



STOCK WORLD WEEKLY

THE EXECUTIVE'S SUMMARY | OF THE GLOBAL MARKETS

Dow Jones	11,859 (-1.5%)
S&P 500	1,279 (-1.9%)
NASDAQ	2,644 (-2.7%)
NYSE	8,116 (-1.6%)
Russell 2000	795 (-1.0%)
Oil	102.34 (+1.7%)
Gold	1,419 (+0.1%)

THIS WEEK'S NEWSLETTER:

MONDAY MARKETS - JAPAN MOVES 8 FEET OVER AND 633 POINTS DOWN

World stunned by scenes of devastation unleashed by earthquake and tsunami

TERRIBLE TUESDAY - DUCK THIS FIP!

FOMC minutes indicate economy slowly recovering, but QE2 still needed

WHIPSAW WEDNESDAY - SMOKE ON THE WATER

Japanese nuclear crisis gets worse

THRILLING THURSDAY - DISCOVERING JAPAN!

Yen hits 76.36 vs. Dollar during price spike

FREE MONEY FRIDAY - YENTERVENTION - G7 STYLE!

Group of Seven intervene to stabilize Japanese Yen

THE WEEK AHEAD

Japan's massive disaster of earthquake, tsunami, fires and threat of nuclear contamination dominated the news all week. On Monday, incoming tides deposited hundreds of bodies on the Japanese shores. [1,000 corpses washed up along the coastline](#) of the Miyagi prefecture. Japan's National Police Agency [announced Thursday that more than 5,000 people had died and nearly 10,000 were missing](#), and figures in both categories were expected to rise as search teams had yet to explore many heavily damaged areas.

The damage to homes, businesses and infrastructure was enormous. The [port town of Minamisanriku \(pop. 19,170\) was almost completely wiped out by the tsunami](#), with about half of the population dead or missing. The city of [Kesenuma \(pop. 73,403\) was engulfed in flames that started in the wake of the earthquake and tsunami](#). *"Along the coast, everything is gone. It was entirely swept away."* ([Overwhelmed by Toll, Coastal Town Shifts Focus to Survivors](#)).

While the extent of the earthquake and tsunami devastation is still being assessed, focus shifted to the troubles brewing at the Fukushima Daiichi nuclear power plant complex. As we wrote last week, ["Friday's massive earthquake in Japan casts a shadow over the upcoming week, as the full extent of the damage begins to emerge, and the markets anticipate the repercussions of this catastrophe."](#) We began the week mildly bearish, expecting some volatility. Indeed, the markets displayed bipolar behavior, falling dramatically and then partially recovering later in the week.

Many Japanese manufactures were knocked offline by the earthquake. Manufacturers including Sony, Toyota and Honda temporarily shut down operations while scrambling to ascertain the damage to their production facilities. Toyota announced on [Wednesday that it would not resume production until March 22](#). According to Natsuno Asanuma, a spokeswoman for Honda Motor Company, *"There is no way to get our products out, even if we make them, with the roads and distribution system damaged."* ([Auto Plants in Japan Remain Closed as Companies Take Stock](#))

Concerned about Monday's plunge in the Nikkei and a surge in credit risk, *"the Bank of Japan poured a record amount of cash into the financial system and doubled the size of its asset-purchase program to shield the economy from the effects of the nation's strongest earthquake on record."* However, the ¥15Tn the BOJ injected into money markets on Monday was insufficient to head off some wild gyrations in the FOREX markets. The Yen gained in value versus the Dollar, hitting a post-World War II peak on Wednesday. The USDJPY index moved down to 76.36 before bouncing back. (The USDJPY index moves down as the Yen moves up.)

BOJ Governor Masaaki Shirakawa said the central bank would "provide huge amounts of liquidity" to the banking system as it increased its asset-buying power to ¥10Tn, reinforcing the bank's determination to keep markets stable. Kazushige Kamiyama, an official in charge of the

BOJ's money market operations, offered reassurance by saying the bank would provide "as much funds as needed to dispel anxiety in financial markets." (BOJ Pours \$183 Billion Into Japan Economy, Doubles Asset-Purchase on Quake)

On Friday morning Japan time (10pm Thursday, GMT), the Group of Seven finance chiefs announced that, "authorities from the United States, Britain, Canada and the European Central Bank will join with Japan in foreign exchange intervention...at the request of the Japanese authorities." The Yen dropped and the USDJPY index rose to its support level of 80 as the value of the Dollar increased against the Yen.

