

Chris SCHUMACHER Last Close: \$13.22

Empire Resources
(ERS:Amex)

52-Week Range:
\$6.25 - \$64.20

Fall of the Empire

- After a strong rise earlier this year, Empire Resources' shares fell sharply in May.
- The current lack of volume implies that buyers are still on strike in this name.
- Also, updates on Alcoa, FileNet and RadioShack.

The Short Advisor Portfolio

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

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Fall of the Empire

After a bright start to the year, **Empire Resources'** (ERS:Amex) fun ended. In May, the stock price plunged from \$64 to \$11.50. The steep decline attracted the attention of traders, who brought in a great deal of volume over the past two months.

Although the stock price seems to be stabilizing in the \$11-\$14 range, it appears as if there is very little faith in this company in the near term.

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Empire Resources (ERS:Amex) -- Daily



Recently, volume has trailed off as the price tries to move higher. This would normally suggest waning interest in the stock and offers a higher probability for more downside in the future.

In addition, last Thursday's strong price action in the broader markets should have created more upside in Empire's stock price. While a move off the \$11.50 pivot back to nearly \$13 a share might seem strong, the lack of an increase in volume relative to other uptrending days suggests that buyers are still on strike in this stock.

Normally, shorting near lows offers a lower probability of a potential return, especially after a nearly \$53 drop in two months. Therefore, the setup for Empire will be a little different than usual.

The ideal entry strategy for this trade will be to see a return to the \$20 level, with entry at \$20. The stop will be placed at \$22.25, offering \$2.25 in risk. An entry at \$20 with a stop at \$22.25 will require a first profit target of \$17.75 to satisfy the 1-to-1 reward/risk ratio. The final profit target will be for a return to the low at \$11.50.

If the price falls below \$11.50 before offering the entry at \$20, this trade setup is no longer valid.

Updates

Alcoa (AA:NYSE) remains on the Watch List. The setup for this trade is an entry at \$32.75. Then, the stop will be placed at \$33.50, offering 75 cents in risk.

The first profit target is at \$32 to satisfy the 1-to-1 reward/risk ratio; this is where partial profits could be taken.

The second profit target is at \$29, just above the right shoulder of the head-and-shoulders pattern in Alcoa's stock chart. More profits could be taken there. The third and final profit target is to watch for a break below \$28.45 as a continuation signal, and take profits at \$26. This will allow for a great reward/risk ratio setup if the head-and-shoulders pattern acts in typical fashion.

If the price moves under \$28.50 first without offering an entry at \$32.75, this trade setup is no longer valid.

FileNet (FILE:Nasdaq) set up with an entry at \$26.80. The stop is at \$28.50 for \$1.70 in risk. The first profit target is at \$25.10 to serve the 1-to-1 reward/risk ratio; this is where partial profits could be taken.

For the next phase of profit targets, the stock needs to first close under \$24.80. This should signal that institutional support is gone, and the stock has a higher probability to see \$23.50 to \$23. The final profit target would be placed in this range, at \$23.40. This would satisfy a 2-to-1 reward/risk ratio.

Radio Shack (RSH:NYSE) is still open with an entry at \$19.10, and the adjusted stop remains at \$19. The first profit target of \$17.40 has already been hit. The final target in the model portfolio remains a move under \$10 over the longer term.

The Short Advisor Portfolio						
Company	Entry Date	Cost Basis	Stop-Loss	Targets*	Most Recent Price	% Gain/Loss
American Capital ACAS	6/15/2006	\$32.74	\$34.10	\$28	\$ 33.48	-2.26%
Armor Holdings AH	6/27/2006	\$52.45	\$55.50	\$45	\$ 54.83	-4.54%
FileNet FILE	6/15/2006	\$26.80	\$28.50	\$25.10 (1) \$23.40 (2)	\$ 26.93	-0.49%
RadioShack RSH	3/27/2006	\$19.10	\$19	A move under \$10	\$ 14.00	26.70%

* (1) Indicates initial profit target; (2) Indicates final profit target.

The Short Advisor Watch List

Company	Author	Date Published	Current Price	Entry Price	Stop-Loss	Targets*
Akamai (AKAM:Nasdaq)	Fitzpatrick	6/29/2006	\$36.19	\$33.25	\$35.75	\$25
Alcoa (AA:NYSE)	Schumacher	6/26/2006	\$32.36	\$32.75	\$33.50	\$32 (1) \$29 (2) \$26 (3)

* (1) Indicates initial profit target; (2) Indicates second profit target; (3) Indicates final profit target

The Short Advisor Performance

Average Return	4.85%	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.
Open Positions		
Average Return Closed Positions	-0.14%	
Total Average Return	-0.07%	

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

Contributors

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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](#).

Chris Schumacher

Schumacher serves as managing partner of GST Capital Group. He is a financial trader, speaker, writer and author of *Techniques of Tape Reading* (2003, McGraw Hill). Schumacher 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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Legal Information

Please note that short-selling is a risky strategy and is not suitable for all investors. Selling short involves selling stock you have borrowed from your broker (typically on margin) with the intent of purchasing it at a lower price and taking the profit. However, you may be forced to buy the stock if its price goes up, resulting in losses greater than the amount you invested. You should make sure you are able to fully assess and afford the inherent risks.

Dan Fitzpatrick and Chris Schumacher are outside contributors to TheStreet.com's *RealMoney*. TheStreet.com is a publisher and has registered as an investment adviser with the U.S. Securities and Exchange Commission.

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