



Weekly Market Update March 17, 2010

The Position Tracker section can be found at the end of this report and summarizes all of our positions

Bottom-Line: We continue to recommend being market neutral until we can get more clarity on the intermediate outlook for the next few months. While it has been painful swimming against the tide, we continue to be patient and disciplined with our approach. As we discussed last week, we have been waiting for the next short-term sell-off/pullback so that we can carefully evaluate the price action to determine if it warrants reversing our view. If the next sell-off has a 'corrective pattern' and the price action continues to be 'resilient' and shakes off the extreme short-term overbought conditions, then we will look for opportunities with compelling risk/rewards to get long the market. For the time being, we remain skeptical about this recent rise in equities, which we failed to participate in.

We continue to bet on relative underperformance by emerging markets (especially China) over the next few months, a bet that we made at the beginning of the year, combined with our major structural long call on the U.S. Dollar.

We reiterate our structural bearish call on the Euro and our structural bullish call on the dollar that we initiated in the fall of last year. We also continue to bet that the Japanese Yen will continue to depreciate versus the U.S. Dollar. We believe that exits from the global stabilization of the financial system will occur at different times, which will cause major currency movements as investors bet on interest rate differentials. Therefore we remain focused on searching for compelling trading opportunities in FX markets.

Last week, we introduced a potential scenario that we are keeping in mind, one that would result in a number of 'failed breakouts' just prior to a market peak. To summarize, if this scenario is playing out, we are in the final leg (started on Feb 5th) of an ending corrective pattern referred to as an 'expanding ending diagonal', which results in marginal new highs before we see an exhaustion of the previous trend and a sharp reversal. The upside projection for this scenario is 1158-1165. If we get a sharp "impulsive" reversal/sell-off with an increase in volume, then we would have to consider the implications of that scenario.

We are approaching March options expiration this Friday, which usually causes an inflection point in the markets. Therefore, if equities keep rising or end the week at roughly these levels, we would expect a sell-off starting early next week, especially given the extreme short-term overbought conditions.

We avoid being dogmatic with our market views and we are not afraid to change our views if the weight of the evidence suggests our initial assessment was wrong; but the intermediate outlook remains unclear in our opinion, which is why we are waiting for the next sell-off/pullback to see if we need to adjust our views. Even if we believed in more upside over the next few months, we would not turn bullish right here right now given the extreme short-term overbought conditions.

We initiated a short position on the S&P 500 on Jan 26th at ~1100 and we were stopped out of that trade on March 1st with a loss of ~1.5% when we broke above the critical 1112 short-term pivot level. The market has not looked back since that point and has just kept heading higher with little pause or respite, despite this incredible move since Feb 5th creating some of the most extreme short-term overbought conditions we have witnessed over the last couple of decades.

Technical Analysis & Strategy

Last week, we mentioned that we were sticking with our short positions in several emerging markets, a bet that we made at the beginning of the year, given that we continue to bet on relative underperformance by emerging markets over the next few months, combined with our major structural long call on the U.S. Dollar. The underperformance in emerging markets has continued, and we don't expect this to change anytime soon. Given our uncertainty about the intermediate outlook, we will remove our stop levels and fully hedge ourselves with long positions in the SPX until we get more clarity.

Active Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Current Price	Timeframe	Target	Stop	Gain/Loss	Performance
DXY	Active	Long	12/9/2009	76.22	79.72	Intermediate	86.00	79.80	+3.50	+4.59%
EUR	Active	Short	12/9/2009	1.47	1.38	Intermediate	1.30	1.375	+0.09	+6.40%
JPY	Active	Long	12/17/2009	89.96	90.31	Short	100.00	87.00	+0.35	+0.39%

Active ETF Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Current Price	Timeframe	Target	Stop	Gain/Loss	Performance
UUP	Active	Long	12/9/2009	22.56	23.38	Intermediate	24.97	22.00	+0.82	+3.63%
FXE	Active	Short	12/9/2009	146.99	137.47	Intermediate	125.00	151.75	+9.52	+6.48%
FXV	Active	Short	12/17/2009	110.33	109.92	Short	100.00	113.00	+0.41	+0.37%
EEM	Active	Short	3/4/2010	40.15	41.60	Short	34.50		-1.45	-3.61%
EWZ	Active	Short	3/4/2010	71.00	73.97	Short	60.00		-2.97	-4.18%
FXI	Active	Short	3/4/2010	40.35	40.96	Short	33.50		-0.61	-1.51%