While Japan's crisis overshadowed other news, tensions in the Middle East continued to escalate. Rebel forces in Libya were pushed back to their stronghold city of Benghazi, losing town after town on the way. Gaddafi's powerful counterattack consisted of armored formations, troops equipped with heavy weaponry and backed by air support. On Thursday, the United Nations Security Council passed a resolution imposing a no-fly zone over Libya and authorizing "all necessary measures" to protect civilians. This was followed by Saturday's assault upon Libya by a coalition consisting of French, U.S. and British forces acting in response to continued attacks on civilians by the Gaddafi regime.

Tensions in the Middle East caused oil prices to climb, with West Texas Intermediate Crude gaining 1.7% and ending the week at \$103.24. We have been watching the \$105 level as a target for initiating a short position in oil.

We began this week slightly bearish, cautious about global events, especially the tragedy unfolding in Japan. The five indexes we track (Dow, S&P, Nasdaq, NYSE, Russell 2000) were all above our "Breakout 2" levels, and four of five broke below their Breakout 2 levels during the selloff this week. However, as of the close on Friday, the Dow, S&P and NYSE managed to regain those levels.



Monday Markets - Japan Moves 8 Feet Over and 633 Points Down

As the extent and severity of the devastation in Japan became apparent amid growing concerns over a possible major nuclear accident, the U.S. equity markets dropped to six-week lows before recovering modestly in the late afternoon.

workers at the plant began injecting seawater and boron into the damaged reactors in an attempt to shut them down after backup cooling systems failed. On Sunday, TEPCO warned of a partial meltdown in the reactor.

3/14/11	Dow	S&P	NAS	NYSE	RUT
TODAY	11,993	1,296	2,701	8,193	798
PREVIOUS	12,042	1,304	2,716	8,249	803
% CHANGE	-0.43	-0.60	-0.54	-0.66	-0.62

One of our Members, zerozero, worked with TEPCO in the past. He eloquently expressed his concerns in Members Chat about the ability and willingness of TEPCO management to be able to effectively manage a crisis of this nature.

The Nikkei 225 dropped 6.2% from its close on Friday of 10,254 to 9,620 on Monday, on record volume. Manufacturers were hard hit while electric utilities closed the day limit-down. Japan’s nuclear power industry was expected to come under intense scrutiny and shares of Tokyo Electric Power Company (TEPCO) dropped more than 23%. TEPCO, a private utilities company in Japan, owns and operates the Fukushima Dai-ichi power plant at the center of the nuclear meltdown panic gripping Japan. Hitachi Limited and Toshiba Corporation both dropped over 16%. The Bank of Japan injected ¥7Tn (\$85Bn) into the money market in a same-day operation aimed at soothing the markets after Friday’s disastrous events.

Inside Member’s Chat:

Zerozero: *“For what it’s worth, anecdotally, I worked with TEPCO for years in Europe, where it inherited some power plants from a Japanese trading company it bought out. I have never been associated with a more opaque, immobile bureaucracy in my entire career. The company receives checks from Japanese consumers every month and scarcely makes decisions of any kind. Its approach to any new problem was to ignore it; taking a decision involves risks, taking no decision was never criticized internally. In fact, the management would often reach critical points in project development and simply not return phone calls or emails when they didn’t know what to do – which was pretty much always. While it’s no laughing matter, when I realized that TEPCO was in charge of saving Japan from a nuclear disaster, I didn’t know whether to laugh hysterically or make plans to travel to another planet. Events may prove me wrong, but if Japan depends on cool, calculated responses from TEPCO, it will be very disappointed. Or worse.”*

Nightmarish videos appeared on the internet providing ample footage of houses being swept away by onrushing water and people running for their lives. On Saturday, TEPCO’s six-reactor Fukushima Dai-ichi nuclear reactor complex, which suffered severe earthquake and tsunami damage, had a failure of its primary cooling systems. The first explosion at the complex blew the roof off the containment structure of the plant’s Unit 1 reactor. About 20,000 residents within a six mile radius were evacuated while

Japan's situation deteriorated further throughout the day. A second explosion destroyed the building containing the Unit 3 reactor, which also knocked the cooling system for Unit 2 offline. A resulting fire was extinguished, but more radiation was released into the environment. Chief Cabinet Secretary Yukio Edano admitted, "Now we are talking about levels (of radiation) that can damage human health."

