

Chris SCHUMACHER Last Close: \$185.40

Biotech HOLDRs
(BBH:Amex)

52-Week Range:
\$167.47 - \$207.25

Bulls Losing Their Grip

- The Biotech HOLDRs are forming a descending triangle.
- This pattern, which is created by a series of lower highs, favors the bears.
- Also, updates on Consolidated Edison, Harvest Natural Resources, Huntsman, Lee Enterprises, NovaGold and Salesforce.com.

The Short Advisor Portfolio

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

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As our email sent to you Friday outlined, we are ceasing publication of *TheStreet.com Short Advisor* on Dec. 29.

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Regards,
David Morrow
Editor-in-Chief

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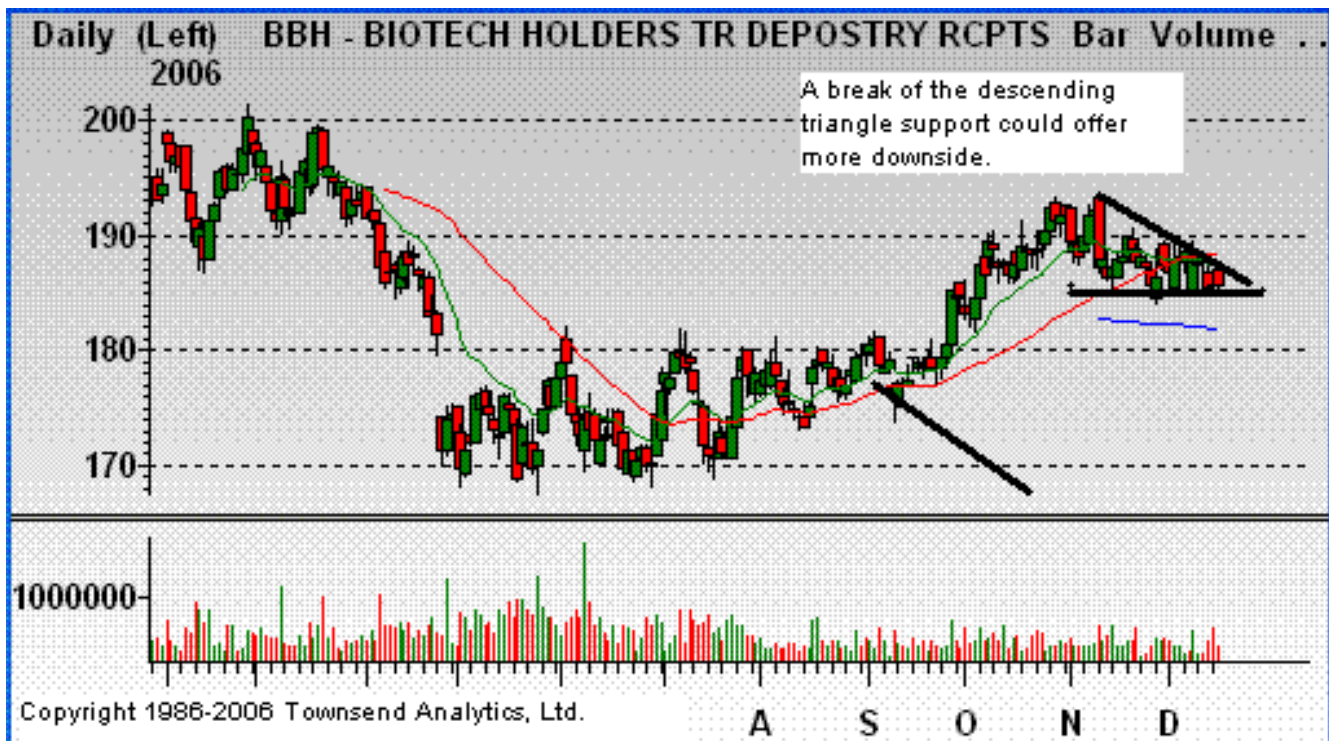
As we head toward the end of the year, I've been looking for sectors that might underperform relative to the strength of the broader market.

