



# WALL STREET STRATEGIES

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Charles Payne Announces the Morning Report as Follows

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**WEDNESDAY, NOVEMBER 14, 2007**

## **Economic Data Takes Center Stage**

**NEW YORK, NY**

### Bravado

- A. Pretentious, swaggering display of courage
- B. A pretense of courage; a false show of bravery
- C. A disposition toward showy defiance or false expressions of courage

Despite the surge in the market yesterday it still lacks that certain *bravado*. I guess it's easy to say that this entire rally, which began in early 2003, has lacked the *bravado* of the 1990s. Sure, 300+ points on the Dow and 89+ points on the NASDAQ seem like the stuff that could get any bull to strut around with a cocky attitude. Instead, it's the bears that are spouting off *bravado*, tagging the move as a dead cat bounce. It's not that bulls don't want to be pretentious it's just that investors in general still haven't really gotten over the crash and the dream deferred.

*"Ain't it funny that the way you feel shows on our face  
And no matter how you try to hide, it states your case  
Now a frown will bring your spirits down to the ground  
An never let you see the good things all around  
Every time we seem to let our feelings flow  
Our luck run out, and the wind won't blow"*

"On Your Face"  
**-Earth Wind & Fire**

I think even after the huge multi-year rally investors are afraid to let their feelings flow as they believe their luck will simply run out. The irony of this is that it makes stocks weaker than they should be at times and results in a wait and see approach. Yesterday as soon as the closing bell rang almost any stock that had been higher by two dollars or more gave back a chunk of gains. I've been struck at how often great sessions have been followed by flat or down ones. Granted, it's difficult to follow up the kind of session seen yesterday with another great up day, so we face the scenario of trying to mitigate losses. In the end, yesterday's session was cathartic and the timing couldn't have been better.

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It has been a long time since the market has been higher on good news and led by real bellwether stocks. Yesterday the market got legitimate leadership from Goldman Sachs (GS) and Wal-Mart (WMT), among others. Emotions are swaying back and forth, and while stocks were galloping along at breakneck speed crude oil stumbled badly. I'm not surprised that crude pulled back, but I am surprised it happened so swiftly. Those commentators that are chiding oil bulls because the \$100.00 a barrel threshold hasn't been breached better take advantage of their soapbox because we believe that milestone is inevitable. Markets are extremely wild; despite the volatility in everything from equities to crude oil beneath the surface is an attempt to find equilibrium.

As for crude oil, a move under \$90.00 a barrel could land the December contract at \$87.00 a barrel where it fills a gap. Below there, the next support points are \$84.00 and \$78.00. It would take a remarkable surprise increase in inventory levels as well as an increase in crude production from OPEC.



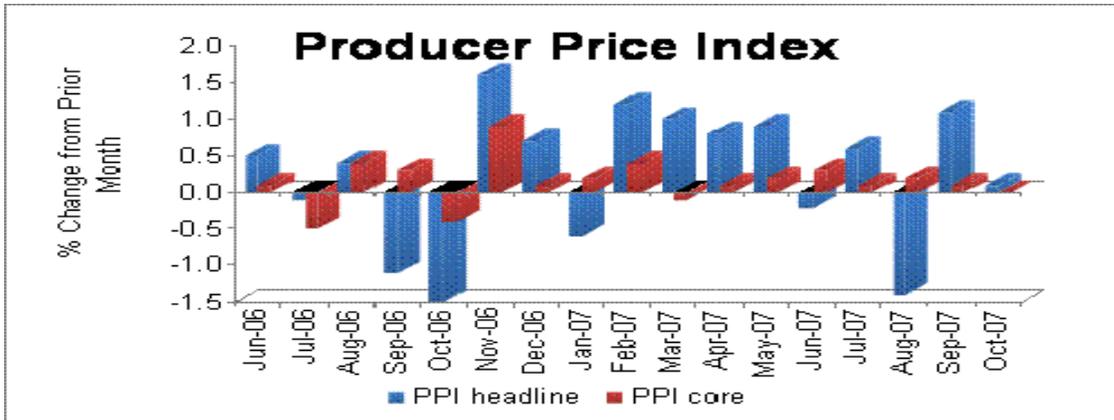
### Retail Love?

