's issue.

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El Paso (EP:NYSE) is showing signs of heavier distribution in its current base between \$11 and \$12. After a double-top failure off of \$12.50 in July, the heavy-volume capitulation movement into \$11.10 in August failed to create a V-reversal.

Typically when there is a capitulation movement in which price declines vertically and volume increases dramatically on the sell side, it exhausts the sellers. This tends to create a pivot point and a reversal back to where the original selloff occurred.

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El Paso (EP:NYSE) -- Daily



But El Paso, in the absence of a V-reversal after the capitulation, formed a base. Normally, a base that forms right after a strong move will lead to one more extended move in the same direction. In the case of El Paso, the base that formed just above \$11 should have led to a break below \$11. Instead, there was a break above the range over resistance, and the stock climbed near \$12. Usually after this type of break of resistance, the stock would continue higher. Instead, an immediate price rejection pushed price back down into the former base range. This price rejection says that distribution is still strong in this stock.

So the setup for this trade will be to see a break below \$11 to confirm that the base has failed to hold as support. With an entry at \$11, the stop should be placed at \$11.90, just above the last high.

With 90 cents of risk, the first profit target will be placed at \$10.10. At this level, partial profits can be taken, and the stop lowered to break-even. The final target would be placed at the 2005 low of \$9.50.

If \$11.90 is hit without seeing a break of \$11 first, this trade setup is no longer valid.

Updates

Computer Associates (CA:NYSE) is still open. The stop for this trade setup is \$29.50, and the profit target is in the range of \$22 to \$22.50. This will offer \$3.70 to \$4.20 in potential return.

Engelhard (EC:NYSE) has set up with an entry at \$27.75. The stop is at \$29, offering \$1.25 in risk, and the first profit target is \$26.50. The second profit target should be placed at \$24.

NiSource (NI:NYSE) set up last week with an entry at \$24.40 resistance. The stop is at \$25.20, and the profit target is in the range of \$23.40 to \$23.60.

Sirva (SIR:NYSE) set up last week with an entry at \$9.80, after a break of \$9.80 support. The stop is at \$11.10, and with a price target of \$8, this trade offers \$1.80 of reward for \$1.30 of risk.

The Short Advisor Portfolio

Company	Entry Date	Cost Basis	Most Recent Price	% Gain/Loss
Able Energy ABLE	08/11/2005	\$ 13.50	\$ 12.21	9.56%
Computer Associates CA	08/26/2005	\$ 26.20	\$ 27.96	-6.72%
Engelhard EC	08/23/2005	\$ 27.75	\$ 28.71	-3.46%
Freddie Mac FRE	09/01/2005	\$ 59.10	\$ 58.05	1.78%
Lennar LEN	09/08/2005	\$ 60.81	\$ 62.55	-2.86%
NiSource NI	09/01/2005	\$ 24.40	\$ 24.36	0.16%
Sirva SIR	09/09/2005	\$ 9.80	\$ 9.50	3.06%
Trimble Navigation TRMB	08/01/2005	\$ 38.50	\$ 33.26	13.61%

The Short Advisor Watch List

(There are no stocks currently on the watch list.)

The Short Advisor Performance

Average Return Open Positions	1.89%	Performance results listed here reflect values of stocks as of the close of the most recently completed trading day but do NOT take into account dividends paid, interest earned or commissions. Results are updated overnight and posted prior to the market open the following business day. The Total Average Return figures reflect changes since inception on March 12, 2003.
Average Return Closed Positions	-0.54%	
Total Average Return	-0.45%	

To see the full Short Advisor portfolio, including closed positions, visit
<http://www.thestreet.com/k/sr/portfolio.html>.

Contributors

Dan Fitzpatrick

Dan Fitzpatrick is an independent trader in stocks and options, with experience as co-manager of a hedge fund. Fitzpatrick has taught seminars on technical analysis, options trading and asset protection strategies for traders and business owners, and is a member of the Market Technicians Association. Fitzpatrick graduated from the McGeorge School of Law. He invites your feedback, comments and suggestions [via email](#).

Steven Smith

Before joining TheStreet.com as a full-time writer, Smith spent two years as the senior finance writer at Ziff-Davis Media's *The Net Economy* publication. Before Ziff, Steve spent three years writing for Individual Investor.com. He wrote extensively on options, technical analysis and a variety of trading strategies. Smith was a seaholding member of the Chicago Board of Trade (CBOT) and The Chicago Board Options Exchange (CBOE) from May 1989 to August 1995. During that six-year period, he traded multiple markets for his own personal account and acted as an executing broker for third-party accounts. Smith welcomes [your email](#) questions and comments.

Chris Schumacher

Schumacher serves a managing partner of GST Capital Group. He is a financial trader, speaker, writer and author of *Techniques of Tape Reading* (2003, McGraw Hill). He has delivered seminars throughout the U.S., is a featured speaker at trading expos and a guest contributor to CNBC's "Bullseye" program.

He is a graduate of The Ohio State University and has served as a guest lecturer at The Ohio State University's Fisher College of Business as well as the Center for Entrepreneurship. While Schumacher cannot offer specific investment or trading advice, he invites your feedback -- [send him an email](#).

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