

# 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](mailto:scott.rothbort@thestreet.com). Doug will return tomorrow.

### 10 Things That I Will Not Miss About 2007, Part I

Scott Rothbort

12/20/07 8:05 AM EST

Another year has passed. I hope that you are all a year healthier, wealthier and wiser. As I have done for each of the past five years, and back by popular demand, I would like to share with you the "10 Things That I Will Not Miss About 2007" -- and do not want to see or hear ever again.

The list will be presented in three parts and will be republished in its entirety on my [Web site](#) and on my [blog](#) at a future date.

Here we go (in no particular order).

**1. "They tried to make me go to rehab, I said, 'No, no, no.'" [Amy Winehouse](#), Britney Spears and Lindsay Lohan all checked into and out of (and sometimes back into) substance abuse programs this year. Why not? It seems like the optimal thing to do.**

The entire world keeps downloading their songs (and movies) through **Apple's** (AAPL) iTunes despite their misdeeds. It seems like these pop idols are just auditioning for the reality series "Celebrity Rehab With Dr. Drew," which will premiere on **Viacom's** (VIA) VH1 on Jan. 10, 2008.

As much as the Mitchell Report on performance-enhancing drug use in Major League Baseball may have been flawed, nevertheless, fans of baseball have turned against the slugging and pitching juicers like Barry Bonds and Roger Clemens. The same can be said of Marion Jones and Floyd Landis in their respective sports.

To the singers, actors and athletes who abuse substances and expect our adoration, I say, "No, no, no."

### **2. Crude oil going to \$100.**

Eventually, crude oil will get there, however, it might not happen just yet. The incessant prognostication, pontification and speculation surrounding crude oil hitting \$100 a barrel is nauseating.

Do some homework and own oil services companies such as **Schlumberger** (SLB) or **Diamond Offshore** (DO) because no matter if crude oil is \$80 or \$100 or \$120, we still need to get more of this stuff out of the ground.

### **3. Scott Boras can't play bridge.**

Scott Boras has the premier baseball player of our generation, Alex Rodriguez (A-Rod), as his client. A-Rod plays on the biggest stage in baseball, Yankee Stadium. A-Rod had an option to stick around for three more years at a huge salary that even dwarfs those of the bank CEOs who lose billions of dollars.

So what does Boras do? He instructs his client to opt out of the contract. I am talking about a real contract, not contract bridge. So what does A-Rod do? He calls a real bridge player, **Berkshire Hathaway** (BRKA) CEO Warrant Buffett.

The Oracle of Omaha then dials up some of his buddies at **Goldman Sachs** (GS). You know Goldman Sachs, it is the only financial institution on the planet in which the members of its staff earned their bonuses the old-fashioned way, by making money for shareholders.

Goldman Sachs happens to be a partner with the New York Yankees in the YES network. Goldman Sachs, Warren Buffett and the Steinbrenners know when they have a stronger hand and arrange for a contract extension at the original terms that the Yankees offered to A-Rod, less what the Yankees were supposed to receive from the Texas Rangers.

Scott Boras has met his match and holds no trump cards. I think that [Max Bialystock](#) could have given A-Rod better advice.

Position: *Long stock - AAPL, SLB, DO and GS*

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### **BSC, RSH, FDX, CAG and ORCL Making Waves**

Scott Rothbort

12/20/07 9:18 AM EST

Some stocks in the news before the opening bell:

- **Bear Stearns**

(BSC) takes a \$1.9 billion writedown and books a net \$6.90 loss per share for the quarter. Some believe that the writedown was less than expected, and the stock is trading higher. Perhaps we have seen the final round of writedowns from the investment banks. My thesis is that these companies want to take all of their writedowns in 2007 -- even if they overestimate the charges -- so as to start 2008 with a clean slate in the debt markets.

- David Strasser from **Bank of America** (BAC) upgrades **RadioShack** (RSH) to a hold from a sell. Since he downgraded RadioShack to a sell, the stock plummeted by 50%. Clearly, at \$35.00, the stock got way too ahead of itself despite the strong turnaround in operations.

- **FedEx**

(FDX) beats consensus estimates but, on first blush, appears to be guiding lower for the next quarter. Wait for the conference call before rushing to judgment.

- **ConAgra**

(CAG) trounced earnings estimates of 42 cents when the company reported EPS of 50 cents. It must be all those Hebrew Nationals they sold.

- **Oracle** (ORCL) is holding last evening's gains and is poised to set the tone for tech stocks today.

At this juncture, the opening appears to have a positive bias led by techs on the back of Oracle. I would expect a strong opening hour to get sold once again. If not, we could surge from oversold conditions.

Let's not forget, however, that index derivatives will expire on the open tomorrow. I still believe that the **S&P 500** will not stray far away from 1,450 unless we get some real impetus to buy or sell stocks from the credit markets or financial sector.