The crisis in the Middle East and North Africa intensified on Monday. In Libya, forces loyal to Gaddafi recaptured the coastal town of Zuwarah. Rebels were pushed back by armored formations with air support, which proved to be too much for them to withstand. Meanwhile, the situation in Bahrain threatened to turn into an open sectarian conflict between Sunnis (the ruling minorities) and Shiites (the majority). According to the Associated Press, "Thousands of anti-



government demonstrators cut off Bahrain's financial center and drove back police trying to push them from the capital's central square - shaking the tiny island kingdom Sunday with the most disruptive protests since calls (for) more freedom erupted a month ago." (Note: Shia majority countries are Iran, Iraq, Azerbaijan and Bahrain.)

TIME reported: "The increasingly bloody confrontation between the mostly Shiite protesters and their Sunni King, Hamad ibn Isa Al Khalifa, led the monarch to ask for backup on March 13 from the Joint Peninsula Shield, the military coalition established to protect members of the Gulf Cooperation Council (GCC) from invasion. On March 14, more than 100 Saudi tanks rolled across the causeway that links Saudi Arabia and Bahrain in an effort to quell the uprising and save Bahrain's royal regime. Saudi Arabia's arrival marks the first time an outside country has intervened in a protest since the wave of unrest began in the Arab world in January."

If this situation turned into a sectarian conflict, Iran may get involved, seriously escalating the crisis. "Saudi Arabia's unexpected military action could further anger not only the protesters in Manama [Bahrain's capital] but also leaders in Iran, perhaps leading the island nation to become the scene of a proxy war." (Bahrain: Caught between Saudi Arabia and Iran.)

Inside Member's Chat:

On Monday, jrom wrote: "Phil, oil over the \$100 line was a great call... I'm curious why you don't think it should be down as much today? Oil is purely speculative and we have a natural disaster threatening to shave at least a couple % points off the country with the third largest GDP in the world. Further, there's a nuclear situation which poses even more danger to Japan."

Oil/Jrom - Because of the Saudis in Bahrain and, of course, the situation in Libya is not finished either. By Wednesday, I will be gung-ho short as it's time to roll the contracts but I think they will keep pushing until then, so better chances to pick up .50 here and there over the line than under.

Terrible Tuesday - Duck this Fip!



The stock market dropped sharply early Tuesday, with the Dow being down nearly 1.8% at the low. The indexes then drifted up in the afternoon and the 2:15 pm release of the FOMC meeting notes may have helped undo the initial sell-off.

3/15/11	Dow	S&P	NAS	NYSE	RUT
TODAY	11,855	1,282	2,667	8,092	791
PREVIOUS	11,993	1,296	2,701	8,193	798
% CHANGE	-1.15	-1.12	-1.25	-1.24	-0.86

On March 9, 2011, Phil wrote in Members' chat, *"I hope everyone has their disaster hedges because I am starting to lean that way again."* Those words turned out to be prescient. Stock markets plunged in Japan and across the rest of Asia on Tuesday. The Nikkei 225 opened at 9441.66 and dropped as low as 8227.63 before recovering to 8605.15, losing 10.6% from Monday's close to Tuesday's close.

