

Chris SCHUMACHER

Last Close: \$22.01

Intermec (IN:NYSE)

52-Week Range:
\$21.45 - \$38.81

Bears Slide Down the Chute

- Intermec has found itself in a downtrend channel of late.
- A large sell-side volume spike indicates that the stock's next move should be lower.
- Also, updates on Alcoa, Empire Resources, 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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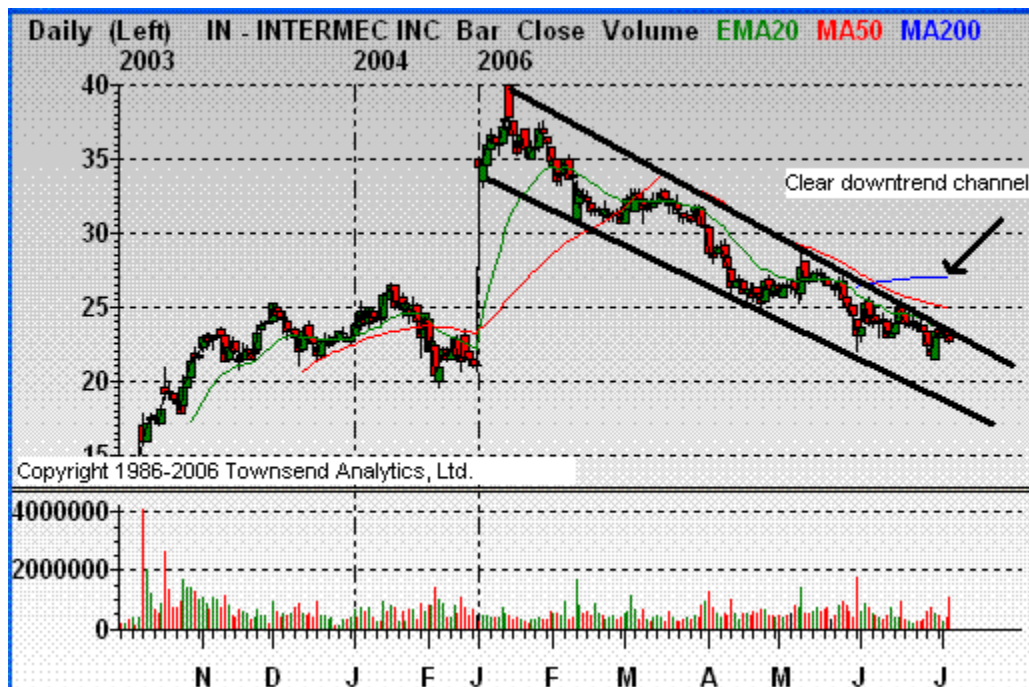
Bears Slide Down the Chute

Intermec (IN:NYSE) has seen its stock price fall from \$40 to \$21.50 in 2006 as the price action has continued to display the bearish traits of a downtrend channel.

Downtrend channels are characterized by a series of lower highs and lower lows; ever since January, Intermec's stock price has exhibited exactly this behavior.

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Intermec (IN:NYSE) -- Daily



The bulls' last two attempts at a reversal have moved the stock price back up to the downtrend channel resistance and then failed. These failures are creating a chute that the stock price should continue to slide down into the third quarter.

Volume plays an important role in determining whether the direction of a channel has a higher probability of continuing than reversing. Generally, as price rises into a downtrend resistance line, it is wise to look for an increase in buy-side volume that can hold up above that resistance level. This would suggest a reversal is more sustainable and that the downtrend channel is broken. This isn't the case with Intermec.

When price rises and volume declines, this is typically a bearish scenario. Worse, Intermec's latest push up to resistance was met with a large sell-side volume spike. This would suggest distribution pressure still outweighs buy-side accumulation. Because of this last round of price-volume behavior, the next move should be to see a continuation move lower.

The ideal strategy for this trade will be an entry at the resistance line, at \$23.45. The stop will be placed at \$25.35, just above the last high. A break up to this level would invalidate the series of lower highs and lower lows, thus invalidating the reason for the setup. The profit target will be placed at \$21.55.

If the stock price moves under \$21.45 without first offering an entry, this trade setup is no longer valid.

Updates

Alcoa (AA:NYSE) gapped up last week and offered an entry at \$33.13. Unfortunately, the stock then hit the stop loss at \$33.50, closing out this trade.

Empire Resources (ERS:NYSE) remains on the Watch List. The ideal entry strategy for this trade is 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.

To satisfy a 1-to-1 reward/risk, an entry at \$20 with a stop at \$22.25 will require a first profit target of \$17.75. The final profit target will be for a return to the low at \$11.50. If the price falls below \$11.50 before offering entry at \$20, 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 drop to \$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	\$ 33.66	-2.81%
Akamai AKAM	07/06/2006	\$35.25	\$37.50	\$25	\$ 35.25	0.00%
CDW CDWC	07/07/2006	\$52.35	\$56.95	\$45	\$ 51.56	1.51%
FileNet FILE	6/15/2006	\$26.80	\$28.50	\$25.10 (1) \$23.40 (2)	\$ 27.17	-1.38%
RadioShack RSH	3/27/2006	\$19.10	\$19	A move under \$10	\$ 16.96	11.20%

* (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*
Empire Resources (ERS:Amex)	Schumacher	7/3/2006	\$16.41	\$20	\$22.25	\$17.75 (1) \$11.50 (2)

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

The Short Advisor Performance

Average Return Open Positions	1.70%	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	-0.16%	
Total Average Return	-0.13%	

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

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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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