

## >: Profit from the Bailout Bloodbath!

Tuesday, September 30, 2008 / Chris Rowe

AH!

Thank goodness I get to write on TUESDAYS for Tycoon. I get to share my analysis of the 6.5% - 10.5% massacre in the market (6.5% for the Dow 30 and 10.5% for the NASDAQ 100). A truly historic time to be writing about the market. AWESOME!

### **A short rant, and then some advice on how to handle this market...**

Okay, forget taking sides in politics. When are these idiots gonna stop using this super bowl of politically and economically aligned stars to plug their party?

You want to know who to blame? It's not just Democrats or Republicans. It's humans. (Mostly humans who are democrats, but you get my point - just kidding.)

No, the problem is politics as a whole. There is no single event or decision from either side that caused this. We're talking about 30 years of decisions and fighting that led up to this mess.

Politics got the economy in this mess. Politicians on the payrolls of major lenders and banks, politicians looking for votes, politicians wanting to avoid accountability - it's all the same thing, and it's not any one party. It's short-term thinking.

Of course, I would rather live in the U.S. than China (no offense to China - I heard I'd get treated like Brad Pitt there so you're not far down my list), but when you think of the long-term perspective of China as a country that is more interested in building Dynasties than pleasing voters every couple of years, there's a lot we can learn about ourselves.

In the U.S. we have major elections every 24 months. Therefore, it's difficult for politicians to cross party lines, or take a stand for what's best for our country because they are more focused on keeping power, votes, or taking care of the special interest group that's paying their way through lobbyists. Republicans overspent so much of our tax money because of this, a big reason why we have this enormous deficit. It weakens our dollar, and that causes commodity prices to go up, among other things. Both parties are guilty of this, I know - believe me I'm certainly not taking the left side here.

Both parties make mistakes and that's fine. I chose the party that I think understands economics better, personally. But 90% of mistakes made by either party are made because they are pressured one way or another by money or votes. It's sickening - Democrat or Republican you've GOT to admit this.

Another thing that sickens me is we are witnessing one of the craziest economic times we'll ever see, and with the free flow of information, this is truly something our youngsters can read about or watch, real time, and at the very least get a serious education on it. But they have to digest it from such a jaded perspective, which is a real gyp because politicians are using this as an opportunity to have a giant food fight at YOUR expense.

So I'll end the rant portion here, but it's disgusting how we are going to watch two parties fight their way to our next generation's death. We'll get through this, but scars will definitely be visible for a very long time. Talk about a real shame.

### **Use this Options Strategy to Profit**

Plain and simple. The key thing to remember here is that markets filled with such emotion cause rational people to do irrational things. That means the smartest money managers in the world are going to make *stupid* moves. Times like these are the times savvy investors wait years for.

All you have to do is be cool. If you don't feel comfortable, take a portion (not all) of your money out and sit on the sidelines. Don't worry about missing something. It's more important to be cool and profit from the people who are more worried about missing something. You can only be cool when you are comfortable and if that means selling some stock to attain a level head, then do it.

Here's a quick lesson on using options to make a profit or ease the pain: When markets are fearful, options are expensive. When markets are complacent, options are cheap. You don't have to own them in order to sell them. What's great about them is you can create them out of thin air! And now's the time to do it!

In a market like this one, options are VERY expensive. That means you can get LOTS of money for selling them.

[Editor's Note: Chris Rowe's recent Trend Rider recommendations are up 35.5%, 43.6%, and 70% while the markets are bleeding. We're celebrating the Trend

Rider's third anniversary. [Get a no-risk, special introductory price for a limited time now.](#)]

It's called "writing" an option. This is also known as "selling an option to open". If you haven't done this yet, then you are probably close to deleting this e-mail because; who wants to try something new in a market like this one? But WAIT - don't leave yet. I've got a real simple gimme for you - it's very easy to do.

If you decide the market dropped too far too fast, and you want to buy stocks, then you shouldn't do it. Instead, you should sell (write) naked puts as a way to get into the stock. When you sell naked puts, instead of buying a stock, you actually have someone PAYING YOU to buy the stock. So instead of buying 1,000 shares of XYZ for \$30.00, someone might pay you \$3,000.00 for the right to sell you 1,000 shares of XYZ at \$30.00. Why would someone pay you \$3,000.00 for the right to sell you a stock at \$30.00 when the stock is already at \$30.00?

You see, now, you're profiting by taking advantage of other people's emotions!

It's nice to be on this side of the table, huh?

I'll give you the quick gist of it and you can read more if you want. Selling naked puts holds LESS RISK than buying a stock. (If you are trying to remember what you heard is the riskiest thing you can do, you're probably thinking about the time someone told you not to sell naked CALLS).

Here's how selling naked puts works: Basically, if the stock trades up - you make money. If the stock trades sideways - you make money. If the stock trades down, you might still make money, or you may be down, but down by a lesser amount than if you just went out there and bought the stock outright.

In this case, sticking with the above example, the stock would likely be "put" to you or sold to you at \$30.00. But at least you were paid \$3,000.00 for the transaction so you've actually committed \$27,000.00 to the stock!

Interested yet? Well on January 23rd, I wrote an article titled ["Selling Naked Puts - A Great Way to Buy Battered Stocks!"](#)

I wrote that article when the market was right about.....



I'm not saying that I think the market will pop right away like it did the last time I wrote about the strategy. But I'm saying it makes even more sense to use the strategy today because options are more expensive.

**One important note about using this strategy:**

Options, like stocks, have a bid and an ask. So the put option may be trading at \$3.00 bid, \$3.80 ask. When you sell the put option to open, (when you sell the naked put option) be sure to enter a "limit order" at a price right in the middle. In other words, in the example I just used, enter the trade as a limit order to sell the put at \$3.40.

[So click here to read the article I'm talking about if you're interested.](#)

If not, you can still feel free to rant and rave in the comments section about what a mess politicians helped to make. You can show if you are fair and objective and not blindly listening to one party of the other, or you can show if you're one sided and completely deny the fact that both parties played some role in this.

You can argue with each other too! (How exciting!) But please keep it clean and classy and for goodness' sake, argue based on statistical fact and

not just based on what your favored party is saying TODAY.

See ya next Tuesday.

PS: I hope you're watching my market wrap up videos every Monday afternoon at [www.thetycoonreport.com](http://www.thetycoonreport.com).

?Profit from the Trend?

A handwritten signature in black ink that reads "Chris Rowe". The signature is written in a cursive, slightly slanted style.

Chris Rowe

Chief Investment Officer

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