

TRANSCRIPT Jim Cramer explaining the basics of stock market ...

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SPEAKERS

Aaron, Jim

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- A** Aaron 00:04
Welcome to Wall Street confidential. I'm Aaron Task joined again by Jim Cramer. Jim, welcome.
- J** Jim 00:07
Good to see you.
- A** Aaron 00:09
Thanks for being here. economic data today, we want to talk about something else. First, again, today, we have the misdirection from the futures, the futures pointing up market. And as of right now, stocks are down again, is this just because it's the holiday period that we're seeing this,
- J** Jim 00:22
you know, a lot of times when I was short, at my hedge fund, and I was positioned short, meaning I needed it down, I would create a level of activity beforehand that could drive the futures it doesn't take much money. Similarly, if or if I were long, and I would want to

make things a little bit rosy, I would go in and take a bunch of stocks and make sure that they are they're higher, and maybe commit 5 million in capital and do it and I could affect it. What you're seeing now is maybe a probably a bigger market. Now maybe you need 10 million in capital and knock this stuff down. But it's a fun game. And it's a lucrative game and you can move it up and then fade it that's often creates a very negative feel. So let's say you take a longer term view intraday, and you say, Listen, I'm going to boost the futures and then when the real sellers come in, real market comes in, they're going to knock it down, that's going to create a negative, negative view. That's a strategy very worth doing, when you're when you're valuing on a day to day basis. And I would encourage anyone who's in the hedge fund game to do it because it's legal. Right? And it is a very quick way to make money, and very satisfying. By the way, no one else in the world would ever admit that. But I don't care.

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Aaron 01:29

That's right. And you can say that here. I

J

Jim 01:31

can't I'm not gonna say it on TV.

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Aaron 01:34

Well, no, there's so many more hedge funds today than when you write managing your hedge. Right? Do you think that that does that exacerbate the moves? Or does it make

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Jim 01:41

the hedge funds or position long, short, okay, not just long, like mutual funds. So it's really vital these next six days, because of your payday, you've really got to control the market, you can't let it lift, when you get a research emotion, it's really important to use a lot of your firepower to knock that down, because it's the fulcrum of the market today. So let's say our I was short, what I would do is I would hit a lot of guys with him. Now you can't commit that's a violation of Roman yet, you can't foment you can't create a yourself an impression that a stock's down. But you do it anyway, because the SEC doesn't understand it. So you I mean, it's, that's the only sense that I would say there's a legal but a hedge fund, that's not up a lot really has to do a lot now to save itself. So this is different from what I was talking about at the beginning, where I would be buying the cues and stuff, right? This is actually just blatantly illegal. But when you have six days, and your company may be in doubt, because you're down, I think it's really important to foment if I

were one of these guys, for men oppression, that research emotion isn't any good. But this research emotion is the key. So you know, you would you would hit this guy and that guy when you would see an offering, when you see a guy's bidding, you'd wipe that that guy very quickly, what I used to do was called if I wanted to go higher, I would take in bid taking bid taking bid. And if I wanted galore, I hit an offer hitting offer hidden offer. And I could get stock like rim for maybe that might cost me 15 20 million any to knock him down. But it would be fabulous because it would beleaguer all the more on Long's who are also keen on research emotion. So we're seeing today, we're seeing that that's, you know, again, when your company's in survival mode, it's really important to defeat research emotion and get the Pausanias to the world, people talking about it as if there's something wrong with him. Then you call the journal and you get the bozo report or research emotion and you'd feed that there's a palms got a killer, it's going to give away these are all the things you must do on a day like today. And if you're not doing it, maybe you shouldn't be in the game.

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Aaron 03:36

Another stock that a lot of people are focused on right now seems to be apple.

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Jim 03:39

Yeah, it was very important to spread the rumor that that both Verizon and Bell and att have decided they don't like the phone. It's very easy to do, because it's also you want to spread the rumor that it's not gonna be ready for Macworld. And this is very easy, because the people who write about Apple one that story, and you can claim that it's credible, because you spoke to someone at Apple because Apple isn't and doesn't read, they're not going to comment. And so it's really an ideal short. And I would again, if I were short, apple, I would be working very hard today to get that. And the way you would do that is you pick up the phone, you call six trading desk and say listen, I just got off the phone with my contact of Verizon, he's already said, Listen, we're not we're a lucky g house, we're Samsung house, we were Motorola house, there's no room for Apple, they want too much that we're not going to let them in. This is not we're not gonna let them do what they did to music. And, you know, I think that's a very effective way to keep it stocked, right? I might also by the way, because the stock at 8045, a little bit of capital, you go buy some January at puts that makes it look like there's going to be something going on. So maybe, you know, give Morgan an order to buy 1000 shares at puts then you go position limit with, you know, use a hat firm that doesn't know what that gets to maybe go to UBS for puts and you just kind of create an image that there's going to be news next week. And that's kind of fighting everybody and they will go out and say let's put buyer UBS Nicole pazhani. Again, you have to use those guys and say listen, I'm about you know, I see a big

buyer puts and I'm told that it's like it sec, you would do that too. And these are all of what's really going on to the market that you don't see when

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Aaron 05:06

nobody else talks about it. But what's important when

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Jim 05:09

you're in that hedge fund mode is to not do anything remotely truthful. Because the truth is so against your view, right? And it's important to create a new truth to develop a fiction. And the fiction is developed by almost anybody who's down like 2%, up 6%. Here, you can't take any chances, you can't have the market up any more than it is if you're up six. Because starting Jan, two, you'll have all your money come out. So what would you do if you're in that situation, and you feel like you're desperate is that you would do these actions. So you're

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Aaron 05:38

talking about the mechanics of the market?

