



Greetings from 37,000 feet!

We have mixed emotions as we head back to CT from an incredible week in the Wasatch of Utah skiing six mountains in six days. Teri & I miss the kids terribly, but this trip was epic! Sunny days and cool nights with some fresh powder to boot! Alta, Snowbird, Solitude, Deer Valley, Canyons and Snowbasin were all attacked. It's always great to be able to gather with our closest friends to celebrate some milestone birthdays. When we solidified the dates about a year ago, I joked how the stock market would fall on hard times since I would be out of the office, as it's done almost every single time I go away.

It all started in 1990 when Iraq invaded Kuwait and I had a business trip to California and Alaska. The stock market declined more than 20% in very short order. In 1994, my brother and I headed to Jackson Hole, precisely as the market was about to experience its largest decline in almost four years. In 1998, a golf trip to South Carolina coincided with the Long Term Capital debacle, more than 20% from peak to valley. Nothing matched a group ski trip to Whistler in March 2000 as the NASDAQ hit 5000 and then quickly collapsed 35%! A year later in February 2001, I got engaged in a gondola at Steamboat as stocks ignored Greenspan's rate cuts and fell sharply to their March lows.

Two years later, Teri and I headed to St. John before our first child was born. That was March 2003, the last 10% correction in the Dow and S&P 500 before the bull market was about to seriously launch. And just last year, my annual conference of active investment advisers fell as the stock market peaked and began to unravel in May 2006. So, I am never surprised when I have a trip planned and the stock market falls sharply. Someone just wants me to sit in my seat and never leave! Thankfully, during those periods, our strategies were either 100% in cash or just partially invested, but it still adds some anxiety being out of the office. As my wife and friends sadly will attest, I awoke groggy each morning by 6:00am to check email, return calls, update my investment models and trade for a few hours before hitting the slopes. Unfortunately, this business does not pause because we want to go away!

So the morale of this story is to know when I will be out of the office. It can be hazardous to the bulls' health!

Let's get back to the stock market. I have sent an unusual amount of updates since the sharp move lower on February 27th. If I am inundating your inbox too much, please let me know. Last Sunday's update talked about my three possible paths for the stock market following what I felt would be early morning weakness on Monday with a reversal that day or the next. After Tuesday's action, it was very clear that we had seen the momentum or "internal" low for this correction. Only 6% off all time highs, I was seeing extreme or historic readings in the following indicators that have only been seen at or near major stock market bottoms.

Record NYSE volume

Record NASDAQ volume

Record ETF volume

Extreme Single day TRIN (measure of advancing and declining issues and up and down volume on NYSE)

Record put volume in the QQQQ

Extreme put/call volume across a number of exchanges

Extreme NYSE up/down volume

Extreme NASDAQ up/down volume
Extreme McClellan Oscillator (measure of advancing and declining issues on NYSE)

Tuesday showed a complete reversal of fortune, especially on NYSE and NASDAQ up/down volume. Historically, after such a change, stocks generally move higher in the short-term and then head back to revisit or slightly exceed the earlier lows. That's one of the reasons I called for more strength the rest of last week.

Even more important, both of our major investment models are now solidly positive with very little chance of turning negative any time soon. While the stock market may not rocket higher right away, history says that the downside is limited to roughly 5% with the upside more than 10%. Those are investing odds I will take every opportunity I can!

Whether or not we've seen the ultimate low is irrelevant. Stocks are on sale right now and should be bought. My preferred scenario calls for another move lower or even two, but that is getting very cute to play if you cannot watch a screen all day. Depending on how the next week or two play out, our shorter-term strategies may have the opportunity to trade the market in both directions. But, I want to be crystal clear; we are very bullish looking out two and three months with new highs forecasted in the second quarter. I don't know anyone calling for such a move!

Lastly, for those of you who are not clients, I do hope your own financial adviser is keeping you updated with calls and emails during turbulent times. This is when we all prove our value added proposition and really take care of our clients. You pay us a good deal of money and you should be getting your money's worth. If you are not receiving the attention you deserve or are getting canned answers to market questions, it's time to seek help from someone else, before it's too late!

As always, please feel free to contact me directly or the office with your questions and comments. It's your money and you worked hard for it!

All Good Trades,

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