



## Weekly Market Update March 24, 2010

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

**Bottom-Line:** The market continues to be resilient in the face of some of the most extreme short-term overbought conditions that we have witnessed over the past couple of decades. We continue to recommend being market neutral, and we are waiting for the next short-term sell-off/pullback to evaluate the price action, to determine if it warrants reversing our intermediate view. We continue to reiterate our short position on the Euro and our long position on the U.S. Dollar. We are also becoming increasingly confident with our call that the Yen will continue to depreciate versus the U.S. Dollar. Lastly, we continue to bet on the relative underperformance by emerging markets (especially China) over the next few months.

**Equities:** The market is targeting the next obvious resistance level of 1220-1250 in the S&P 500, and the path of least resistance continues to be higher. However, we don't see any clear opportunities with compelling risk/rewards that warrants initiating new long positions at this juncture. We continue to be patient and disciplined with our approach, and continue to wait for the next short-term sell-off/pullback to evaluate the price action, to determine if it warrants reversing our intermediate view.

Several sectors (technology, retail, industrials, transports etc.) have broken out to new highs, signaling broad based participation, but nevertheless the market has become increasingly vulnerable to a pullback. Furthermore, we are starting to see some initial signs of bearish divergences being formed with our shorter-term oscillators. Thus, we continue being cautious and recommend being market neutral until we can get clarity on the intermediate outlook.

Despite the potential for an extension of the cyclical bull market that started in March of '09, which could last for several more months (cyclical trends are year long cycles), we continue to believe that we are a few years away from seeing the end of the secular bear market (secular trends are decade long cycles). In other words, we don't believe this is the beginning of a primary secular bull market.

**Foreign Exchange:** We continue to believe that the FX markets will present the most compelling trading opportunities over the next couple of years. We argue 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.

We continue to reiterate our short position on the Euro and our long position on the U.S. Dollar. On March 10<sup>th</sup>, we wrote that the price action and substructures had led us to believe that we were forming a typical consolidation pattern, one that will result in a break of support in the Euro and a final sharp move lower before we see a larger counter-trend rally. We see enough evidence to suggest that we have in fact started the next leg lower in the Euro (leg higher in the U.S. Dollar), and we believe that we can reach our minimum intermediate downside target of 1.3 in the Euro.

We are also becoming increasingly confident with our call that the Yen will continue to depreciate versus the U.S. Dollar. Notwithstanding the usual flight to quality should risky assets sell-off, we believe that the fundamentals and technicals continue to line-up, and we reiterate our 100 price target.

## 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	80.72	Intermediate	86.00	79.80	+4.50	+5.90%
EUR	Active	Short	12/9/2009	1.47	1.35	Intermediate	1.30	1.375	+0.12	+7.96%
JPY	Active	Long	12/17/2009	89.96	90.42	Short	100.00	87.00	+0.46	+0.51%

## 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	23.73	Intermediate	24.97	22.00	+1.17	+5.19%
FXE	Active	Short	12/9/2009	146.99	134.67	Intermediate	125.00	151.75	+12.32	+8.38%
FXI	Active	Short	12/17/2009	110.33	109.67	Short	100.00	113.00	+0.66	+0.60%
EEM	Active	Short	3/4/2010	40.15	41.63	Short	34.50	42.00	-0.83	-3.13%*
EWZ	Active	Short	3/4/2010	71.00	72.72	Short	60.00	74.20	-1.07	-1.94%*
FXI	Active	Short	3/4/2010	40.35	41.24	Short	33.50	43.00	-0.24	-1.64%*

\*Hedged with SPY on 3/17/2010

## 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
September 105-95-85 Put Fly	Active	SPY	Long	2/3/2010	1.32	0.62	-0.70	-53.03%

## 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%
March 110-100-90 Put Fly	Closed	SPY	Long	2/3/2010	0.42	3/22/2010	-0.00428	-0.42428	-101.02%

---

## Technical Analysis & Strategy

### Sector Updates

**XLF (Financials)** – Continues to test resistance of the ~13.60-15.75 consolidation range. Daily RSI has pulled back from the 70 level but remains above broken resistance. Relative strength has broken below its neutral range, which began in January.

**XLE (Energy)** – Continues to hold support at the 50 and 100 d smas. RSI is testing support at the 50 level. Relative strength has broken below the neutral trading range of late '09 into early '10.

