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Good Morning!

Trade Status

Open trade(s)

- SK115, SK116, SK117
- SK118, SK120
- SK119 (filled on 1/12/09)

Trade(s) closed this week

- None

- Asian and European stocks fall; Commodities decline.
- Satyam scandal presages rally for Indian stocks.
- Alcoa posts first net loss in six years as aluminium demand declines; Prices slide.
- US dollar rally may continue if Bernanke fails to inspire confidence today. Bernanke scheduled to speak in London at 8:00 AM ET today
- British pound is under selling pressure.
- Saudi Arabia to produce less oil in February than OPEC quota.
- Stock symbols with positive guidance: PCTI, WAT, ANSW, AET, MR, HOLX.
- Stock symbols with in-line guidance: ROG, KNDL, OFIX, ABT, DGLY, DLA.
- Stock symbols with negative guidance: PBH, KLAC, VOLT, PRXL, CSX, AMKR, KMT.

Day Trade Corner (New Feature)

- DT#101 Sell to open 1 contract of mini-S&P 500 March 2009 contract at 873 or better. Buy stop 885. Close the trade by 4:00 pm (ET) - Win. Lose or Draw!

Important Report(s) Due Today

- United States: International Trade for November 2008. Released at 8:30 AM ET. Trade Balance: Previous \$-57.2B ; Consensus \$-51.5B; Consensus Range \$-58.0B to \$-39.0B.
- United States : Red Book Released at 8:55 AM ET.
- United States : Treasury budget for Dec. 2008. Released at 2:00 PM ET. Previous \$-164.4B ; Consensus \$-83.0B; Consensus Range \$-150.0B to \$-26.0B

Market Summary

The stock market has been in a sideways trading range since late October, after the horrible sell-off. Yet, though trading has appeared less dramatic on the surface, small cap stocks outperformed large caps last week by an extreme that is every bit as extraordinary as the two we mentioned above. A more likely possibility is that the institutional investors, who are major owners of large caps, are still too spooked by the market to do much buying. If anything, they are responsible for most of the panic selling lately. However, the interpretation we favor is that small cap buyers have started looking over the valley to the other side of the current economic malaise. Moreover, they have a massive amount of money to invest. Small cap buyers include a lot of public investors and some funds. However, they include less of the major institutional buyers (since a lot of institutional money cannot or will not buy small caps). So it seems small cap investors are not nearly as scared of the market as large cap investors.

Yesterday DJIA ended the regular session down 125 points in anticipation of a dreary earnings season. Materials, energy and financial shares led the market down. Worries over global economic slowdown led the oil price lower. Overnight, DJIA March 2009 future contract is down 45 points. February 2009 crude oil contract future price is down almost \$1.

Good Luck and Happy Trading!

Daniel, Derrick and Dad
The SmartMoneyLetter Team

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