Finally, the Dallas Cowboys will be charging \$150,000 for seat licenses for their new \$1 billion (give or take a hundred million) stadium. For that price, you get cushioned seats, free food and the right to buy season tickets and future Super Bowl tickets. If you can't afford to pay the \$150,000 up front, no problem: Long-term financing has been arranged at 8%. Is this a prime or subprime loan?

P.S.: Coming up later, by request, a Beam Me Up Scotty restaurant review. Also, look for Parts II and III of my "10 Things That I Will Not Miss About 2007."

Position: *Long BAC*

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### **Nasdaq Could Outperform Through Year-End**

Scott Rothbort

12/20/07 10:39 AM EST

The strong open got sold. No surprises here.

I still think we are trapped at **S&P 500**

1,450 for expiration. Techs are another story, however, and we could get continued strength and relative outperformance in the **Nasdaq** through year-end.

I own the **ProShares Ultra QQQ**

(QLD), which went ex-dividend for \$5.42 per share today. The dividend will be paid by the end of the year.

Position: *Long QLD*

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### **GME and COST: Retailers That Work**

Scott Rothbort

12/20/07 11:49 AM EST

**GameStop** (GME) and **Costco** (COST) are two retailers that continue to work in this market.

GameStop was a [pick](#) from my son's research (with my oversight of course). So far, he is batting 1 for 1.

The other evening, I worked on a research project with some students who were looking at **BJ's Wholesale Club** (BJ) as an acquisition target. Our conclusion was that BJ's must improve its margin, which trails that of Costco by 250 basis points, and BJ's needs real estate on the cheap to expand.

Position: *Long GME and COST*

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### **10 Things That I Will Not Miss About 2007, Part II**

Scott Rothbort

12/20/07 1:03 PM EST

**4. Judge shows.** It started out with Judge Wapner. That was fun. It was original.

Now on the air we have Judge Judy Sheindlin, Judge Marilyn Milian, Judge Joe Brown, Judge Greg Mathis, Judge Cristina Perez, Judge Glenda Hatchett, Judge Maria Lopez, Judge Alex Ferrer and Judge Lynn Toler. Pardon me if I missed a few.

You can channel surf and watch a courtroom show back to back for hours on end. If you don't believe me, then take a day off and try it. I have had enough of these silly judge shows.

All is not lost, though. Here is an idea that I will offer to my friends Jim Cramer of **General Electric's** (GE) *CNBC* and Cody Willard of **News Corporation's** (NWS) *Fox Business News*, as long as I get the creative credit and a paid co-producer role: Judge Jim or Judge Cody. I would even put on a uniform and play bailiff.

Here is how it would work:

**Voiceover:**

Real stocks! Real investors! Judge Jim is in the courtroom! Welcome to "Investors' Court." Long Louie bought **Sharper Image** (SHRP) on Broker Blowhard's research recommendation. He is suing for bad gift ideas.

Of course it goes both ways. Maybe we hear this:

**Voiceover:**

Real stocks! Real traders! Judge Cody calls the court to order! Welcome to "Traders' Court." Short Sally shorted **Google** (GOOG) based on Hedge Fund Harry's newsletter. She is suing for short-sighted advice.

Gentlemen, start your gavels!

### **5. Junk email.**

Last year, I was so concerned for that poor Nigerian prince who emailed me when he could not get his \$5 million out of the bank. Then again, because I was so inundated with emails from his other several hundred princely paupers, I decided that it was best to charge \$3 million as an upfront fee to help them in their endeavor to free up their lost money.

I had no takers.

Well, as it turned out, those princes must have solved their problems because I don't hear from them anymore. Now I have a bigger problem, though. It has to do with -- how shall I put this? -- my manhood.

I did not think that after siring six children that I had such a problem, but it appears that some people think

otherwise because I receive dozens of emails a day for cheap mail order pharmaceuticals like **Pfizer's** (PFE) Viagra and **Eli Lilly's** (LLY) Cialis.

To those spammers, when it comes to size, I would be worried about positions in Pfizer and Eli Lilly, both of which I would not be long.

**6. ADP payroll report.** Annually, I name the most overexposed metric of the year. For 2007, **Automatic Data Processing's** (ADP) [National Employment Report](#) gets the nod.

The self-serving ADP report, which is released two days before the monthly Bureau of Labor Statistics report, has a poor track record of predictability and accuracy.

I am tired of listening to the press coverage that the ADP report receives. What is even worse is the Pavlovian response (both buying and selling) that is triggered when the report is released.

