



Morning Comments March 30, 2010

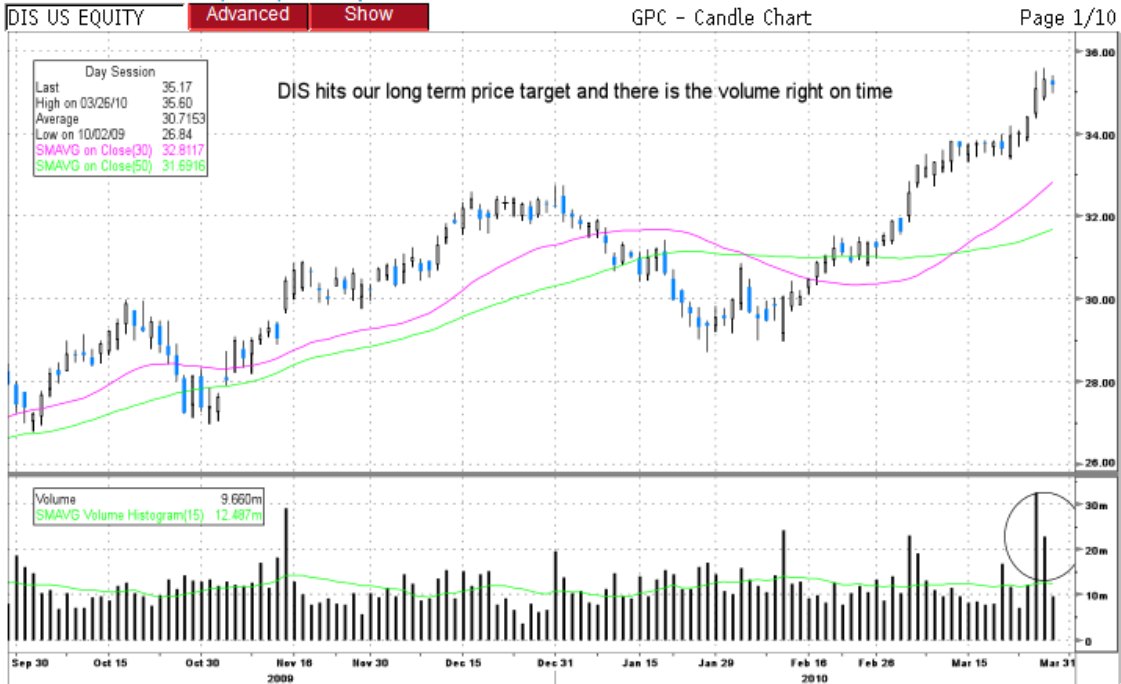
Time to De-Risk

While I was on vacation last week, the SPX reached up towards the 1185 target level that I had given at the beginning of the month. As my regular readers know I don't try to dogmatically target levels, because the market is anything but precise. Just as I was wrong for 5 or 10 points with my bull trap predictions a couple of months ago (though right on the nature of the move), I am very likely wrong for at least that amount again. I believe in listening to the spirit of the market rather than trying to impose my will of definitions upon it, and I think its time to get into motion on some stuff I have been recommending.

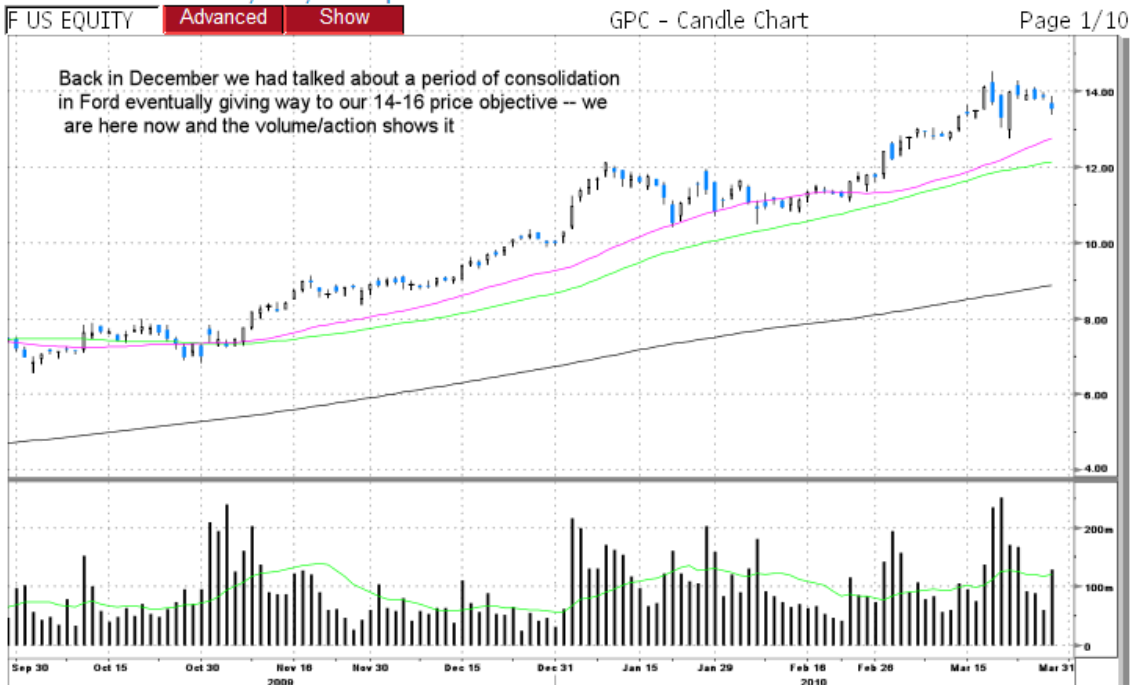
As SPX prices reached up towards the predicted level, I saw a number of stocks I have been recommending approach or exceed the target levels I had given. In several cases the action was climactic and volumes confirming. DIS is a very good example of this. We had recommended DIS long last May in the low 20s and had been looking for prices to achieve the 35 level. Notice the big pickup in volumes as this occurred on the chart below. I see this as near term climactic and will dispose of DIS against my target. Likewise, KRE, the regional bank ETF, reached up towards the 27.50 level I had been using for a near term target and blew off. Ford, which has been one of my favorite stocks for a long time, has reached the 14-16 level price target. While I believe this is ultimately destined for new all time highs, it is clearly under heavy distribution at these levels and another period of lengthy, and perhaps even painful, consolidation is the most likely outcome from here.