**OIH (Oil Services)** – Has been moving in the ~111-133 range since September '09, and has broken below short term support at the 50 d sma. RSI has fallen below the 50 level. Relative strength has been neutral overall since summer of '09, and is now testing support.

**XLI (Industrials)** – Continues to reach fresh 52 week highs since regaining its broken uptrend. 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 is moving in overbought territory. Relative strength has pushed to its highest level since early '07.

**XLP (Consumer Staples)** – Has found support at, and continues to move above, the 76.4% Fibonacci retracement level. RSI continues to test overbought conditions at the 70 level. Relative strength has stalled at previous resistance since breaking the March '09 downtrend.

**XLB (Materials)** – Continues to move in its tight upward channel. RSI remains above the 50 level. Relative strength has been neutral overall since August '09, and is now testing resistance.

**XME (Metals & Mining)** – Pulled back a bit from resistance at its previous high. RSI remains above the 50 level. Relative strength has stalled a bit, and has been wavering about its November '08 uptrend line.

**PPH (Pharmaceuticals)** – Continues to move upward since breaking out of a month long consolidation. RSI continues to move above 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 moving in overbought levels. Overall, entered into a period of massive outperformance in summer of '08. More recently, relative strength has been trending upward and is now testing resistance.

**IYR (Real Estate)** – Remains near its 52 week high. RSI is attempting to cross below the 70 level. Broadly speaking, has been underperforming since early '07. Relative strength has broken above a key resistance level.

**XLK (Technology)** – Continues to test the bullish resistance of its tight rising channel. RSI remains above the 50 level. Has outperformed overall since '07, and has found support since breaking January '09 relative strength uptrend; neutral since February.

**SMH (Semis)** – Testing resistance at the previous high. RSI continues to move above the 50 level. Relative strength has been neutral overall since September '09.

**XLU (Utilities)** – Failed at resistance at the broken April '09 uptrend line. RSI is testing support at the 50 level. Has been underperforming since March '09, and relative strength has slipped to new lows.

## Technical Analysis & Strategy

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

**XHB (Homebuilders)** – Found support at the broken upper bound of the multi-month trading range. RSI remains 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 Daily with 21 Day RSI & MACD**

**SPX** ↑1174.17 +8.36 1173.76/1174.50 Index **G**  
 At 16:59 Op 1166.47 Hi 1174.72 Lo 1163.83



**Chart 2: SPX Daily with 9 Day RSI**

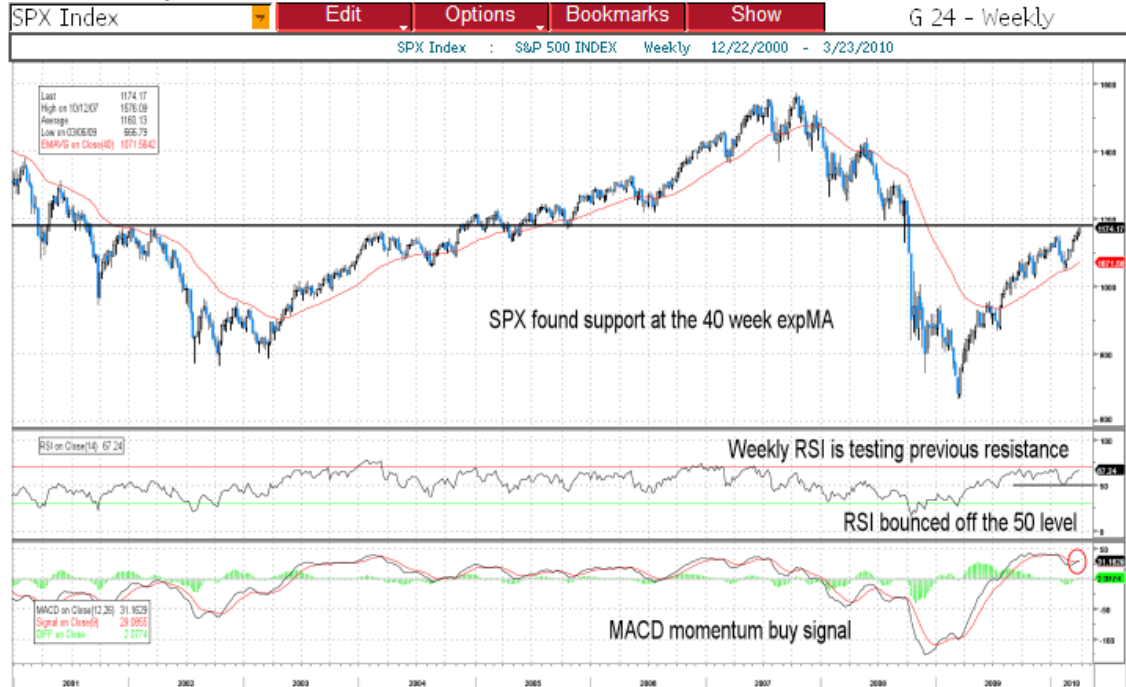
**SPX** ↑1174.17 +8.36 1173.76/1174.50 Index **G**  
 Screen saved as C:\Documents and Settings\mchu\Desktop\Christian\Charts\3.24.201