Closed Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Timeframe	Target	Close Date	Close Price	Gain/Loss	Performance
SOX	Stopped	Long	12/17/2009	344.61	Short	385.00	1/12/2009	360.00	+15.39	+4.47%
UTY	Stopped	Long	12/9/2009	412.74	Short	450.00	1/22/2010	402.00	-10.74	-2.60%
RUF	Stopped	Long	1/8/2010	10.40	Short	14.00	1/22/2010	9.54	-0.86	-8.27%
DXY	Closed	Long	12/9/2009	76.22	Short	81.00	2/1/2010	79.41	+3.19	+4.19%
EUR	Closed	Short	12/9/2009	1.47	Short	1.38	2/1/2010	1.39	+0.08	+5.65%
GOLDS	Stopped	Long	12/17/2009	1098.90	Short	1250.00	2/4/2010	1073.00	-25.90	-2.36%
BKX	Stopped	Long	1/6/2010	45.23	Short	57.00	2/4/2010	45.10	-0.13	-0.29%
SPX	Stopped	Short	1/26/2010	1,095.80	Short	860.00	3/1/2010	1,112.00	-16.20	-1.48%

Closed ETF Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Timeframe	Target	Close Date	Close Price	Gain/Loss	Performance
XLB	Stopped	Long	2/1/2010	30.46	Short	33.20	2/4/2010	30.85	+0.39	+1.28%
SPY	Stopped	Short	1/26/2010	109.34	Short	86.00	3/1/2010	111.89	-2.55	-2.33%
FXI	Stopped	Short	2/5/2010	37.44	Short	33.50	3/1/2010	39.70	-2.26	-6.04%

Active Options Positions for 2010

Option Symbol	Status	Underlying	Position	Open Date	Cost Basis	Current Closing Exit Price	Gain/Loss	Performance
March 110-100-90 Put Fly	Active	SPY	Long	2/3/2010	1.96	0.08	-1.88	-95.92%
September 105-95-85 Put Fly	Active	SPY	Long	2/3/2010	1.32	0.69	-0.63	-47.73%

Technical Analysis & Strategy

Closed Options Positions for 2010

Option Symbol	Status	Underlying	Position	Open Date	Cost Basis	Close Date	Closing Exit Price	Gain/Loss	Performance
March 143-138 Put Spread	Closed	FXE	Long	1/20/2010	1.80	2/1/2010	2.95	+1.15	+63.89%
March 23 Call	Closed	UUP	Long	1/20/2010	0.34	2/1/2010	0.58	+0.24	+70.59%
June 143-130 Put Spread	Closed	FXE	Long	1/20/2010	3.70	3/1/2010	6.90	+3.20	+86.49%
March 109-100 Put Spread	Closed	FXY	Long	1/20/2010	2.30	3/1/2010	0.20	-2.10	-91.30%
June 23 Call	Closed	UUP	Long	1/20/2010	0.65	3/1/2010	0.97	+0.32	+49.23%
March 37-34 1x2 Put Spread	Closed	FXI	Long	2/5/2010	0.30	3/1/2010	0.07	-0.23	-76.67%

Technical Analysis & Strategy

Sector Updates

XLF (Financials) – Continues to move in the ~13.60-15.75 consolidation range, and is now testing resistance. Daily RSI continues to move above the 50 level and has broken above resistance of its own. Relative strength has reversed its October '09 downtrend. Has been neutral overall since January, and is now testing resistance of its congestion area.

XLE (Energy) – Holding support above the 50 and 100 d smas. RSI remains above the 50 level. Overall, has been neutral for the better part of 2009 and into 2010. Relative strength is now testing previous support.

OIH (Oil Services) – Has been moving in the ~111-133 range since September '09, and has recently found support at the 50 d sma. RSI remains in a tight range above the 50 level. Neutral performance overall since summer of '09.

XLI (Industrials) – Has crossed above resistance at the broken uptrend from the March '09 low and reached a fresh 52 week high. RSI is testing overbought conditions at the 70 level. Overall, has outperformed the market since March '09.

