



>: Is it Time to Short Even More?

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You might be ~~quitting yourself by not taking the shorting more stocks short side; let's get some more short trades going!~~

In fact, Chris Rowe, our resident Options Guru (TheTrendRider.com) and all around good guy, recently received a question about this very subject. He also recently posted an extraordinary comment that you need to [READ NOW](#). ~~If you take what I'm about to say seriously, it will be worth more money than any option trade will ever make you. (The article is about moving averages and is very educational, but I want you to look at a comment he wrote below that; scroll to comment 23)~~

His answer was ~~Hope you, and the hawk kind, like the bear crowd has to shake it with you, well you will do in the market.~~

Dealing with an emotion like that is exactly the flip side of when the market keeps breaking highs, but is WAY overbought.

Actually, it's NOT exactly the same. The difference is that markets can stay overbought for a VERY long time. (So reducing risk and hedging long positions would be prudent.) But oversold markets don't typically stay that way for very long. Overbought markets tend to taper off and give many subtle signals, and gradually lose momentum. Oversold markets snap back ferociously, and FAST.

That means that being bearish at the newly created bottom of a market low holds much more risk than being bullish at an overbought new market high.

Tops will often give a second chance to cut loose a mistake, with a small profit or loss.

I have to trade when the odds are stacked heavily in my favor.

I'm not calling a bottom here. I'm just saying that the odds are not stacked in my favor on the bear side. Maybe I will see some opportunity somewhere.

Don't forget, missed opportunity is a MYTH! There are 1,000 missed opportunities every day in commodities, in stocks, real estate, \$10,000.00 basketball cards on eBay being sold for \$4,000 that you can turn around the next week and sell for \$12,000 to someone else on eBay. (My friend does it ALL THE TIME.) And yes, when I see that, I, too, feel like I'm missing out. I'm human.

But YOU don't feel like you missed the 200% profit on eBay because it didn't flash on your screen.

1,000 missed opportunities per DAY. You just don't see them.

One last point: a missed opportunity, to me, means I missed something when the odds would have been stacked heavily in my favor. Buying a basketball card for \$4K that you know is traded for \$10K are odds that are stacked heavily in your favor.

But there are a million "opportunities" missed each day if you count the ones that merely worked. The odds don't have to be in your favor for something to be profitable.

So again, if a person remembers that watching a stock market profit being made is just one of thousands of wins that day (but happens to be the one that was seen), that person is ahead of 99% of the stock market.

It's dangerous to step over a coiled spring.

Chris just absolutely nails it here! **Missed opportunity is a myth!** You must focus on trades that have the highest probability of being profitable. In my opinion, that would be long stocks, not short.

For some of you reading this, now is a very scary time. Retirement accounts are getting hit, there is nonstop talk of a credit crunch, and a general sense of doom appears to be hanging over all things financial.

First thing's first, take a deep breath with me. Very few things in life are as bad as they initially seem. The stock market is a mechanism that is built upon creative destruction. What we are seeing is as natural as night following day. There is nothing occurring that is out of the ordinary.

I cannot stress this enough: now is the time to be buying stocks. Are you going to pick the exact bottom? HECK NO! You will not, but you will be buying at one of the lowest risk times in the market cycle.

Couple of caveats. When playing a beaten up market, you DO NOT, let me repeat, YOU DO NOT buy short term call options.

Why?

Because you're not a professional trader with a 100 million dollar trading account, that's why! You want to buy deep in-the-money LEAPS on your favorite positions. You want to go at least 5 points in the money and out 18 months or more.

Back in 2003 when the market was bottoming, Apple Computer (AAPL) was at approximately \$11 per share. I knew the stock was cheap and mulled buying the 5-month options, but you know what? I didn't. Instead I bought the January 2005

You know what?

As soon as I put that position on, the stock dropped from a split adjusted \$11 to \$9! Had I bought the short-term calls, I would have been straight out of luck!

The decision to buy the LEAPS (Long-Term Options) instead of the short-term Calls made my clients millions. There are many stocks that are exhibiting the same type of buying opportunities right

So what I am saying is be smart, be long-sighted, and you will clean up.