The situation at the Fukushima Daiichi nuclear power plant deteriorated again. Reuters reported: *"Radiation wafted from an earthquake-stricken nuclear power plant towards Tokyo on Tuesday, sparking panic in one of the world's biggest and most densely populated cities"* Zero Hedge [reported](#)

Inside Member's Chat:

On Monday, BruceE wrote: *"Your call for cash last week has saved my portfolio from disaster and it is bittersweet that it looks like I will do very well with the TZA hedge you picked on Wednesday, the April \$36/41 BCS, as well as the DXD disaster hedge. Thanks Phil!"*

"I want to thank both Zeroxzero and Pentaxon for their excellent analyses of the nuclear situation in Japan yesterday - without their now-obviously accurate observations, we would have probably gone more bullish. We did do some dip buying, but generally with well-hedged positions except for the \$25KP, where we did take a risk on FAS that will bite us in the ass." - Phil

"Simply surreal news out of Tokyo (which unfortunately we predicted once again) which is now reported to have ten times normal radiation levels. And while Korea and Russia are reported to be safe for now, with radiation fallout simulated to head toward the Pacific, we expect America to be quite vocal about the threat of radioactivity coming from Japan via the Jet Stream as soon as it wakes up."

The latest FOMC meeting minutes were released Tuesday afternoon. The statement was extremely brief, and contained positive comments regarding the economic recovery. The Fed suggested that the "economic recovery is on a firmer footing" and "overall conditions in the labor market appear to be improving gradually." The Fed indicated that it intends to continue buying Treasuries on schedule through to the end of Q2 2011.

The Fed also noted that commodity prices have risen significantly since last summer, and that recent increases in the prices of energy and other commodities are putting upward pressure on inflation. While the Fed is still claiming "measures of underlying inflation have been subdued," it is at least now addressing the issue in its statements.

Whipsaw Wednesday - Smoke on the Water



The Fukushima Daiichi nuclear power plant disaster continued to dominate the news on Wednesday, and the U.S. equity markets ended the day sharply down. Techs were battered by downgrades to [Apple](#) and [IBM](#), among other bad news. The Dollar rose versus most currencies but dropped to a 16-year low versus the Yen, prompting speculation that the [Bank of Japan](#) would intervene again to keep the Yen from getting too strong against the Dollar.

3/16/11	Dow	S&P	NAS	NYSE	RUT
TODAY	11,613	1,257	2,617	7,930	782
PREVIOUS	11,855	1,282	2,667	8,092	791
% CHANGE	-2.03	-1.93	-1.89	-2.00	-1.19

The pattern of “when the Dollar pops, the market drops” persisted. This pattern has been intact for months. (See the weekly INDU versus UUP chart below. UUP is a proxy to the Dollar.) We have also been tracking “Breakout Levels” that we use to confirm whether the indexes have meaningful support. The markets have been ignoring bad news since QE2 began, and traders have been making easy money by following the simple “buy the f’ing dip” strategy, as if bad news didn’t matter.



Wednesday's Levels

3/16/11	Dow	S&P	NAS	NYSE	Russell
WEDNESDAY CLOSE	11613	1257	2617	7930	782
UP 100% (RUT 133%)	12938	1332	2530	8362	800
MAJOR BREAKOUT LEVELS	12000	1300	2750	8250	800
BREAKOUT LEVEL 2 (MUST HOLD)	11600	1260	2675	7935	800
BREAKOUT LEVEL 1	11500	1220	2600	7750	725



This week, Japan’s natural disaster combined with threats of spreading nuclear contamination, made bad news suddenly matter. This is why we like disaster hedges. When things suddenly matter, hedges are important, though it’s difficult to predict the what, where and why in advance. While we didn’t know exactly what might cause the stock market to plunge, we did know that inflation is becoming a major problem, civil war has broken out in Libya, multiple countries are having riots and revolts against their governments, and the European debt crisis is still unresolved.

We were also concerned about the market being overpriced as the indexes broke above their Major Breakout Levels without any pullback. Without a pullback, i.e., consolidation, the indexes do not have firm support.

As of Wednesday's close, the five indexes we track failed their Major Breakout levels, and four of five failed their Breakout 2 levels. Phil observed, "Now we've blown this year's progress in a couple of days - POOF! Profits are gone for the 'buy and hold' crowd, and it's time for us to get back in just a week later at prices we were happy to buy at in December. The mainstream media, of course, is still pounding the fear drum and we're certainly not ignoring the potential risks. We added

“Of course we are using hedged entries with option strategies, but, if we're not going to buy when things get cheap - when will we buy? We used that logic well last year with plays on MEE (mine collapse) as well as BP, RIG and HAL. When major blue-chip like companies sell off - it is possible to make a rational assessment of their true valuation compared to the maximum expected damage from the incident and pick an entry point. It's easier, of course, when you use our strategy for buying stocks at a 15-20% discount - as that gives you an extra cushion - just in case. As William Shatner tells us - you can't argue with a big deal!