XLY (Consumer Discretionary) – Has reached a new 52 week high, and continues to test resistance at the broken uptrend from the March '09 low. RSI has broken its August '09 downtrend and has crossed into overbought territory. Relative strength has pushed to its highest level since early '07.

XLP (Consumer Staples) – Has crossed above resistance at the 76.4% Fibonacci retracement level since breaking above the ~25.75-27.30 trading range. RSI continues to move above the 50 level and is testing overbought conditions at the 70 level. Relative strength has stalled at previous resistance since breaking the March '09 downtrend.

XLB (Materials) – Continues to move above the 50 d sma. RSI continues to push above the 50 level. Relative strength has been neutral overall since August '09.

XME (Metals & Mining) – Continues to push upward and has been testing the resistance of its tight rising channel. RSI remains above the 50 level. Relative strength has stalled a bit, and has been wavering about its November '08 uptrend line.

PPH (Pharmaceuticals) – Has broken out of a month long consolidation and broken above the 50 d sma. RSI has crossed above the 50 level. Relative strength has been in a period of underperformance since February '09, and is now testing November '09 support.

IBB (Biotech) – Has reached fresh all-time highs. RSI is now testing overbought levels. Overall, entered into a period of massive outperformance in summer of '08. More recently, relative has been trending upward and is now testing resistance.

IYR (Real Estate) – Has reached a new 52 week high. RSI has crossed into overbought territory above the 70 level. Broadly speaking, has been underperforming since early '07. Relative strength has broken above a key resistance level.

XLK (Technology) – Testing resistance of its tight rising channel. RSI continues to move above the 50 level. Has outperformed overall since '07, and has found support since breaking January '09 relative strength uptrend.

SMH (Semis) – Continues to test resistance at the broken March '09 uptrend. RSI has found support near the 50 level and continues above. Relative strength has been neutral overall since September '09.

Technical Analysis & Strategy

XLU (Utilities) – Continues to test resistance at the broken April '09 uptrend line. RSI continues to push above the 50 level. Has been underperforming since March '09, and relative strength has slipped to new lows.

XRT (Retail) – Continues to push upward, and is approaching the broken March '09 uptrend. RSI has reached overbought levels. Overall, has outperformed since November '08, and relative strength is at an all time high.

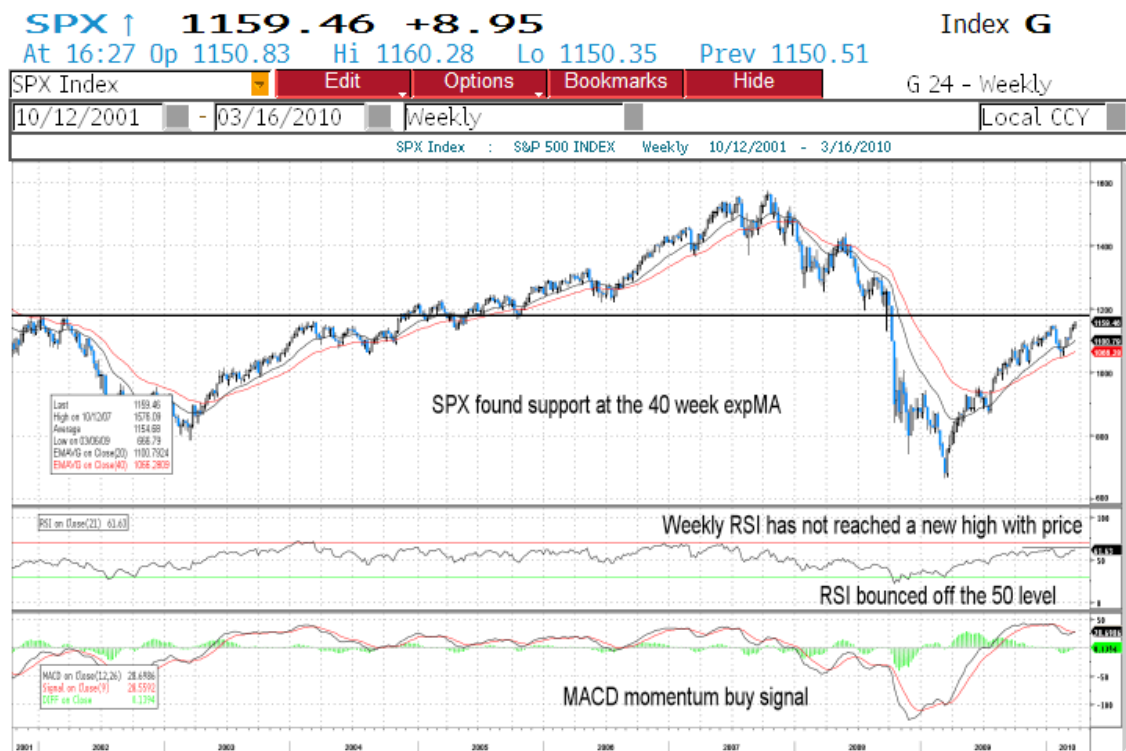
XHB (Homebuilders) – Has broken out of the ~14.15-16.50 consolidation range, which has bound it since August '08. RSI continues above 50, and has been in a gradual uptrend since November '08. Has been neutral overall since the start of '08 following a period of massive underperformance, and relative strength is now testing long term resistance.

