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MoneyLetter.com

SMART IDEAS. SMART RETURN

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Good Morning!

- Global stocks advance; MSCI Index gains first time in eight days.
- Citigroup posts \$8.29 billion loss for fourth qtr, company split.
- Bank of America posts first loss in 17 yrs; gets \$138 billion US bailout.
- Crude oil falls as OPEC cuts Demand Forecast; supplies Rise.
- Stocks w/ +ve guidance: NSR,DENN,WMAR
- Stocks w/ in-line guidance: TTMI,VIVO,VIDE,CALP,BGG,DRH,CRYP
- Stocks w/ -ve guidance: CYMI,HOME,MFB,INTC,DNA,MGRM,QUIX,RCRC,APH,ADSK,CYNO
- Option watch: S&P 100 calls
- ETF watch: PBW,GEX

Trade Status

- **Open trade(s):** SK115, SK116,SK117,SK118, SK119, SK120
- **Commodity/Futures watch:** Cocoa, Orange Juice, Yen, British Pound
- **Forex:** USD/JPY

Day Trade Corner

- Yesterday's day trade DT102 was filled. Trade risk was \$500. Trade profit \$800 in late afternoon trading.
- Today's day trade DT103: Buy to open 1 mini-S&P 500 March 2009 contract @ 830. Stop loss 820. Sugg. trade risk \$500.

Important Report(s) Due Today

- United States: Consumer Price Index for Dec. 2008. Released at 8:30 AM ET. M/M change: Previous -1.7%; Consensus -0.9%; Consensus Range -1.5 to -0.4%.
- United States : Industrial Production for December 2008. Released at 9:15 AM ET. M/M change: Previous -0.6%; Consensus -1.0%%; Consensus Range -2.0% to -0.2%

Market Update

Terrible news on both the economy and banking system sent stocks tumbling this week. Among the economic reports, U.S. retail sales declined for the sixth month in a row. Oil demand is weak, and inventories continue to mount. Last week's unemployment numbers for December were grim. So are the economic headlines from Europe and Japan. Of greater concern for future growth prospects is the bad news coming out of the banking sector. Citigroup and Bank of America and other bank stocks in the U.S. and Europe are down sharply too. Citigroup is expected to soon announce big losses, and it clearly needs more capital, even after receiving \$45 billion in government help last November. There is speculation that the U.S. will have to take over Citigroup. The U.S. government is close to a deal that would give billions in additional aid to Bank of America to help it close its acquisition of Merrill Lynch. Reason: Larger-than-expected losses at Merrill.

On the currencies front, Yen has been showing weakness on speculation that demand for higher yielding assets will be funded in Japanese currency. It continues to weaken against Euro, Aussie, and New Zealand Dollar. US Senate for the second half of the stimulus package also eased concern that losses at financial institutions will spread. We are monitoring a yen trade for next week. On the softs front, Cocoa futures have been declining on concerns that recession will reduce demand for chocolate. Orange juice futures have been falling due to consumer cutback and expectation that Florida groves will escape damage from winter freeze. We are monitoring these markets for trades next week.

Overnight, near-term Dow Jones futures showed strength and near-term contract is up 151 points. We are looking at a firm opening in the US stock market. The Yen/Euro cross is showing support around 116, if this support holds, it will be bullish for the stock market. If it does not hold, global stocks will follow.

Good Luck and Happy Trading!

Daniel, Derrick and Dad
The SmartMoneyLetter Team.

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