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Call it funny, stupid or just lying bumbling idiots.

An internal FED document was inadvertently leaked on the FED web site, that projects a ¼ point increase in the FED rate this year but among a very weak economy.

The leaked staff forecast was less optimistic about the economy than policymaker forecasts.

In the projections, which stretched from 2015 to 2020, the staff did not expect inflation to ever reach the Fed's 2.0 percent target. By the fourth quarter of 2020, they saw the PCE (personal consumption expenditure) inflation index rising 1.94 percent from a year earlier.

The Fed's staff also took a dimmer view of long-run economic growth, expecting gross domestic product to expand 1.74 percent in the year through the fourth quarter of 2020. The views of Fed policymakers for long-term growth range from 1.8 percent to 2.5 percent.

<http://www.reuters.com/article/2015/07/24/us-usa-fed-forecast-idUSKCN0PY1V520150724>

Alaska Airlines NY:ALK Recent Price \$73

I was surprised that ALK met analysts earnings target and beat it a little bit at \$1.76 per share. I must say well done and a hats off to management. They beat my expectations with higher revenue of \$170 million or about 13% higher. I expected more like 7% to 9% increase.

They also managed to keep expenses down and increase margins with adjusted pretax margin in the second quarter of 25.7% compared to 18.3% in 2014.

ALK repurchased 2.5 million shares of common stock for \$160 million in the second quarter, about ¾ of a million more than I figured. They paid a \$0.20 per-share quarterly cash dividend on June 4, 2015, a 60% increase over the dividend paid in the second quarter of 2014.

Fuel costs were \$261 million up from the \$235 million in the 1st qtr. At least I had this right!!!

In the 1st qtr. they had net income of \$149 million. What did they do with it? All of it and more was used to buy stock back, \$160 million in fact - plus \$26 million to pay a dividend

Cash dropped from 1,312 to 1,192 million and Current Liabilities increased from 1,880M to 1,927M.

When a company uses all their profits and a lot more to buyback stock and pay dividends it is not a trend that can continue.

All the Airline stocks have been heading down but ALK has also bucked that trend.

When all is said in done, even though their qtr report was great, the stock sold off, so at least I had that part right too!! In fact the chart is now looking very bearish.

Below you will see the long red (dark candle) on Thursday, the day earnings came out and it totally engulfed the previous day's white candle the day before. Meaning the top of the dark candle was higher and lower than the white candle. The size of the engulfing was huge. This is a bearish chart pattern for candlesticks and indeed we have seen further weakness.

For momentum, many use an 8 day average and that turned negative on Friday's close with momentum turning down. My proprietary momentum indicator actually turned negative the previous day, Thursday with the engulfing and I think that happened because the down turn swing was large.

I don't see much technical support until the \$64 to \$68 area so that is where short term profits should be taken. Also there was a small GAP in the \$71 area, stocks always seem to come back and fill the Gap so we should see this level soon



I added something new in the chart and that is the p/e ratio. The past two short term tops in the stock occurred when this ratio was around the \$15 to \$16 level, including the previous all time high in February.

Papa John's Pizza NASDAQ:PZZA

Recent Price \$74

Another screaming short my colleague Dave Skarica pointed out is Papa John's Pizza. And I agree 100%. The stock has gone parabolic rising from \$15 to \$80 in the last 4 years and now has a p/e ratio of over 40.

This is ridiculous. You could give some credit if this was a high growth and margin business, but these are the results behind the company in 2014 :

Fourth quarter earnings per diluted share of \$0.52 in 2014 compared to \$0.41 in 2013, an increase of 26.8%; Earnings per diluted common share of \$1.75 for the full year increased 12.9% over earnings per diluted common share of \$1.55 for 2013

- System-wide comparable sales increases of 4.1% for North America and 8.9% for International for the fourth quarter; System-wide comparable sales increases of 6.7% for North America and 7.4% for International for the full year.

This is only modest growth, especially when you consider they opened 234 new stores in 2014.