Technical Analysis & Strategy

Chart 1: SPX Monthly with RSI & MACD



Chart 2: SPX Weekly with RSI & MACD



Technical Analysis & Strategy

Chart 3: SPX Daily with RSI & MACD

SPX 1159.46Y as of close 3/16 Index **G**



Chart 4: SPX Daily with 9 Day RSI

SPX 1159.46Y as of close 3/16 Index **G**

Screen saved as C:\Documents and Settings\mchu\Desktop\Christian\Charts\3.16.201



Technical Analysis & Strategy

Chart 5: VIX Daily

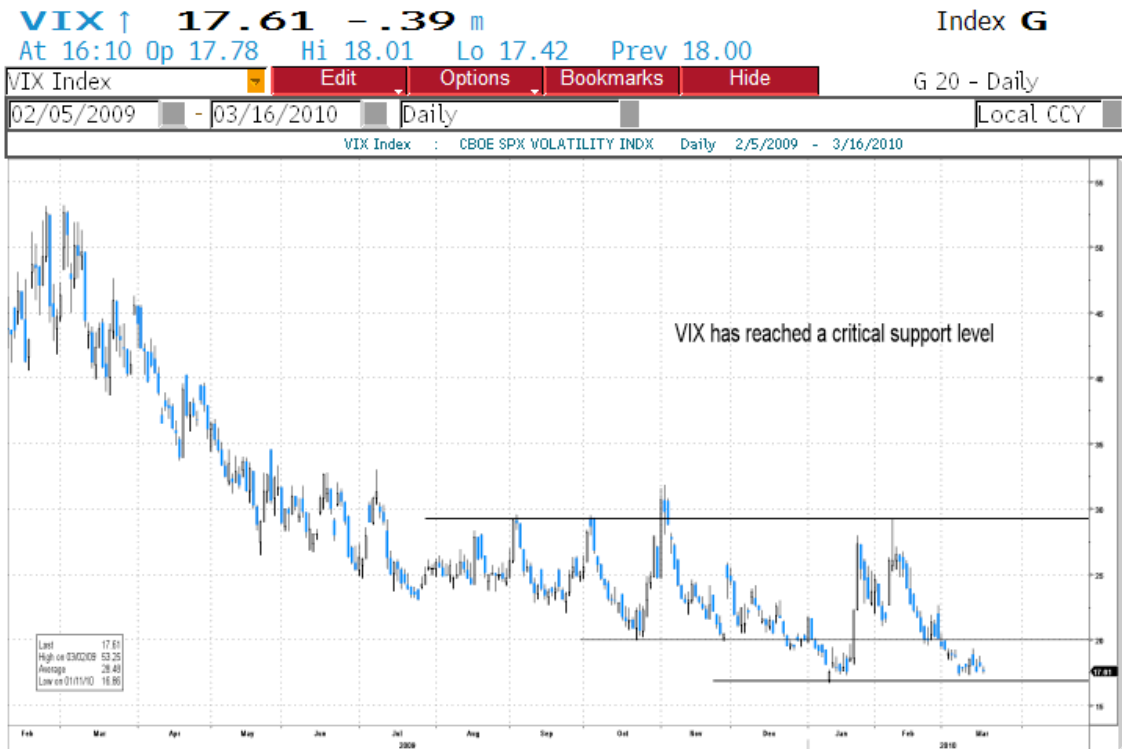
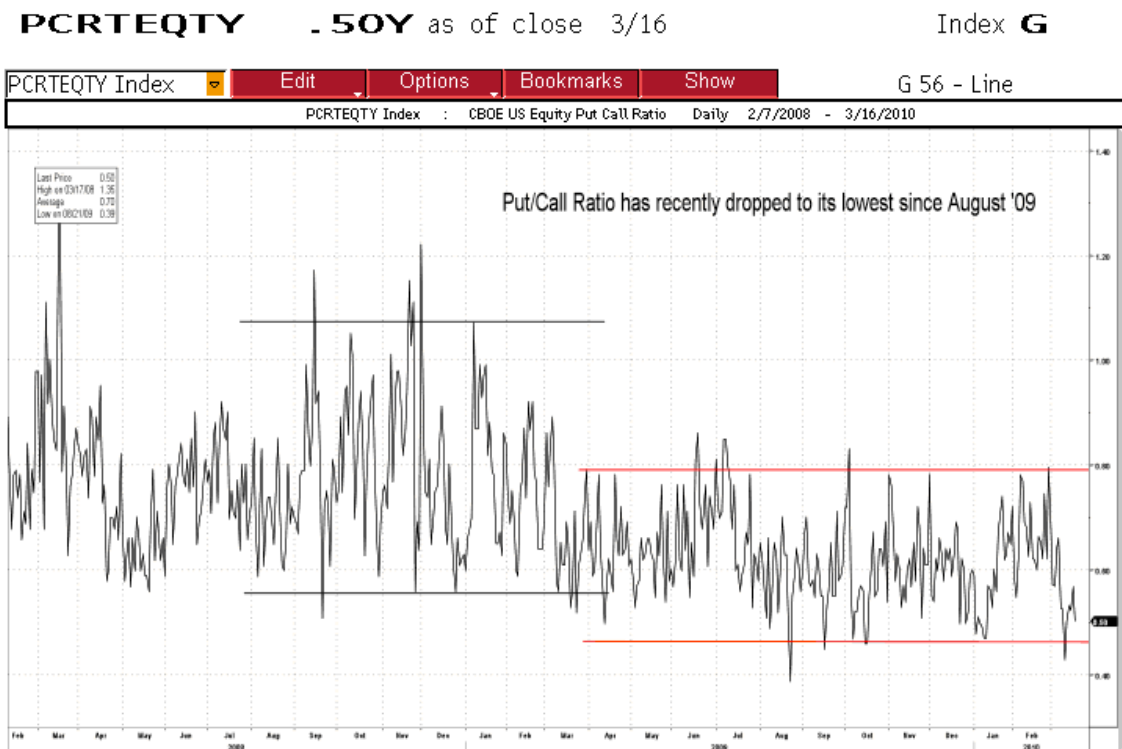