So now what? We all know the negative macro headwinds facing the retailers for the fourth quarter. Mall traffic has been soft throughout 2007, and average ticket growth has moderated. Retail stocks have accordingly been beaten down lately, which in our opinion sets the stage for a rally in the group heading into the end of the year. Remember, most retailers tightly controlled inventory in the second quarter, somewhat lessening the markdown related earnings blow in the third and fourth quarters. We are noticing significant bargains out of the specialty group valuation wise, with some names including Abercrombie & Fitch, Limited Brands Inc., and Bebe Inc. PE multiples relative to next year's expected earnings are drastically low versus historical comparisons and the S&P 500. For a list of some of the companies we are projecting to outperform financially during the current quarter, and may prove to be good bets for 2008, please contact your representative or send an email to [brian.sozzi@wstreet.com](mailto:brian.sozzi@wstreet.com). Be sure to include a good daytime working phone number.

Economic Data

*Producer Price Index*

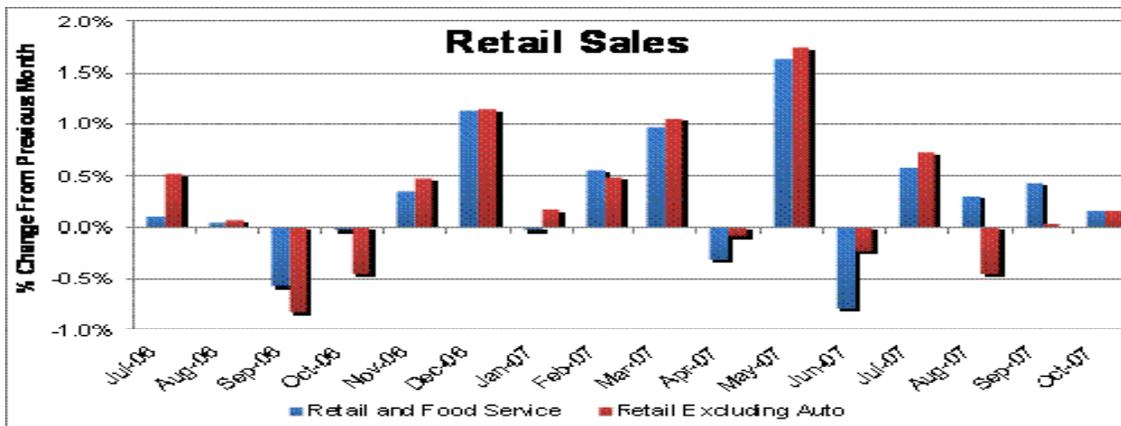
The PPI is out, and it came in fairly benign. But, given the jump in crude oil prices later in October, the data fails to reflect the true impact at the producer level. For the month, the core rate was unchanged, better than the consensus estimate for a 0.2% rise.

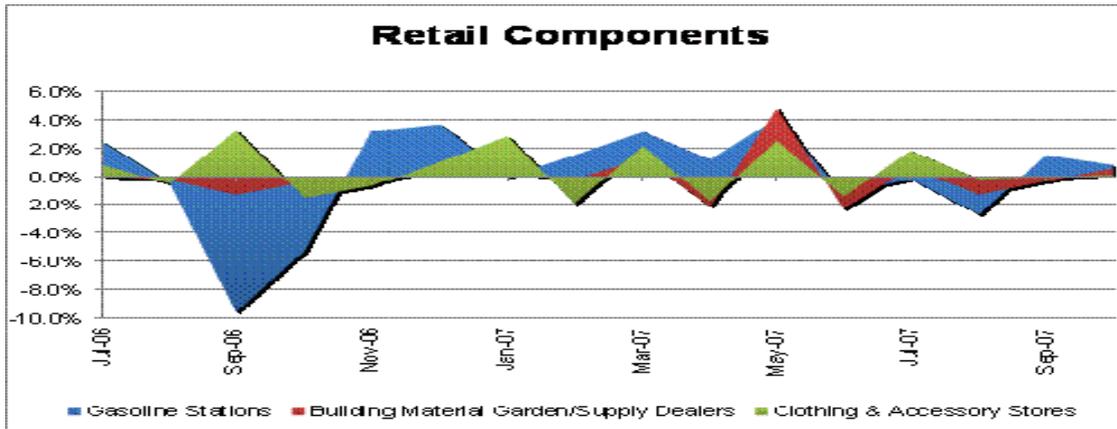


*Retail Sales*

In October, retail sales excluding automobiles rose 0.2%, in line with the consensus estimate. The increase in sales was boosted by a 0.8% rise in purchases at service stations, which reflected higher gasoline prices. Excluding gas, retail sales were up 0.1% for the smallest increase in four months. Weak areas of the report included:

- Furniture
- Sporting Goods
- Department Stores





### Today's Session

Corporate earnings took center stage yesterday, how novel, but today it's back to Fed watch with the release of the Producer Price Index and a speech from Fed Chairman, Ben Bernanke. The futures responded favorably to both set of economic data points, especially the retail sales report in our opinion. Predictions on the Street heading into the release reflected doom and gloom scenarios which failed to materialize. Sure, the trend in core consumption remains down, but the fact is consumers are still spending, and this may bode well heading into the holiday shopping season.

