



Today, I woke up at 4:50AM. This is never a good sign. It tells me the stock market is heading lower.

Market pundits have stats and most market traders use charts but the SLEEP indicator has served me well for 34 years and counting. Don't mess with success!

Since March 9<sup>th</sup>, we have been on a dream romp from 666 to 930 as measured by the S&P-500 Index. That was a 40% move straight upward. Today we closed at 883. This is only 5% off the highs. Not enough. There is more down-draft to go.

Logically, it's time for a breather, but the extent of the correction is worrisome. We've been comfortable calling for a 10% correction - from the high point of 930 leveling-off around 830-840 on the S&P-500 Index. HOWEVER, a bullish projection would see the downtrend make a U-turn sooner.

Importantly, volume this week has increased on the *down* days. This suggests the explosive uptrend since March has run its course near-term. Commodities have decelerated while the US Dollar has strengthened, and the price of Gold is shining again. Historically, this is a combo for lower stock prices.

We feel confident that the lows set in March will remain the lows for this Bear Market cycle, and the Market goes higher this year. But a 40% climb in 9 weeks is just not sustainable. We didn't fight the tape on the way up. In fact, we defensively sold covered calls while taking gains wherever we found them. Therefore, we have no plans to fight the tape as stock prices decline. Bear in mind, stocks do not follow a recession; they lead the way to recovery. As one of the major discounting mechanisms of economic status, the stock market tries to predict business health 6 to 18 months ahead. Theoretically, we can predict corporate earnings should improve by the Summer quarter. How do we know? The market told us so. However, ever humble, we'll be keeping close watch for you and report as things change, hopefully for the better.

Let us leave you with a visual image of how far the market has rallied since March 9<sup>th</sup>.

By: Jude Bedell

S&P 500 INDEX (STANDARD & POOR)  
as of 14-May-2009