Chart 6: CBOE Put/Call Ratio Daily



Technical Analysis & Strategy

Chart 7: AII Bears/Bulls Ratio Weekly

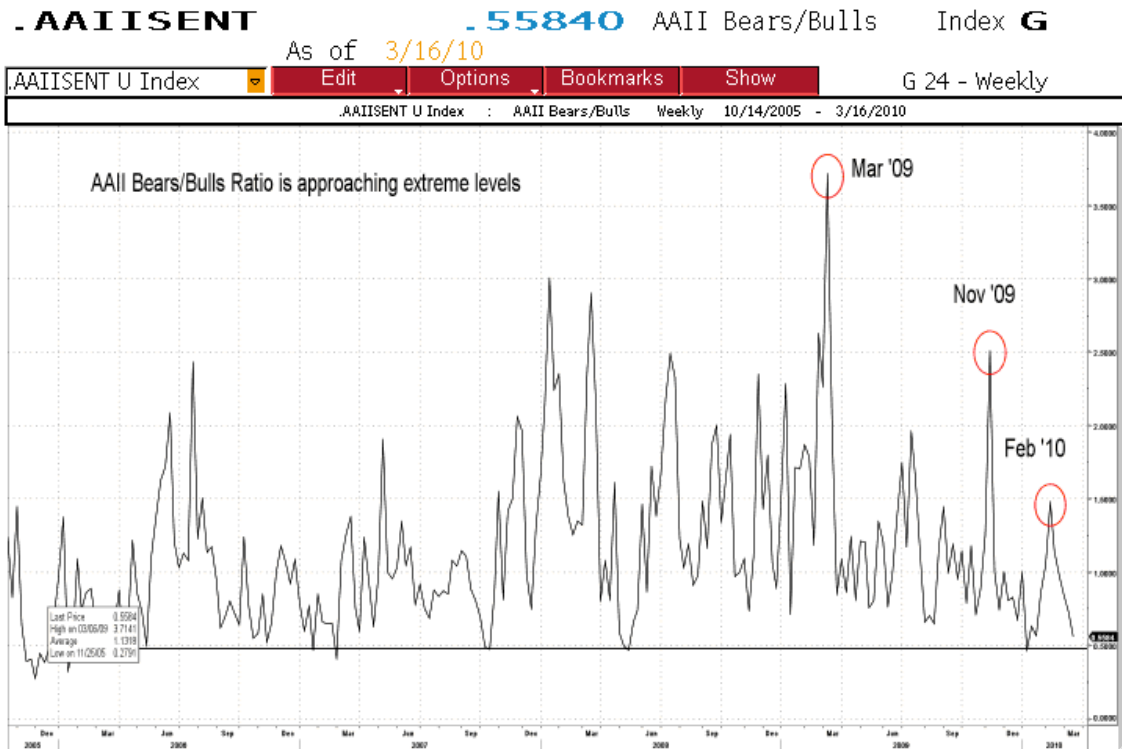
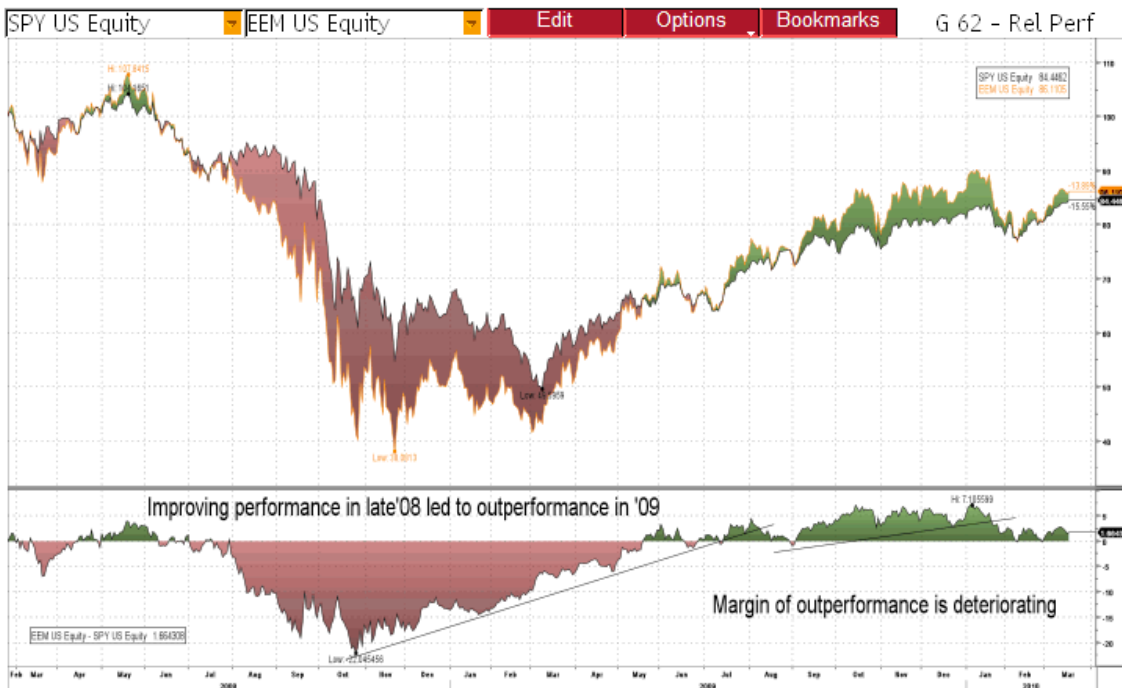


Chart 8: EEM vs. SPY Daily Nominal Performance

<HELP> for explanation.