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Jim 05:41

much more important than fundamentals. Okay, well,

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Aaron 05:43

but in terms of the fundamentals, even writing about how you think about the

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Jim 05:45

fundamentals, research, emotion, just blew out the chord and read, but look what people can do. I mean, that's fabulous thing is great thing about the market, this has nothing to do with the actual stock right? Now, look over maybe two weeks from now, the buyers will come to their senses and realize that everything that they heard was a lie. But then again, Fannie Mae lied about their earnings for \$6 billion. So it was it was just fiction and fiction and fiction. And I think it's important for people to recognize that the way that the market really works is to is to have that nexus of, of hit the brokerage houses with a series of orders that can push it down, then leak it to the press, and then get it on CNBC. That's also very important. And then you have a kind of a vicious cycle down run, it's a pretty

good game, and it can be played, you pay for percent or two, right, and then you get long before Macworld, the expectation. And then he goes out the other side. Interesting. You know, there's a case where I would say the January at ports can be justified because after I've knocked the stock down by a lot of common, and then play it right into Macworld where the probably introduced the phone and fries is going to take it.

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Aaron 06:45

Okay. Well, maybe the fundamentals don't matter. But let's talk about

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Jim 06:49

what what Wall Street confidential is. Yes. Is is not giving you the party line. Oh, here's the formula. By the way, the I spoke down the phone, I hear the phones are good. And Verizon might take it. As a matter of fact, the research promotion sellers, they don't think they know what they're talking about.

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Aaron 07:07

But even reading the cell market, cell phone market, you think is

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Jim 07:11

the cell phone market, frankly, is is that these guys are all killing each other, you know, someone has to take a dive Motorola Nokia have to get in a room and just fix price. They've been reluctant to do that, because of the various Justice Departments. And because they actually go right now. Whoa, that hasn't stopped a lot of other companies and sr, this seems to be a case where they seem to be directly worried about the authorities. It's almost as if they have aware that that matters, and like say that Bristol Myers lawyers and you know what eventually happens is the shareholders demand that you get phony worse and you sit in the room and it'll happen soon.

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Aaron 07:42

Real quick, the fed the numbers out today weaker than expected.

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Jim 07:46

The Fed is obviously got to cut but if you call it you call the various guys who cover the bonds and you say ignore the bond action. What's really happening is the Fed is very

frightened about managing up the number that they're really frightened about. The Fed is actually desperate to try to figure out you know how quickly they have to cut without looking like dopes that they that they raise it because they've been talking

A Aaron 08:06
about they're worried about inflation all this you don't want to you

J Jim 08:08
don't want to raise in May and then cutting in January looks like Mexico for heaven's sake, me isn't like a distinguished group of people who went to really good school, right? These are smart guys.


A Aaron 08:16
They don't want to look like those when we were talking earlier in the week, you said you think it'd be some sort of crisis, possibly Ford being a trigger?


J Jim 08:22
Well, you know, for went and did all that, you know, they pledged all this investment banking to all these guys. So now that they're very reluctant to say negative things, it makes it much tougher for the for story to play out. I mean, the amount of business that Ford has to do for me to be the big client of 2007. So if I were in the corporate finance room, I would say listen to the research guy. I said, Listen, you know, I spoke with milele I actually have the inside the plan works. So then you're the research guy said, Oh, man, what do I do? It's bonus time. I'm not going to be a total idiot. Spitzer's going to Albany. Let's get back in the game. Right?

A Aaron 08:54
I think that's important. Is it possible because a year ago this time a lot of people are saying GM is about to go bankrupt? And of course the stocks up 50 some odd percent? Well,


J Jim 09:01
they're they're the GM the difference between Ford and GM was the Chiefs balance sheet


was never really turned out. wasn't that bad? force balance sheets, pathetic. And you know that because they're willing to screw over the common for the bonds? That's kind of if it weren't forward. If this were on Qualcomm, we'd be seeing those desperate. Yeah, but no, it's for word. It's an American. I will report to Ford once


 Aaron 09:25
and this is our country. Right. And Jim Cramer?

 Jim 09:28
Again, you know, what I'm trying to go for in the Wall Street confidential and I'm not saying your send me I have to talk about what it's like at my hedge fund. Okay, because and what other hedge funds do because the difference is, is that if this is an intraday show, and you need to know what's going What I know is going on now we stepped back Research In Motion was a real blowout quarter. It was really good quarter and I was quite surprised how strong the margins were. It looks like the other guys have really dropped out. It's a terrific story. Should it be up six Yeah, I think so. But you know, look where we are. It's Friday, you got five more days to make your quarter. Can you really risk having rim up this much? I

 10:09
don't think you can.

 Aaron 10:10
Okay. And they're not. And if I'm correct, you're off next week.

 Jim 10:12
Yes. Okay. Well, so we'll be back. And I'm hoping that we get that we finished the year at 1260. Because that's at 12,460. Because that's what I said at the beginning of the year was now yesterday, we came in and we were 20 points away from what I predicted. You know, I'm gonna nail it. Do you have a forecast for 2007? Yeah, but I'm not gonna say it's over a series of five days, so people have to go to money.com

 Aaron 10:35

check it out in real money.com. And,



Jim 10:37

Jim, thanks very much for being here.



Aaron 10:38

I'm Aaron tasks. Stay tuned for more of the street comm TV