I have to remind people of this in every market panic but it is worth repeating. If you KNOW you want a stock and you intend to make it part of your retirement portfolio and it drops 20% with the market and then you can give yourself an additional 20% discount using our buy/write strategy - WHY WOULD YOU NOT BUY IT? Fear is the only answer. Unless something has fundamentally changed with your stock that will make it earn less than you thought it was going to - why would your valuation change?" - Phil

“I was interviewed by BNN Tuesday and they were "shocked" that we were buying on Tuesday - especially that we were buying HIT (\$47 entry), GE (\$19.20 entry) and SHAW (\$31.50 entry on Monday).

Too early they said. I see it differently. It seems to me that if this goes badly and the sentiment runs to decommissioning existing plants - that's going to be a lot of work for these guys. If there is a push for alternate energy - that's good for GE and HIT. If there is a push to put newer, safer plants on-line to replace older models - that's great for SHAW and also GE and HIT. So many ways to win on this trade - why not?" - Phil

several new disaster hedges in yesterday's Member chat but that forms the BASE for our bullish plays. We expect support at our Breakout 2 levels and adding disaster hedges protects our buy-ins below the Breakout 1 Levels and, if those break - we simply add more hedges. That's right - IT'S NOT COMPLICATED!"

The European debt crisis wore on as Portugal's bond auction of €1Bn in 12 month T-bills saw the interest rate paid jump to 4.331%. [Zero Hedge commented](#), "Alas, while Portugal purchased a few days of funding, it merely confirmed that it is now effectively bankrupt as paying 4.3% for 12 months worth of debt indicates the Rubicon has long been passed. Look for Portugal to be bailed out any minute."

While Portugal struggles, Spain appears to be stabilizing. Moody's cut Spain's investment-grade ranking to Aa2 on March 10, but added that Spain's "debt sustainability is not under threat." Georg Grodzki, London-based head of credit research at Legal & General Investment Management, commented "Spain has skillfully managed to navigate itself away from the sick list. If Spain continues structural reforms, especially in the labor market, it could start moving towards the core."

Thrilling Thursday - Discovering Japan!



The markets rebounded on Thursday, as the S&P and the NYSE regained our “Breakout 2” levels. As of Thursday’s close, three of our five indexes were over their “Breakout 2” levels. An overnight drop in the Dollar from 76.6 to a low of 75.9 helped the markets get off to a strong start at the open.

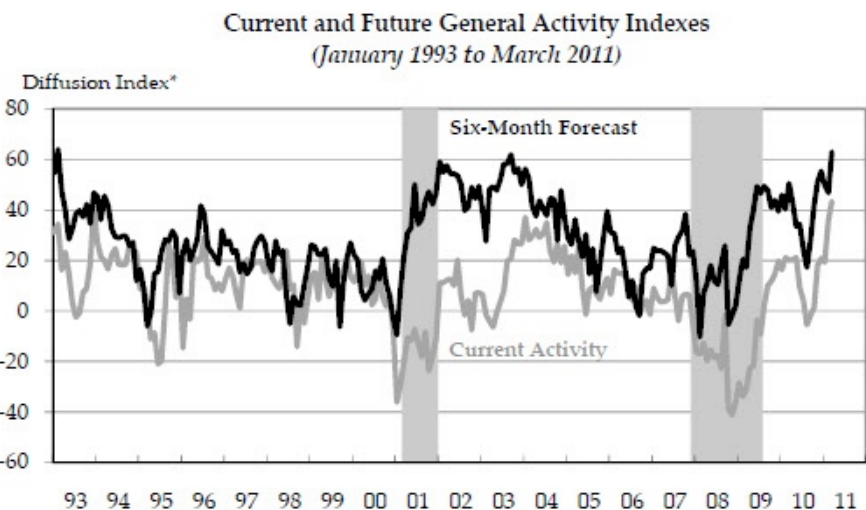
3/17/11	Dow	S&P	NAS	NYSE	RUT
TODAY	11,775	1,274	2,636	8,065	786
PREVIOUS	11,613	1,257	2,617	7,930	782
% CHANGE	+1.39	+1.34	+0.73	+1.70	+0.46