First quarter ending March 29th, earnings per diluted share of \$0.55 in 2015 compared to \$0.45 in 2014, an increase of 22.2%

- System-wide comparable sales increases of 6.5% for North America and 7.7% for international
- 36 net global restaurant openings

Comparisons

McDonald's p/e is 22

There was much fanfare this year when Burger King and Tim Horton's merged, now trading under symbol QSR their p/e is 20

Wendy's stock has shot up too but the p/e at 32 is well below Papa John's

Domino's Pizza-DPZ has also shot up from \$30 to \$120 in past year and just hit a p/e of 40

YUM which is Pizza Hut, Taco Bell and Kentucky Fried Chicken has gone from \$50 to \$95 in past 3 years and has a p/e of about 43

It seems the Pizza stocks have been hot. The only thing I can figure is all the yuppies or whoever has been piling into this stock market bubble are Pizza lovers so I guess they buy shares in their favorite pizza company!!!! *"loud laughter"*

PZZA is playing the same game as all the other bubble stocks. In the 1st qtr they bought back 402,000 shares for \$24.8 million. This is considerable because they only have 39.8 million shares outstanding as the end of March and their net income that qtr. was just \$22.2 million

Insiders are dumping hand over fist selling 305,319 in last 3 months, basically selling into the Corporate buy back and selling almost 900,000 shares in the past 12 months.

YUM has seen a decline but looks like it might short term counter trend rally.

DPZ has dropped from \$120 to \$111 but has support around \$109/110.

PZZA after a high of \$79 has dropped to \$74 through mild support at \$75 and looks like it should drop to around \$70, so seems to be the best short term play down side.

This is a 4 year chart below and you can see there is no decent support until \$65



I am not actually going to pull the trigger now on shorting or buying Puts because the markets have been dropping last 5 days, so I am waiting for a bounce back up or a fall through 2040 on the S&P 500.

We seen the last peculiar event - probably intervention when the market got to 2045. We are just under 2070 now so things could get interesting if we get back below 2050. The chart next page I have drawn in where I think the head and shoulder top now resides and that is because similar to Gold where a triple bottom could not hold, the S&P now has a triple top in that could not be broken.

I believe Gold and general equities are performing opposite and when the Equity Bull market ends, most likely money will flow back to Gold starting a new Bull market there

S&P 500



Weekly Chart Comex Gold below

Just like the S&P could not break out of a triple top, Gold could not hold a triple bottom and like wise I am predicting a similar Head and shoulders pattern for Gold but an inverted one. **With all the bearish forecasts, many will not believe that a substantial rally is close at hand**



The head should be formed between the recent lows \$1080 to \$1050. I don't think Gold can go much lower short term, and that is because there is simply no sellers left. The market is way over sold and the Managed Money on Comex is heavily shorted, probably an all time high.

The last COT report shows Managed Money continued adding to last week's fresh net short position by another very large 12,433 lots, leaving them NET SHORT 13,556 Lots. For context, they were 153,237 lots net long on Jan 27th. That is a swap of 518.8 tonnes long to short. Bear in mind, this hot money group has zero physical to back up longs or shorts.

Get a lot more detail on recent Gold trading by an article from Andrew Maguire at kingworld news

<http://kingworldnews.com/andrew-maguire-a-gold-and-silver-tsunami-is-forming-as-the-shorts-are-now-going-to-get-destroyed/>

When Gold has these significant \$100 plus declines **there is always a significant rally soon to follow**, if only it is a counter trend rally. It simply is normal market action. The big question is what kind of rally will unfold. I agree with Maguire that this rally could be very significant.

We have extreme over sold short positions and thin markets. Gold trading is thin not only because it is summer time, but Comex trading has been in steady decline as physical markets and Asia markets are taking more share and there is few sellers left for the shorts to cover into. The sellers have all sold or shorted.

Now the key I will be watching for is when we rally back to the the \$1150 area and this is very likely. It may happen quick, within a few weeks if shorts are squeezed or it could take 2 months or so like past rallies, say August and September.

\$1150 area will be significant resistance as it was past support. We will also have to trade in that area and above to form a Left Shoulder.

Short term I am going to add a few bottom fish opportunities in Gold stocks, maybe a new junior as well **and I hope nobody buys them!!! Why? Normally it is the final bottom where there is absolutely no buyers or interest.**

I had some questions on why I was not shorting Gold and Gold stocks, especially when I predicted the last decline. Simply we have seen between 90% and 100% of the decline in Gold stocks already so there is little down side left. Also it is pretty bad when you have to start betting on market manipulations. Morally it is not right and it is also quite risky even though they are becoming easier to predict.

The big money of several 1000% will be on the long side for Gold stocks. These opportunities are few, 2008 and 2002 the last ones. What I don't know is how long and how these gains will unfold exactly, but they do!!! **Bear markets bottom and Bull markets top – it is that simple, only the when and how to predict!!!**

I will also update the Selection List soon, I like to do so after significant moves, unfortunate this time is a down move but we will be able to see how we fare on the coming up move in the last half of the year

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