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SMART IDEAS. SMART RETURN

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Good Morning!

Trade Status

Open trade(s)

- SK115, SK116, SK117, SK118, SK120, SK119

- US stock futures decline on corporate earnings concern.
- Steve Jobs may face surgery after cancer, doctors say; Apple plunges 7.7%.
- India's sensex falls to one-month low; Infosys leads decline.
- Euro declines to 5-week low on speculation of rate cut.
- UN Chief condemns Israeli shelling of UN compound in Gaza; white phosphorus shells used.
- Stock symbols with positive guidance: CPKI, PDDI, CTS, TSO
- Stock symbols with in-line guidance: BWS, ECL, SHO, CLC, CSCX, AME
- Stock symbols with negative guidance: MOT, PLT, CVH, XLNX, TRMB, VFC, CRRC, PDFS, HRC

Day Trade Corner

- Yesterday's trade DT101 did not trigger.
- Today's daytrade DT102: Sell to open 1 mini-S&P 500 March 2009 contract at 846 or better. Sell stop 856.

Important Report(s) Due Today

- United States: Producer Price Index for Dec. 2008. Released at 8:30 AM ET. M/M change: Previous -2.28%; Consensus -2.0%; Consensus Range -2.9% to -0.7%.
- United States: Empire State Mfg Survey for January 2009. Released at 8:30 AM ET. M/M change: Previous -25.8; Consensus -25.0; Consensus Range -28.0 to -20.
- United States: Jobless Claims for week 1/10/09. Previous 467K; Consensus 500K; Consensus Range 442K to 700K.
- United States: EIA Natural Gas Report. Released at 10:30 AM ET.
- United States: Money Supply. Released at 4:30 PM ET.

Market Update

Terrible economic news sent stocks tumbling again. Wednesday's reports were mostly on a negative side: retail sales in the U.S. declined for the sixth month in a row, and at rate that was double what was forecasted. Oil demand was also weak, and inventories continued to mount. What likely added to the drama was the newest joint venture in the brokerage arena, with Citigroup splitting off its prized Smith Barney division and combining it into a joint venture with Morgan Stanley. Why is this bad news, you'd ask, with Citi getting nearly \$3 billion for the unit and booking a gain as a result of the deal? The market is sending Citigroup stock sharply lower as the bank is clearly in need of more capital. After receiving \$45 billion in government help last November, it still felt the need to sell the unit, whose long-term earning potential is likely very significant. Smith Barney is one of the stronger business units for Citigroup; selling it may help in the short term but will likely hurt the company's long-term earnings potential. And the sale indicates a dire need for capital. You simply cannot ignore the situation with Citi - while it's too big to fail, it's clearly not in good shape. The only few bright spots in yesterday's gloom were the continuing gains in mortgage applications and the return of some sanity to the credit market. The TED spread, the premium banks pay for loans compared to the U.S. government's borrowing cost, is now at a 5-month low, and the LIBOR, a measure of short-term rates, is near its lowest since 2003. The Bear clearly has the upper hand, however, the flip side is that the worse things look, it would not be surprising to see the stimulus package exceed \$1 trillion. We can expect a re-test of the November lows of the stock market after which it is likely to go up. Moreover, we expect commodities to lead on the upside just like they did on the downside.

Overnight reports show the Japanese PPI M/M down 1.2%; Australian employment lower by 1200 and unemployment rate at 4.5%; German CPI M/M up 0.3%; Italian CPI M/M down 0.1%; and European HICP M/M down 0.1%. Today, ECB is expected to cut interest rate by 50 pts to 2%. Dow Jones near-term future contract is down 55 points. expect a weak opening in the US stock market this morning.

Good Luck and Happy Trading!

Daniel, Derrick and Dad

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