The March Philly Fed Business Outlook Survey was released on Thursday. The survey’s broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 35.9 in February to 43.4 in March. The new orders index increased by 17 points this month, from 23.7 in February to 40.3 in March. This index has increased for six months in a row. The future general activity index increased 16 points, to a reading of 63.0, the highest it has been since February 1993 (chart below). Another positive sign reported was the price paid index (which

measures what firms are paying for raw materials and other “inputs”). The price paid index was *down* 3 points to 63.8 from a previous 67.2. Phil described this as “*amazing, as in - too good to be true - but what can you do?*” While the prices paid index declined 3 points this month, this index has still increased by 51 points over the last six months, and 32% of firms surveyed reported higher prices for their products in March, as compared to 29% in February.

Engineers and technicians struggled to get control of the situation at the Fukushima Daiichi nuclear power plant complex. Three reactors were emitting either white smoke or steam amid conflicting accounts of the radiation levels being released from the damaged reactors. Efforts started on Thursday to run external power cables to the complex in hopes of re-powering some of the cooling pumps.

The value of the Japanese Yen gyrated wildly this week, reaching a record postwar high against the Dollar early Thursday morning (a low on the USDJPY index of 76.36). Phil commented on the sharp move that started Wednesday evening: “OMG! What the Hell is the Yen doing? 77.75 - a 2% drop in the USDJPY index after hours. That is completely unheard of. I think they are just busting on people who made the very obvious trade of Yen weakening ahead of BOJ action but WOW!”



* Percentage of respondents indicating an increase minus percentage indicating a decrease.

To stabilize the Yen, the Group of Seven (G7) announced that the United States, Britain, Canada and the European Central Bank would cooperate with Japan in a joint foreign exchange (FOREX) intervention starting Friday.

Canadian Finance Minister Jim Flaherty told reporters: “The central bank governors and the ministers of finance all agreed that we would act cooperatively to defend the currency, which was being traded in a disorderly way and was challenging recovery in Japan.” ([G7 members to set scope of forex intervention](#))

The civil war in Libya reached a crisis point on Thursday, as rebel forces kept a desperate hold on their home city of Benghazi in the face of fierce attacks by forces loyal to Gaddafi. The United Nations Security Council passed a [resolution imposing a “ban on all flights in Libyan airspace.”](#) It also authorized member states to “take all necessary measures to protect civilians and civilian populated areas under threat of attack.” In response, [Libya threatened to retaliate against any foreign military actions](#) by attacking both civilian and military targets, including air and maritime traffic in the Mediterranean. Fears of a widening conflict in the region boosted oil futures on Thursday, with West Texas Intermediate Crude closing up 3.57% to \$101.48.

Bahrain was also in the news. A day after Bahrain’s crackdown on protestors drew criticism from the U.S. and raised fears of regional conflict, [authorities arrested at least six opposition leaders.](#) Over 1,000 Saudi-led troops moved into Bahrain at the request of King Hamad ibn Isa Al Khalifa. Bahrain is a strategic nation because it is a major financial center for the Middle East and [also the location of a key U.S. naval base which hosts the 5th Fleet.](#) It is considered a major counterweight to Iranian military ambitions. Iranian President Mahmoud Ahmadinejad “condemned the intervention in Bahrain by Gulf troops: ‘This expedition is a very foul and doomed experience and regional nations will hold the American government responsible for this.’” This intervention represents the first major cross-border military action to suppress

one of the revolts currently sweeping the Arab world. ([Three killed as troops open fire in Bahrain](#))

Stock World Weekly editor, [Ilene](#), interviewed [Jesse of Jesse’s Café Américain](#) on Thursday and the full interview is well worth reading. When asked if any progress had been made in recent efforts to clean up the financial system, Jesse replied “*I think things are progressing in line with what I had expected, with the Fed and the government trying to prop up an unsustainable status quo by monetizing debt. I am still a little shocked by the brazen manner in which the financial markets are being conducted and regulated, and the news is reported in the US. It is one thing to hold a theory that says something will happen, but it is quite another to see it actually happening, and so blatantly, almost without a word of protest.*”

