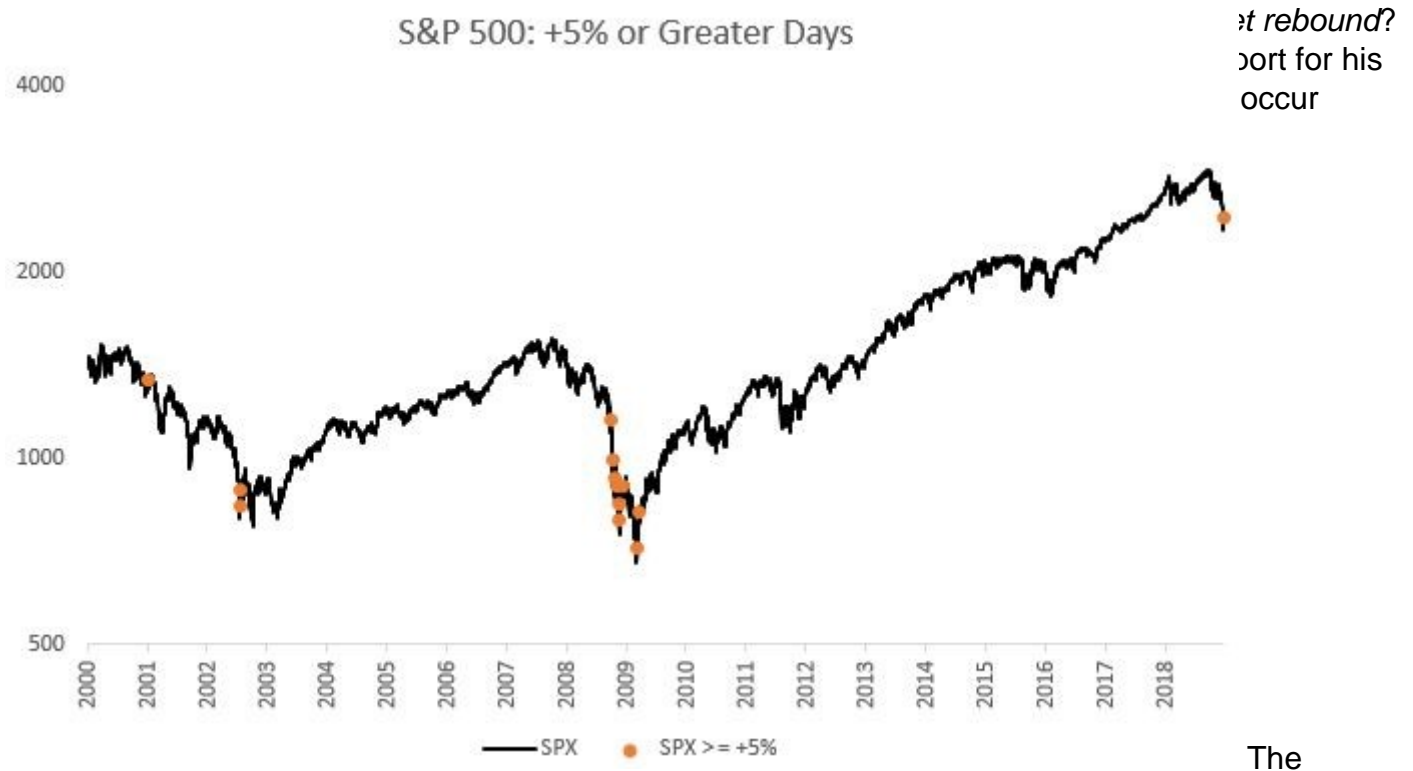


On the day after Christmas when investors were sad with the coal they found in their stockings, Santa provided some Boxing Day cheer. The S&P 500 posted a 5% gain, in a rally that was widely expected. We along, with many market technicians, had been highlighting the extremely oversold conditions and thought a relief rally was inevitable. The question was just a matter of when. Of note, the most vocal about the potential for a short term rally appeared to be those with longer term bearish outlooks. In particular, John Hussman who over the past few years, has repeatedly made a strong and compelling case for the market dropping 50% or more. On Wednesday morning with the market barely green, he posted the following bullish statement on his Twitter account:

*ICYMI: "While we don't observe conditions to indicate a 'bottom' from a full-cycle standpoint, we do observe conditions permissive of a scorching market rebound. Yes, that means one or more daily moves of ~100-150 points on SPX and 900-1300 on the Dow. You think I'm kidding."*



important question we are grappling with is whether Wednesday was the peak before another leg lower or will the market continue higher over the next week or two. Technically we think a run higher of 5% or even 10% to firm resistance levels is possible. However, we are very cautious to try to take advantage of the situation because everyone, bulls and bears, seem to be on the same page. There is an old Wall Street saying that states the market will do that which inflicts the most pain. Said differently, the boat tips over when everyone is standing on one side. Our concern here is that a rally seems so obvious from a technical viewpoint and seasonal perspective that the market will do the opposite of what everyone is expecting. Our advice as we have said on numerous occasions, short term traders should stay disciplined with stop loss orders and longer

term investors should use market relief rallies to bring your stock exposure to levels that are commensurate with the amount of risk you are willing and able to endure.