Index **G**



Technical Analysis & Strategy

Chart 9: EWZ vs. SPX Daily Nominal Performance

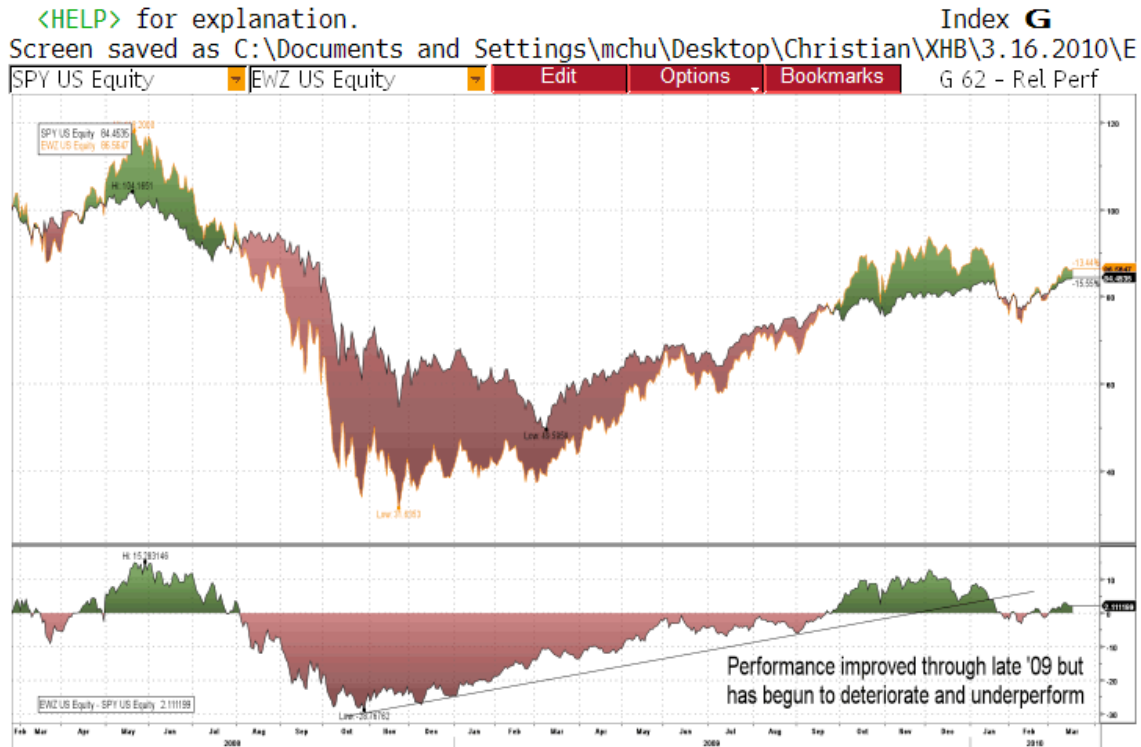
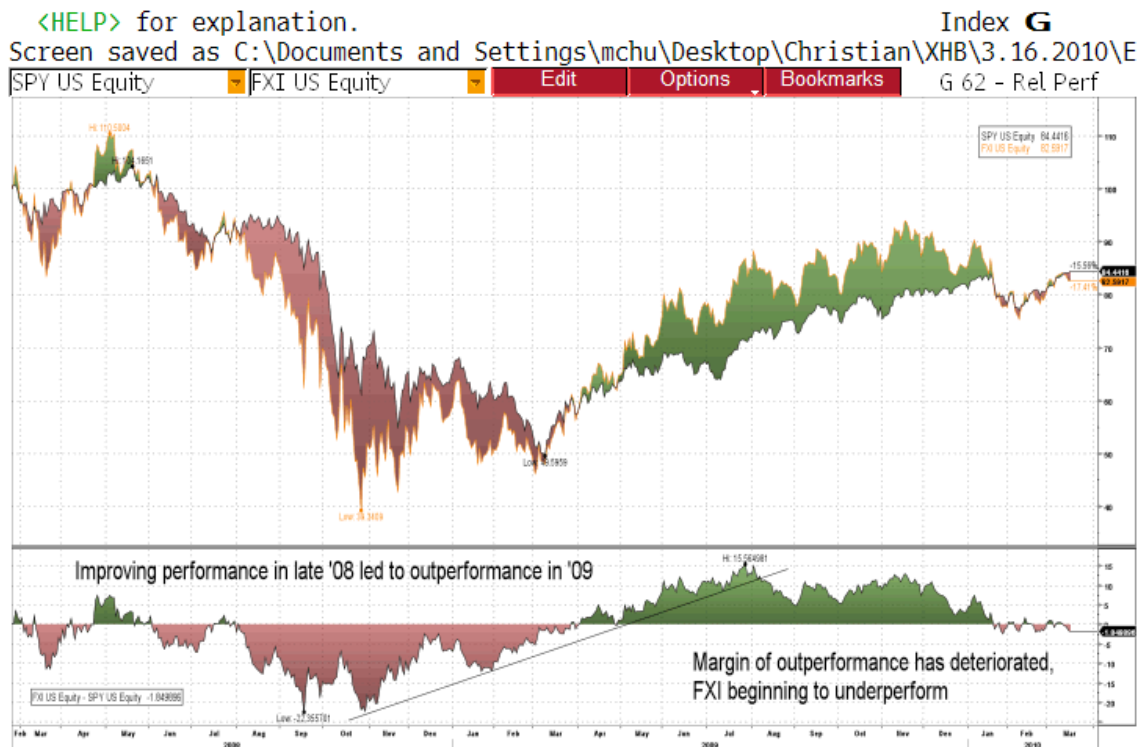