“

Three Mile Island hit the US on March 28, 1979, and, twenty-eight hours after the accident began, William Scranton III, then lieutenant governor, appeared at a news briefing to say that Metropolitan Edison, the plant’s owner, had assured the state that, ‘Everything is under control’. Later that day, Scranton changed his statement, saying that the situation was “more complex than the company first led us to believe. As the week progressed, 140,000 people were evacuated within 5 miles of the plant and cleanup did not begin until August. It took until December 1993 to complete at a cost of \$1Bn. What happened to the stock market in March of 1979? The S&P fell from 102.12 on March 28 to 100.90 on April 2 and bottomed out at 98.06 in May (down 4%) and was back at 110 by the end of August (when cleanup began). It was at 450 in December of 1993. What’s the moral of that story? LIFE GOES ON!

So let’s all grow a pair and buy some stocks while they’re on sale, OK?” - Phil

Free Money Friday - Yentervention - G7 Style!

News of the G7 intervening in the Forex markets to stabilize the Yen was greeted positively, with all five of the indexes we track being up for the day. NYSE gainers outnumbered decliners by two to one.

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TODAY	11,859	1,279	2,644	8,116	795
PREVIOUS	11,775	1,274	2,636	8,065	786
% CHANGE	+0.71	+0.43	+0.29	+0.64	+1.16

Phil discussed “Yentervention” in Friday’s article: *“What a manipulated joke the markets are. On Wednesday evening, against all possible logic and on no volume at all - the Yen futures ROSE (up is down), with the USDJPY index blowing past the 79.75 record high against the Dollar that had held since 1995, all the way to 76.65 DESPITE the FACT that it had already been signaled that the BOJ was ready to step in to support the Yen at around 80.*

“Why did this happen then? This is what we call a flush and it’s what the manipulators do ahead of reversals to flush out as many stops as they can. By triggering the stops of other bullish betters, they force them to sell - lowering the manipulators’ entry price and by triggering new, lower levels, they also entice short player to take up new positions.”

With our Breakout 2 levels having been recovered by the NYSE and the S&P on Thursday, and then holding through the close on Friday, our confidence increased. We expected support at our Breakout 2 levels, and that was what we were seeing. We’ll be watching to see if the Nasdaq can retake 2,675 and if the Russell 2000 can get back over 800. We’ll also be watching to see if any of our five indexes can retake their Major Breakout levels.

In a memorable press conference, TEPCO Managing Director Akio Komiri broke down and

Friday’s Levels

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FRIDAY CLOSE	11859	1279	2644	8116	795
UP 100% (RUT 133%)	12938	1332	2530	8362	800
MAJOR BREAKOUT LEVELS	12000	1300	2750	8250	800
BREAKOUT LEVEL 2 (MUST HOLD)	11600	1260	2675	7935	800
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wept as he admitted that the radiation being released from the damaged Fukushima Daiichi nuclear power plant complex had reached levels high enough to result in human fatalities. Efforts to contain and control the situation using water cannons and water dumped from helicopters were frustrated by the extent of the damage and the intensity of the radiation being emitted. Hideohiko Nishiyama, Deputy Director General of Japan’s Nuclear and Industrial Safety Agency said they did not know if the reactors were under control, *“With the water-spraying operations, we are fighting a fire we cannot see. That fire is not spreading, but we cannot say yet that it is under control.”*

The Week Ahead

On Saturday, March 19, France initiated military operations against Libya. This was soon followed by a U.S. and British offensive consisting of more than 110 Tomahawk cruise missiles launched against Libyan anti-air defenses. The situation was very much in flux as of the writing of the article. ([110 Us, Uk Missiles Hit Libya](#))

Phil posted an article on Saturday titled "[Weekend Reading - Barron's Backs Me Up!](#)" which pointed out that Barron's magazine is recommending buying EWJ (the iShares MSCI Japan Index Fund) four days after Phil recommended an options trade based on EWJ on Tuesday. After picking up some EWJ June \$10 calls on a dip Wednesday, Phil closed out the position on Friday for a 46% gain.

