

RealMoneySilver

RealMoney Silver - The Edge

Scott Rothbort, founder and president of LakeView Asset Management, LLC, is filling in for Doug Kass today. Email Rothbort at scott.rothbort@thestreet.com. Doug will return tomorrow.

Back to Normal

Scott Rothbort
1/31/08 8:21 AM EST

After yesterday's **FOMC**

decision theatrics, the market returns to a state of normalcy. By that, I mean we can now get back to corporate earnings and economic data points, both of which we will get plenty of today.

On the economic front, we get the Chicago Purchasing Managers report as well as the weekly unemployment claims.

A slew of companies will report today, topped off with **Google** (GOOG) after the close. Just on the tape was **Mastercard** (MA) with its fourth-quarter results. After backing out one-time items, it looks as though the credit card processor handily beat Street expectations of 72 cents as it earned 89 cents. Also, **MBIA** (MBI) reported a 3.5 billion writedown, which could put some pressure on the credit markets.

Over the course of the day, I will summarize some of what went on at yesterday's Colloquium.

Position: *Long GOOG and MA*

Initial Jobless Claims Wreak Havoc on Futures

Scott Rothbort
1/31/08 8:54 AM EST

Will Today Follow the Pattern of Recent Trading Days?

Scott Rothbort
1/31/08 9:37 AM EST

We must consider the fact that the **FOMC**

had advanced knowledge of the unemployment claims and used that as part of its decision to ease 50 basis points.

At the open, we can expect a drop of around 1.5% across the board.

Another characteristic of the recent market is lower opens with higher closes or higher opens with lower closes. Will today follow suit or break the mold?

It is another big question on the minds of professionals and individuals alike. This is the reason that I believe that traders are in control and investors must take on the role of observer rather than active participant.

Stick to Your Knitting

Scott Rothbort
1/31/08 10:54 AM EST

We have cut the opening losses by about half after the first hour of trading. This is a market in which you can be right one minute and wrong the next. Trading is dangerous.

Take yesterday, for example: I thought that we would get a positive reaction to the **FOMC** decision because everyone thought we would not. Indeed, we did.

As Doug Kass, Tony Dwyer and Brian Reynolds hung out with me in the Seton Hall Trading Room, our unanimous consensus to the strong positive reaction was to sell it. So while Doug expected an initial FOMC selloff that he would buy, we got a huge run higher that he sold. Either way, as he is more trading-oriented, he was prepared to "buy the dips and sell the rips," which, if he were in The Edge today, he would likely say was the strategy once again.

One of the major bits of advice to students yesterday from our panelists was to stick to your knitting. This market could force you to change your stripes to spots, but doing so will likely result in longer-term confusion and failure. If you trade, then trade. If you invest, then study and invest.

Doug made a new BFF yesterday, a freshman who we will call Jay Z. Jay Z was a great help to all of the panelists as we frantically were trading, studying and commenting on the markets. He gets our unwavering gratitude for his assistance.

Jay Z (as well as other students) were interviewed by Gregg Greenberg for *TheStreet.com TV* and will premiere at a future date. Jay Z's favorite stock is **Circuit City** (CC). I disagree, but Jay Z is entitled to his opinion.

Finally, if a video surfaces on You Tube with Doug Kass and me singing the "Summer Lovin'" duet from *Grease*, be advised that both of us will claim that the men seen in the video are imposters, and we will take that claim to our collective graves.

Financials Ripping Higher

Scott Rothbort

1/31/08 11:32 AM EST

The financials are ripping higher despite the writedown at **MBIA** (MBI) and the multitude of credit downgrades in the last 24 hours. The brokers are laggards within the group. MBI is nearly flat on the day.

I am still holding my **Financial Select Sector SPDR** (XLF), which I bought last week while we were sitting in the belly of the beast.

The play with the XLF is to either set a stop to garner a decent profit or to sell covered out-of-the money calls. I have stops in but would be inclined to sell covered calls on some part of my position.

Position: *Long XLF*

My Prediction for Super Bowl XLII

Scott Rothbort

1/31/08 1:17 PM EST

The winner of Super Bowl XLII will be **Dick's Sporting Goods** (DKS). The company will likely not waste a dime on Super Bowl advertising, but it will make a ton of money in the time leading up to kickoff and then will reap huge benefits after the clock runs down.

Why, you wonder?

Super Bowl XLII will be a game between the New York Giants and the New England Patriots. Dick's operates 340 stores in 36 states: 28 stores are in New York State (including four in Buffalo, home to the Bills), 12 are in New Jersey (including three or four in South Jersey, which is Eagles territory), two in Vermont, seven in Connecticut, two in Rhode Island, 16 in Massachusetts; and three in New Hampshire. Excluding the Bills/Eagles territory, there are 62 stores in states where fans have vested interests in the big game.

That amounts to 18% of the total stores, which, most likely, represents more than 18% of Dick's chain sales as these store are located in the economically stronger region of the country.

Sales of Giants and Patriots logo products, paraphernalia and apparel have picked up since both teams won their conference titles. The impact from Giants-related sales will be even greater since the Giants have been absent

from the Super Bowl for many years. Sales will likely get a second boost after the game is played for the fans of the victors.

Position: *Long DKS*

Traders Beware

Scott Rothbort

1/31/08 2:51 PM EST

At some point, the seesaw character of the market will come to an end.

The nearly 9% swings in the **S&P 500**, from yesterday's early low of around 1,353 to an intraday high of 1,385 to this morning's intraday low of 1,334 back to the day's highs in the 1,370 area is a huge anomaly that occurs very infrequently.

At some point, we will settle back into a directional market.

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