Chart 10: FXI vs. SPX Daily Nominal Performance



Technical Analysis & Strategy

IMPORTANT DISCLOSURES

Analyst Certification

The author certifies that this research report accurately states his/her personal views about the subject securities, which are reflected in the substance of this report. The author certifies that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. The research provided in this report is based on technical analysis provided by Bay Crest Partners LLC. Technical analysis is the study of price and volume and the interpretation of trading patterns associated with such studies in an attempt to project future price movements. The investments discussed in this report may not be suitable for all investors. Investors should use technical analysis as one input into formulating an investment opinion.

Potential Conflicts of Interest

Analysts employed by Bay Crest Partners LLC are compensated from revenues generated by the firm. Bay Crest Partners LLC generally prohibits any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers. Additionally, Bay Crest Partners LLC generally prohibits any research analyst from serving as an officer, director or advisory board member of a company that such analyst covers.

Company Specific Disclosures

Bay Crest Partners LLC does not expect to receive or intend to seek compensation for investment banking services from any or all companies listed.

Additional Information

Please write to Bay Crest Partners LLC 40 Wall Street, 45th Floor, New York, NY 10005 Attention: Compliance Department.

Other Disclosures

This report is issued and approved by Bay Crest Partners LLC, a registered member of NYSE, FINRA, ARCA, ISE, NASDAQ. This report does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client of Bay Crest Partners LLC. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. The analyst writing the report is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the report. Before making an investment decision with respect to any security recommended in this report, the recipient should consider whether such recommendation is appropriate given the recipient's particular investment needs, objectives and financial circumstances. We recommend that investors independently evaluate particular investments and strategies. Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report. The price of the securities mentioned in this report and the income they produce may fluctuate and/or be adversely affected by exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Bay Crest Partners LLC accepts no liability for any loss arising from the use of information contained in this report. All information, opinions and statistical data contained in this report were obtained or derived from public sources believed to be reliable, but Bay Crest Partners LLC does not represent that any such information, opinion or statistical data is accurate or complete, and they should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice. Nothing in this report constitutes legal, accounting or tax advice. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice on the tax consequences of investments. This report may provide addresses of, or contain hyperlinks to, Internet web sites. Bay Crest Partners LLC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

The information presented in this document is believed to be reliable. This document does not constitute an offer or solicitation to buy or sell. For accredited investors only. Options are not suitable for all investors. Please ensure that you have read the options risk disclosure document, accessible at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf> and at http://www.theocc.com/components/docs/December_2009_ODD_Definitive_Supplement.pdf

Price targets given in this report were obtained using technical analysis. Targets, support and resistance levels are based on previous price action and offer no guarantee of future performance.

This report or any portion hereof may not be reprinted, sold, or redistributed without the written consent of Bay Crest Partners LLC.