Phil also discussed his premise for being cautiously bullish going into next week. Short-term, the pullback we were looking for occurred, giving us more confidence that our Breakout 2 levels would hold. Phil explains "Keep in mind that inflation is pretty much our **entire bullish premise** as the Global Economy is not really in such good shape, but prices do keep rising and that makes Corporate Revenues rise and that makes earnings rise as well - IF businesses manage to control their input costs. Since Real Estate is still in the dumps, that key cost component is well under control for those businesses still solvent enough to pay their rents. Labor costs, if anything, continue to plunge, so as long as we avoid businesses that are susceptible to commodity input costs - we should do fine." Is there a limit to how long inflation will inflate the stock market? Yes. "Once the people who benefited from stock and commodity inflation begin to cash out and buy things - they then begin to send a wave of price inflation, also from the top down, that can hit the lower classes like a tsunami that cannot be stopped."

Phil shared a trade idea based on SDS in Friday's Chat: *"My current favorite hedge is SDS Apr \$22/24 bull call spread at .63, which is right on the money; that's a 2.5x upside from here. To protect \$3,000, all you have to do is sell, for example, 6 T Jan \$25 puts for \$1.60 (\$960) and buy 15 of the SDS spreads (\$945) and they pay \$3,000 if SDS goes up 6%, which is a 3% drop in the S&P and the worst thing that can happen to you is you end up owning 600 shares of T at \$25 (\$15,000)."*

Another trade idea from Phil is a short put play on YRCW with a net .60 entry: *"It might go BK, but probably not, so I like selling the 2013 \$1.50 puts for .90 and not thinking about them for 2 years. Also, as a straight stock, I think XLF is very attractive at \$16.25."*

Phil's Stock World partner David of All About Trends discusses "[One Of The Best Short-Sell Patterns](#)" in his weekend post and shows what to look for when contemplating a new short position. The early pattern is being traced out nicely by Berry Petroleum (BRY), and David will be watching to see if the pattern is confirmed.

We also have a trade idea from Pharmboy who writes, *"Guided Therapeutics (GTHP.OB) is a small company based in Georgia that makes light based devices that utilize the technology of biophotonics to visually detect differences in cell mass and type by analyzing light reflected off of the cervix. The company's main product, LightTouch, is designed as a fast, painless test. Unlike Pap smears and HPV testing, it does not require a tissue sample or the delay of laboratory analysis. Early detection of cervical cancer and pre-cancers greatly improves survival. The product is under review from the FDA. Being a penny stock, the stock price will be volatile. I suggest no more than 85c for the shares, and only 1/4 or 1/3 entry."*

Next Week's Economic Calendar

Monday 21	Tuesday 22	Wednesday 23	Thursday 24	Friday 25
8:30 AM: Chicago Fed National Activity Index	7:45 AM: ICSC-Goldman Store Sales	7:00 AM: MBA Purchase Applications	8:30 AM: Durable Goods Orders	8:30 AM: GDP
10:00 AM: Existing Home Sales	8:55 AM: Redbook	10:00 AM: New Home Sales	8:30 AM: Jobless Claims	8:30 AM: Corporate Profits
11:00 AM: 4-Week Bill Announcement	10:00 AM: FHFA House Price Index	10:30 AM: EIA Petroleum Status Report	10:30 AM: EIA Natural Gas Report	9:55 AM: Consumer Sentiment
11:30 AM: 3-Month Bill Auction	10:00 AM: Richmond Fed Manufacturing Index		11:00 AM: 3-Month and 6-Month Bill Announcement	
11:30 AM: 6-Month Bill Auction	11:30 AM: 4-Week Bill Auction		11:00 AM: 2-Year, 5-Year and 7-Year Note Announcement	
			1:00 PM: 10-Year TIPS Auction	
			4:30 PM: Fed Balance Sheet	
			4:30 PM: Money Supply	
POMO DAY (\$1.5Bn - \$2.5Bn)	POMO DAY (\$6.5Bn - \$8.5Bn)	POMO DAY (\$6.5Bn - \$8.5Bn)	POMO DAY (\$5.5Bn - \$7.5Bn)	POMO DAY (\$4Bn - \$6Bn)

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