Position: *Long GOOG*

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### **Restaurant Review: DRI, RUTH, MCD, YUM, CMG, SBUX, IHP and SONC**

Scott Rothbort

12/20/07 2:35 PM EST

Here are my after-lunch thoughts on the restaurant industry:

- Do not interpret breakdowns in stocks such as **Darden Restaurants** (DRI) yesterday and **Ruth's Chris Steak House** (RUTH) today as value opportunities. Restaurants do not provide value for the short-time-framed trader. Over the longer term, some excellent value opportunities will emerge, but that is only for the strong-willed, deep-value and activist investors.
- I would not be buying any restaurant knowing full well the commodity cost pressures as we enter the wintery weather season.
- Last week, I alerted *RealMoney* readers that it was [time to take some profits](#) in **McDonald's** (MCD) as the stock got ahead of itself. I took out nearly my entire cost basis in McDonald's. With the stock now about \$4, or over 6%, below my sales level, I would not look to redeploy that cash just yet here -- and I certainly would not entertain any other restaurant name. McDonald's would be safe to start to re-accumulate or start a new position at around \$55.
- **Yum! Brands** (YUM) is McDonald's with a domestic plan. Look for it in the low \$30s before taking a bite.
- I don't know when it will happen, but once **Chipotle Mexican Grill** (CMG) slows down or misses a quarter, the stock will turn lower in a nasty fashion. Once that happens, you will have plenty of opportunities to short.
- It looks like we lost the high end of restaurants along with the middle of the pack casual diners, which have been lousy for months.
- I still like the **IHOP** (IHP) acquisition of Applebee's. I want the integration to age at least two quarters, however, before putting up any capital.
- I don't think that **Sonic** (SONC) can ever achieve a 48 contiguous state presence. It is a warm state concept.
- Too many restaurants are borrowing money to buy back stock. Avoid those restaurants that borrow to buy their own shares, and look for restaurants that borrow to expand or acquire.

Position: *Long MCD*

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### **10 Things That I Will Not Miss About 2007, Part III**

Scott Rothbort

12/20/07 3:28 PM EST

### 7. **Election polls.**

Bill Clinton was a virtual unknown at this point in the 1992 campaign. He won the election. The media has now started to coronate his queen as the next President of the United States. Along comes another Razorback, Mike Huckabee, and polls begin to change.

Let me remind people that Iowa caucuses and New Hampshire primaries and Zogby polls do not decide who will be the next President. In fact, our constitution provides for a general election and an [arcane](#) process of selecting a Prez and his/her trusty sidekick the Veep.

So please take your polls and shove 'em.

**8. Naming market tops and bottoms as if they were sport stadiums.** The duct-tape bottom? The **Blackstone** (BX) top? I am sick and tired with these nom de markets.

How about we sell naming rights to bull markets and bear markets to companies? Even better, we should sell naming rights for a particular quarter.

How does the **Baidu** (BIDU) Third Quarter of 2008 sound to you? Maybe that would draw some buying interest for **NYSE Euronext** (NYX) stock.

**9. Overused commercials.** Sometimes too much of a good thing can be bad. If I have to hear one more of **Anheuser-Busch's**

(BUD) Bud Light "Real Men of Genius" commercials on my car radio, I am going to crash my vehicle into a brick wall. The first few were entertaining and original, but now they are downright moronic.

### **MasterCard**

(MA) is one of the great investment stories of 2007 and should continue to return value to shareholders in 2008. Those "Priceless" commercials, however, are just too painful to watch anymore.

The Cavemen series of commercials for **Berkshire Hathaway's** (BRKA) Geico yielded a failed TV show. (Technically, it is on hiatus.) With the TV writers on strike, maybe it's time to give Geico's gecko his own show.

**10. The Fed is cutting rates to bail out hedge funds.** It certainly sounds good if you want to be politically correct in an economic sense, however, the Fed is only responsible for monetary, not fiscal, policy.

Furthermore, the Fed is interested in economic growth and financial market stability; it could care less about the profitability or "going concern" status of an individual entity, unless that would cause a systemic event.

If you want to better understand the Fed's responsibilities, take a look at the its own [publication](#) on its purposes and functions.

I am the first to criticize the FOMC for its short-sighted actions and lack of responsible communications, but thinking that the Fed, or the FOMC, is focused on bailing out hedge funds is absurd.

My best wishes for a happy and healthy holiday and New Year season to all of you and your families. Thank you for your personal notes and professional advice during the past year. I hope our *RealMoney* team has made this year a profitable and enlightening one for our subscribers. Last but not least, thanks to our tireless contributors and editors who work so hard every day to produce this fine product.

Position: *Long MA*

### **AAPL, RIMM and GOOG Saw Gains**

Scott Rothbort

12/20/07 4:00 PM EST

The market is following similar patterns over the past few days. A strong open, which gets sold into the red, followed by an afternoon rally.

**Apple** (APPL), **Research In Motion** (RIMM) and **Google** (GOOG) are all on the move again today. Has the profit-taking finally run its course? With the RIM earnings and guidance due out after the close, I think that report will be the fulcrum (to borrow a term from Jim Cramer) that will determine whether tech growth will regain its mojo.

I am long this trio at significantly lower levels. In other words, when they were still value -- before they became growth before they became momentum. I have orders to cut back on my positions -- to take out my cost basis -- at higher levels.

I hope you enjoyed my list of 10 Things That I Will Not Miss About 2007. Thank you for reading the Edge today. Snoop Dougie Kass will be back in the captain's chair tomorrow.

Position: *Long AAPL, RIMM and GOOG*

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