So I have been watching several exchange-traded funds (ETFs) and holding company depository receipts (HOLDRs) that might represent a weaker

sector, looking for a break under a base support to confirm the downtrend. As I was scanning through a number of these names, I noticed a descending triangle in the **Biotech HOLDRs** (BBH:Amex).

(Continued on the next page)

Biotech HOLDRs (BBH) -- Daily



A descending triangle typically forms as price coils, ready to break out in an explosive fashion to one side or the other. The bearish case can be made for a descending triangle as it shows distribution pressure getting heavier each time price tries to move higher.

The evidence in the example of the Biotech HOLDRs is seen in a series of lower highs, forming the pattern of a triangle. The only caveat is that the triangle base shows where bulls have drawn the line in the sand with regard to accumulation. The fight between the two camps becomes so compressed that when one side overpowers the other, there is usually a huge explosion of liquidity and price moves quickly. However, in a descending triangle, there's a higher probability that support will break.

Thus, a close below the support price in the Biotech HOLDRs should signal a downtrend confirmation and a good short setup. The ideal setup for this trade is to first see a break of \$184 and then look for a return to \$184 for the entry. The stop will be placed at \$189. Given the wider \$5 stop, adjust the size of your position according to your risk level.

The profit target will be placed at \$179 to satisfy a 1-to-1 reward/risk scenario. There is too much congestion between \$170 and \$180 to expect more out of this trade. If the stock price moves above \$190 without first offering an entry, this trade setup is no longer valid.

Updates

Consolidated Edison (ED) hit the \$49.25 stop-loss level last week. This trade is no longer open.

Harvest Natural Resources (HNR) has not set up yet. The ideal setup for this trade is an entry at \$11.35, with a stop at \$12.15. This offers 80 cents in risk. The first profit target will be \$10.55 to serve the 1-to-1 reward/risk scenario. The second profit target will be placed at \$8.50. If the price moves under \$9.50 before offering an entry, this trade setup is no longer valid.

Huntsman (HUN) hit the \$19.10 stop-loss level last week. This trade is no longer open.

Lee Enterprises (LEE) hit the \$30.30 stop-loss level last week. This trade is no longer open.

NovaGold (NG) remains open with the entry at \$15.90. The stop is at \$18.10, offering \$2.20 in risk. The first profit target is \$13.70, with a final profit target at the gap-fill level of \$12.25.

Salesforce.com (CRM) set up last week with an entry at \$40.50. The first profit target of \$38.90 was also hit, satisfying a 1-to-1 reward/risk ratio. So the stop should be lowered to \$41.50. The next profit target is \$33, and the final profit target is at \$28.60, which is the area that will fill the gap left from August.

The Short Advisor Portfolio						
Company	Entry Date	Cost Basis	Stop-Loss	Targets*	Most Recent Price	% Gain/Loss
Salesforce.com CRM	12/12/2006	\$40.50	\$41.50	\$33 (1) \$28.60 (2)	\$ 38.05	6.05%
Federated Department Stores FD	12/01/2006	\$40.30	\$40.30	\$33	\$ 38.94	3.37%
Motorola MOT	10/19/2006	\$23.25	\$22.05	\$19	\$ 20.76	10.71%
NovaGold NG	10/24/2006	\$15.90	\$18.10	\$13.70 (1) \$12.25 (2)	\$ 15.99	-0.57%

* (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*
Harvest Natural Resources (HNR)	Schumacher	12/12/2006	\$10.12	\$11.35	\$12.15	\$10.55 (1) \$8.50 (2)
Kohl's (KSS)	Fitzpatrick	12/14/2006	\$71.54	\$68.25	\$71.20	\$60

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

The Short Advisor Performance

Average Return Open Positions	4.89%	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	-0.42%	
Total Average Return	-0.35%	

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](#).

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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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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