

Michael Shulman

The Madness of Crowds
New Normal Investor
Options Income Blueprint
Short Side Trader



Three Investing Themes

- Real world recession
- Real world debt crisis and credit contraction
- A casino market



Three Investment Strategies

- Trade – very short term
- Invest – very long term
- Bi-polar investing – do both



Current Market View

- We are near a recession, Europe in one
- China slowing, bubble will burst
- Individual investors and institutional investors trust nothing
- But.....
- Liquidity high and getting higher
- Supply of stocks diminishing
- Bottom line: liquidity is all that matters



The Recession

- Ignore stats, recession never ended
- The key? Labor force participation rate, continues to fall, lowest in two generations, key to growth
- Softening in US in late Q2
- Europe – it has begun, savage by yearend
- Spread to emerging nations



Debt and Credit

- Sixty year credit bubble has ended
- Credit contraction hit banks, then consumers, then business, now sovereign nations
- Un-payable debts, promises to be broken – now
- A 25 year process



Liquidity

- Stealth QE III later this year
- More and more liquidity in Europe
- More and more liquidity in China
- More and more liquidity in Japan
- Liquidity only serving to prop up assets, not inflation



Casino Market

- Black box trading
- Reduced presence of investors – individual and institutional
- One million per second trading capabilities
- Flash crashes
- Leveraged ETFs



What Works

- Long term buy and hold – with a twist
- Short term trading – with a twist
- A hybrid approach – “bi-polar investor”



Build a View, Not a Plan

- Go long the view
- Go short the view
- Create your own dividends
- Monthly or quarterly goals, next year is next year



Three Trading Tactics

- All based on same view
- All based on same names
- For appreciation - buy, hold, sell calls
- For speculation - biotech stocks, puts on short ideas
- For income - sell puts, buy/writes for income



My View

- Gold and its cousins
- Pure growth stocks
- Selling options for income
- Speculative stocks
- Shorts



Gold and Its Cousins

- The GLD
- The SLV
- The GDX
- Newmont Mining (NEM)





Three Growth Areas

- Personalization = twenty first century
- Online = convenience + frugality
- Agriculture = population plus \$



Personalization

- The Street wants growth
- Medicine – CPHD, ILMN
- Technology – AAPL, GLW, SNDK
- Technology – AAPL victims – NOK, RIMM
- Food – CMG, WFM, PNRA



Online

- The Street wants growth
- Pure, hybrid, infrastructure
- There is AMZN and no one else as a pure play
- Hybrid play – WSM
- Infrastructure – UPS, FDX
- Social media too soon



Agriculture

- The Street wants growth
- Few names, big names
- Deere for equipment
- Potash for supplies
- Brasil Foods (BRFS)





Sell Options for Income

- Pick buy and hold with great premiums, weeklies
- Every week, every month
- Calls: Apple yields 18%-24%
- Calls: Annaly goes from 14% to 21%
- Puts: Tiffany up and down, up and down, up and down
- Puts: The automakers, GM and F



Speculative Stocks=Biotech

- Real companies, real opportunities
- Curis (CRIS)
- Optimer (OPTR)
- Compugen (CGEN)
- Not so speculative
 - Illumina (ILMN)
 - Cepheid (CPHD)



Shorts Are Easy, Sort Of

- It is all about the “when”, not the “if”
- Sears (SHLD)
- Nokia (NOK)
- Research in Motion (RIMM)
- Netflix (NFLX)
- Salesforce.com (CRM)



Wrap Up

- Stick with the Old Normal, get killed
- Do not just accept the New Normal, embrace it
- End the artificial separation of core asset and trading accounts – the market has!
- Always have some short positions open, including the VIX



Follow Up

- Madness of Crowds URL:
<http://tinyurl.com/Contrarian-Profits>
- New Normal Investor
URL:<http://tinyurl.com/Contrarian-Profits>
- Options Income Blueprint URL:
<http://tinyurl.com/Instant-Cash-Blueprint>
- Short Side Trader URL:<http://tinyurl.com/Short-Side-Trader>
- Otterbourn@mac.com