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**LONG IDEA: Generex Biotechnology Corp. (GNBT) @ \$1.58**

**BACKGROUND:** Generex is engaged in the research, development, and commercialization of drug delivery systems and technologies. Generex has developed a proprietary platform technology for the delivery of drugs into the human body through the oral cavity (with no deposit in the lungs). The Company's proprietary liquid formulations allow drugs typically administered by injection to be absorbed into the body by the lining of the inner mouth using the Company's proprietary RapidMist(tm) device. The Company's flagship product, oral insulin (Generex Oral-lyn(tm)), which is available for sale in Ecuador for the treatment of patients with Type-1 and Type-2 diabetes and which was approved for sale in India in October 2007, is in various stages of clinical development around the world. In June 2007 the Company announced that patient dosing in a global Phase III clinical trial of Generex Oral-lyn(tm) will commence before yearend. For more information, visit the Generex website at <http://www.generex.com>.

**SKINNY:** Long time subscribers are familiar with this stock as we featured it a couple of times in the past. Once, it made a move from \$1.00 to \$5.00 on fears bird flu was close to arriving in the United States. Ironically, avian flu has reared its ugly head again overseas, and while there isn't the same level of hysteria there is no doubt that it will eventually reach American shores and once that happens there will be a ton of fear. However, the real play here is hop not fear. The company has developed a mechanism to deliver insulin through the inner lining of the mouth. The importance of this really can't be overstated. Diabetes is becoming a huge issue, and will affect 380 million people around the world by 2025 and take up to 13% of the world's medical bill.

Less than two weeks ago, the company received approval for its delivery system, Oral-lyn in India, and the news sent the shares significantly higher. Since then, the stock has drifted lower and in our estimation makes it a screaming buy. We must note that after the last time we recommended the stock we heard from the company and have since entered into a consulting arrangement. Management has so much passion in their fight against diabetes, bird flu, AIDS, and cancer that they haven't paid a lot of attention to the stock. Currently, Oral-lyn is in phase III testing in North America. We expect that approval would automatically make this a \$5.00 stock, but once sales begin we think the stock could move even higher (our 17 page institutional report has a share price target of \$7.00; for a free copy of that report please send an email to [charles.payne@wstreet.com](mailto:charles.payne@wstreet.com)).

Nervous investors may want to consider a stop-loss at \$1.25 but the reality is this is the kind of stock one should accumulate on weakness. Obviously, it's higher than normal risk, but by the same token the payoff could be significantly higher than investing in the general market.

Stop/Loss	Buy Limit	Options	PEG	Book Value	Avg. Vol.	Outs	Insider Activity	Inst. Hldg	YH YL	'07 Est.
1.25	MKT	N/A	N/A	0.329	1.46M	109.99M	0	2.00%	2.30 1.26	-0.21

Peer Review								
Ratio	P/E	P/B	P/S	P/CF	P/TB	Div. Yield	Mkt Cap	Short Pos
<b>GNBT</b>	NA	4.74	952.10	NA	NA	NA	171.57M	4.00%
<b>NKTR</b>	NM	2.98	2.01	NM	6.29	NM	562.96M	16.90%
<b>NVO</b>	21.79	6.00	4.81	18.60	6.57	1.00	39.15B	N/A
<b>Industry</b>	29.82	6.11	8.06	22.50	13.19	0.59	NA	NA

Last:1.55 Change:0,0.00% Open:1.55 Low:1.52 High:1.58 As of: 6:29 PM EST

GNBT-Generex Biotechnology Cp Del-(Nasdaq SC)



**Analyst Action**

Rodman & Renshaw- Initiated  
**MARKET PERFORM**

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61 Broadway, Suite 1425 - New York, New York 10006 - Phone 212.514.9500 - Fax 212.514.9582