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DIS US \$ ↑ **35.17** -.14 N 1s T 35.16/35.17 T 51x25
 At 14:53 Vol 9,659,579 Op 35.28 T Hi 35.42 T Lo 34.97 D ValTrd 339.437m



F US \$ ↑ **13.535** -.325 D 1s N 13.53/13.54 T 330x431
 At 14:17 Vol 128,887,948 Op 13.7 D Hi 13.8841 Lo 13.39 ValTrd 1762.966m

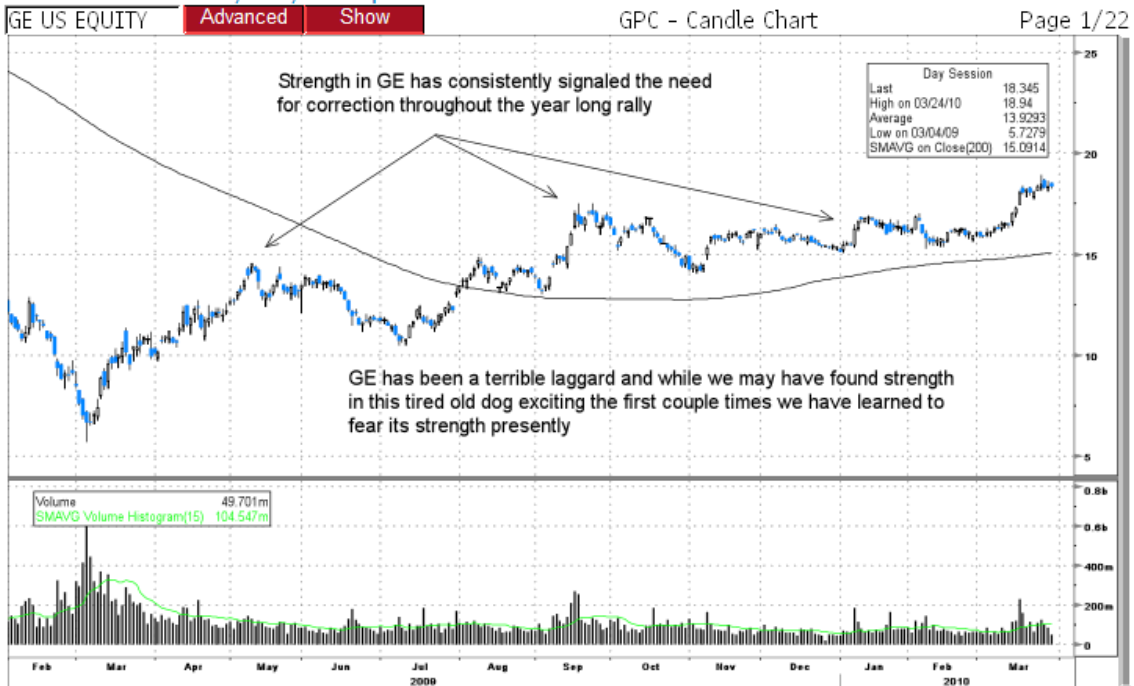




Some other things that are troubling me are the strength in the worst names like GE and C. Late strength in GE has been synonymous with correction throughout the rally from the March '09 lows (Which, by the way, are now gone long term for tax purposes. I must confess I am itchy to monetize some gains gone long term, but that's another matter, though not inconsequential). This is an expression of the market sweeping up laggards and is generally seen near the end of a rally.

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GE US \$ ↑ **18.345** +.005 D 1s L 18.34/18.35 C 484x508
 At 13:56 Vol 49,700,676 Op 18.52 T Hi 18.56 Lo 18.245 ValTrd 912.906m



Another thing I wanted to address today is the basket of networking/optical stocks I recommended near the end of February. The basket was up over 15% while the SPX moved ahead about 5%. At this point I think I have seen enough to realize what to do here. Today I want to swap the entire basket into CSCO. I had discussed CSCO back on 3/8, so see that note for some background. The longer term price objective for CSCO is mid 30s, and best entries will be found near 25. I will buy on weak days, not wanting to be too cute.

Consider overwriting the restaurant names I have recommended here if oil continues to build value and close over 82 or breaks up through 84.

As should be plain, I am desirous of de-risking quarter end.

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