



RESEARCH REPORT SERVICES

BTK Stocks - March 24, 2005

The AMEX Biotechnology Index appears poised to break out of its mostly range trading. Of the 17 stocks in the index, we believe two offer excellent upside opportunities over the near-to-intermediate term, and three offer potentially excellent upside prospects, though with more risk. The table below summarizes trader sentiment towards the stocks as measured by their current open interest Put/Call ratios. The higher the ratio, the more bearish sentiment is towards the stock. At 0.50 and below, sentiment is considered bullish, and progressively below 0.50, extreme bullish sentiment towards the stock is being indicated. Conversely, readings above 0.50 reflect progressive levels of bearish sentiment towards the stock, and readings above 1.00 suggest extreme bearish sentiment. A stock that is in a general uptrend, but that still exhibits high levels of Put interest meets our initial test as a candidate for a long position, as the stock is more likely to maintain its trend until sentiment reverses towards more bullish extremes. Although some stocks under review do exhibit high levels of Put interest, they may not make the preferred list due to other factors such as valuation or less than compelling technical patterns. Our research also indicates a high P/E is not necessarily a deterrent to higher prices, unless it is also accompanied by a low open interest Put/Call ratio, indicating that buy interest is starting to crest.

Along with a strict look at near and intermediate term volume patterns, our technical analysis focuses on the current Elliott Wave positions of the stocks under review and their breakout potential. We use this method to project potential upside targets based on the fractal patterns at work.

Company	Ticker	OI P/C	Price
AFFYMETRIX INC	AFFX	1.10	44.83
AMGEN	AMGN	0.90	58.98
BIOGEN IDEC INC	BIIB	0.51	38.80
CELGENE CP	CELG	0.49	32.93
CEPHALON INC	CEPH	0.87	47.40
CHIRON CP	CHIR	0.78	35.68
APPLERA CORP-CELE	CRA	0.18	11.01
ENZON PHARM INC	ENZN	1.06	10.91
GENZYME CORPORATI	GENZ	0.75	57.11
GENENTECH INC	DNA	0.87	58.75
GILEAD SCIENCES	GILD	0.48	35.37
HUMAN GENOME SCI	HGSI	0.84	9.70
INVITROGEN CORP	IVGN	0.96	71.00
MEDIMMUNE INC	MEDI	0.20	23.74
MILLENNIUM PHARM	MLNM	0.63	8.50
PROTEIN DESIGN	PDLI	0.43	16.82
VERTEX PHARMACEUT	VRTX	1.66	9.92
Top Pick	Riskier	Avoid	

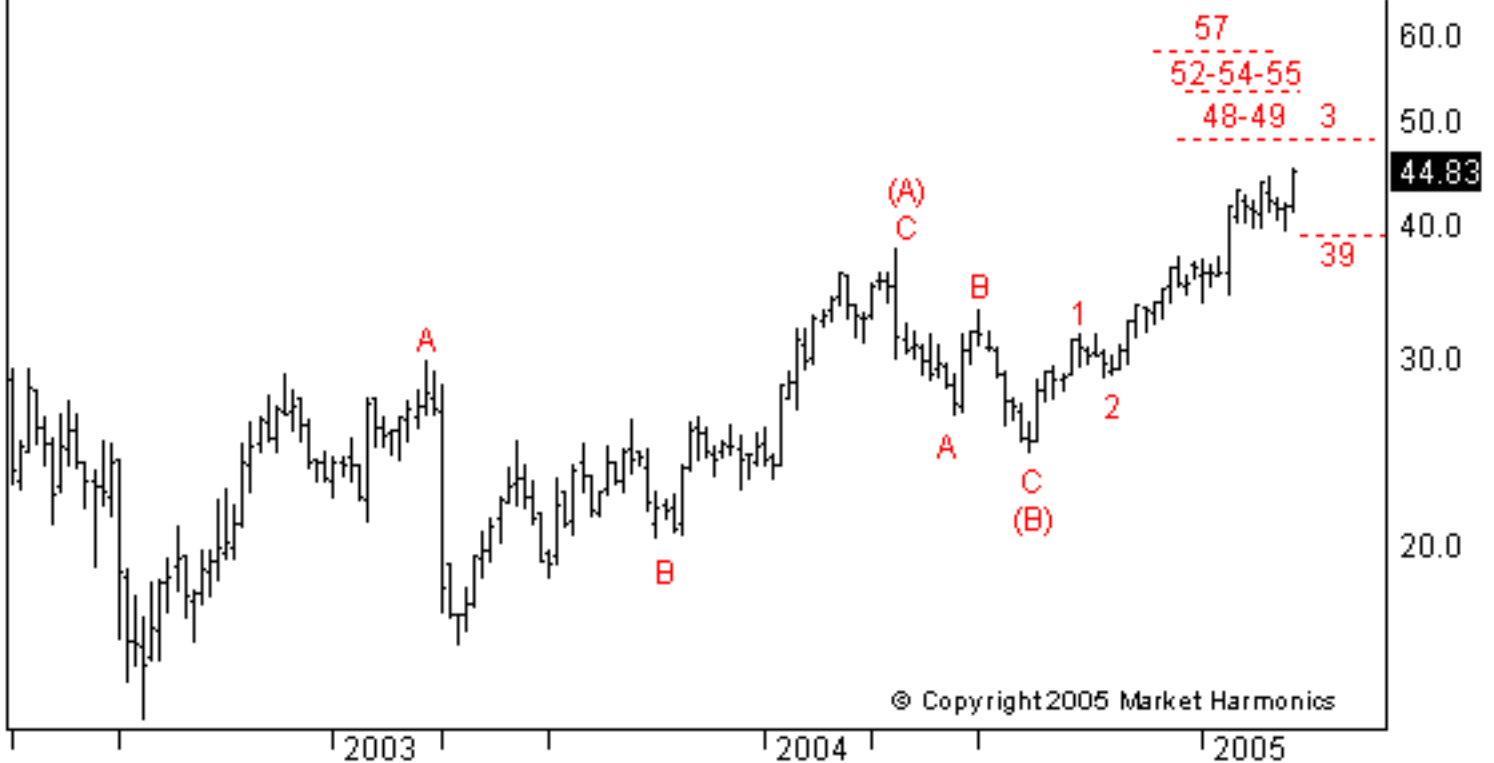
Genentech (DNA)



The stock began what we would call in Elliott Wave parlance a "fifth wave advance" on March 14. If we are correct, the stock should offer a strong near-to-intermediate term run. There is some resistance at 60, so the more cautious might consider waiting for that to be violated before committing. There is also expected resistance at the 62 area. With a current open interest Put/Call ratio of 0.87, sentiment remains bearish-leaning, despite DNA's strong performance off its 43.90 low. The closing volume Put/Call ratio for the stock on March 24 was 2.05, which is extremely bearish, and yet bearish speculators have been unable to repel the advance. Currently, highs at 68.25, 72.50, 74 or 77 are projected out of this wave pattern. Fundamentally, if there is one negative for the stock, it is its current trailing P/E of 79, although when weighed against other technical factors in its favor, the high P/E should not necessarily be a deterrent in its performance. 55 is currently a suggested stop, as a fall below that would challenge the bullish outlook. For those who trade options, the at-the-money 57.50 Call for January 2006 is currently selling at \$8.50, with an excellent Delta of 0.64.

Affymetrics (AFFY)

AFFX - weekly 3/21/2005/3/24/2005 : Open 41.63, Hi 45.47, Lo 41.11, Close 44.83 (+7.7 %) Volume 5,500



Despite a strong and persistent rally in the stock, including an impulsive breakout in January, the open interest Put/Call ratio for AFFY is a high 1.10. The closing volume Put/Call ratio for the stock on March 23 was a whopping 4.18, and short interest has been ticking up for the stock since December. AFFY does have some fundamental issues, not the least of which is a current P/E of 60, and high P/E's tend to attract short players. However, unless a high P/E is also accompanied by a low open interest Put/Call ratio, the negative sentiment tends to benefit the stock, as bullish buy interest has a lot of room to run before indicating an extreme is being reached. Per our Elliott Wave outlook, the stock is near completing a Wave 3 advance, which we expect to culminate and encounter resistance at the upper 48 to 49 area. We could thus see a pullback in the stock towards support areas at 42 or 39. Assuming the 39 area or better holds on a pullback, the 52, 54, 55 or 57 areas are projected upside targets. 42 is currently a suggested stop. For those who trade options, the at-the-money 45 Call for November 2005 is currently selling at \$5.90, with a nice Delta of 0.60.

Amgen
 AMGN almost made the preferred list, though its decline pattern is only arguably complete, based on the current fractal pattern at work. The current open interest Put/Call ratio is 0.90, so it meets one of the contrarian sentiment measures we look for. The stock thus far has held it's 50% Fibonacci support area, which is a positive. Key resistance tests that would affirm a low and the prospects for a strong advance are a break through the 60 area, where both Fibonacci resistance and the 200-day moving average converge. Secondly, a break through 62 would clear another hurdle of converging Fibonacci and 50-day moving average resistance. If AMGN can pass these litmus tests, then highs at 67, 72, 78 or 80 would be targeted. Depending on risk tolerance, 58.40 would be an initial recommended stop on a successful break of 60; and a successful break of 62 can use 60 as initial stop. For those who trade options, the in-the-money 55 Call for January 2006 is currently selling at \$8.40, with an excellent Delta of 0.74.

Human Genome
 HGSI almost made the red list, but for some technical and sentiment patterns that suggest the stock could recover from its 2-month decline. First, 8.51 is key support, so if any further decline remains, we'd want to see the stock hold that general level. Secondly, we'd want to see the 11 area overtaken, as it clears 50-day and 200-day moving average resistance, along with Fibonacci resistance. If it can overcome these resistance zones, a retracement back to the 13 area is possible, along with higher upside potential at 15.05, 16.45, 17.80, 18.87 and 20.80. I should caution there are fundamental issues that could impact how it trades. For one, we cannot calculate a trailing P/E, as the company has posted negative earnings over the past few years (although

they keep getting less negative). The company's most recent annual report also indicates HGSI expects losses unless it can realize additional revenues under existing or new collaboration agreements. As it stands, HGSI would be more suited to those willing to take it as a trade rather than investment, and only if it meets the technical conditions mentioned. 9.80 offers a preliminary stop on a successful break of 11. For those who trade options, the in-the-money 7.50 Call for January 2006 is currently selling at \$3.10, with a high Delta of 0.81, but with high implied volatility as well at 51%.

Invitrogen

IVGN is another case of a stock with a high P/E (43) and a pile on of short interest and Put interest. The current open interest Put/Call ratio stands at a high 0.96, so despite a 50% move in the stock since August, the ratio indicates buy interest is still yet reflecting bullish extremes. There are, however, risks, since the stock's high of 74 comes within an area of Fibonacci resistance that could complete its uptrend. Before considering a long, 74 should be cleared, and it can serve as a stop. A successful break of that area would target highs at 76.15, 77.66 and 81. For those who trade options, the at-the-money 70 Call for January 2006 is currently selling at \$8.70, with an excellent Delta of 0.64.

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