# Technical Analysis & Strategy

**Chart 3: SPX Weekly with RSI & MACD**

**SPX** ↑1174.17 +8.36 1173.76/1174.50 Index **G**  
 At 16:59 Op 1166.47 Hi 1174.72 Lo 1163.83



**Chart 4: SPX Monthly with RSI & MACD**

**SPX** ↑1174.17 +8.36 1173.76/1174.50 Index **G**  
 At 16:59 Op 1166.47 Hi 1174.72 Lo 1163.83

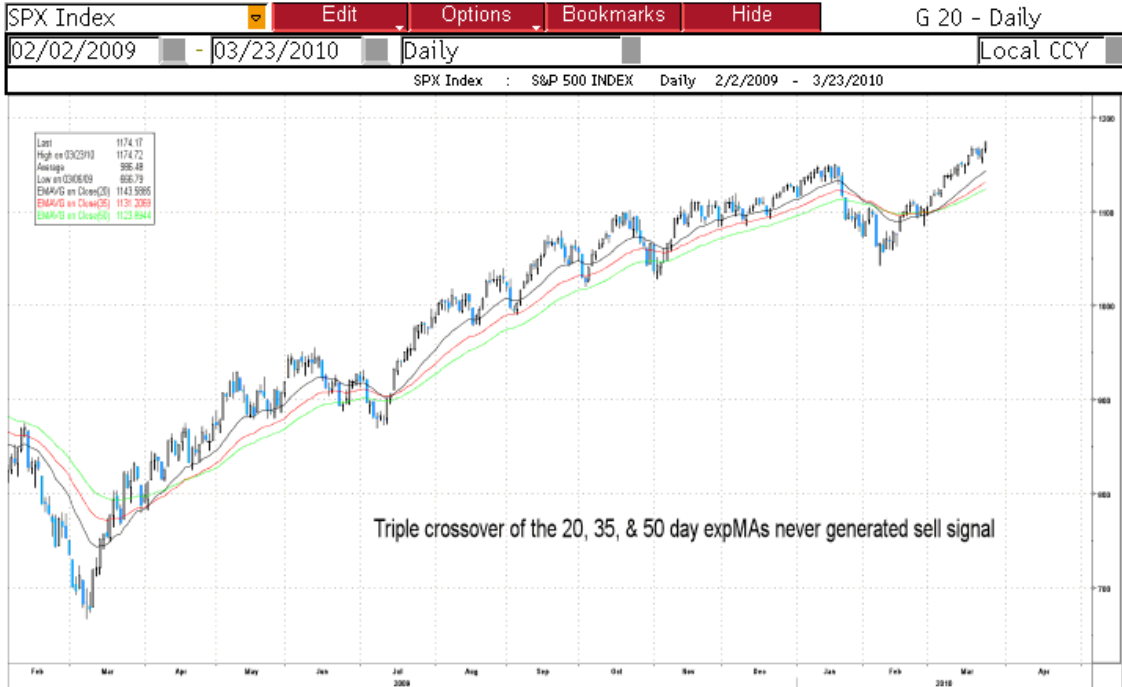


# Technical Analysis & Strategy

**Chart 5: SPX Daily with Exponential Moving Averages**

**SPX 1174.17Y** as of close 3/23

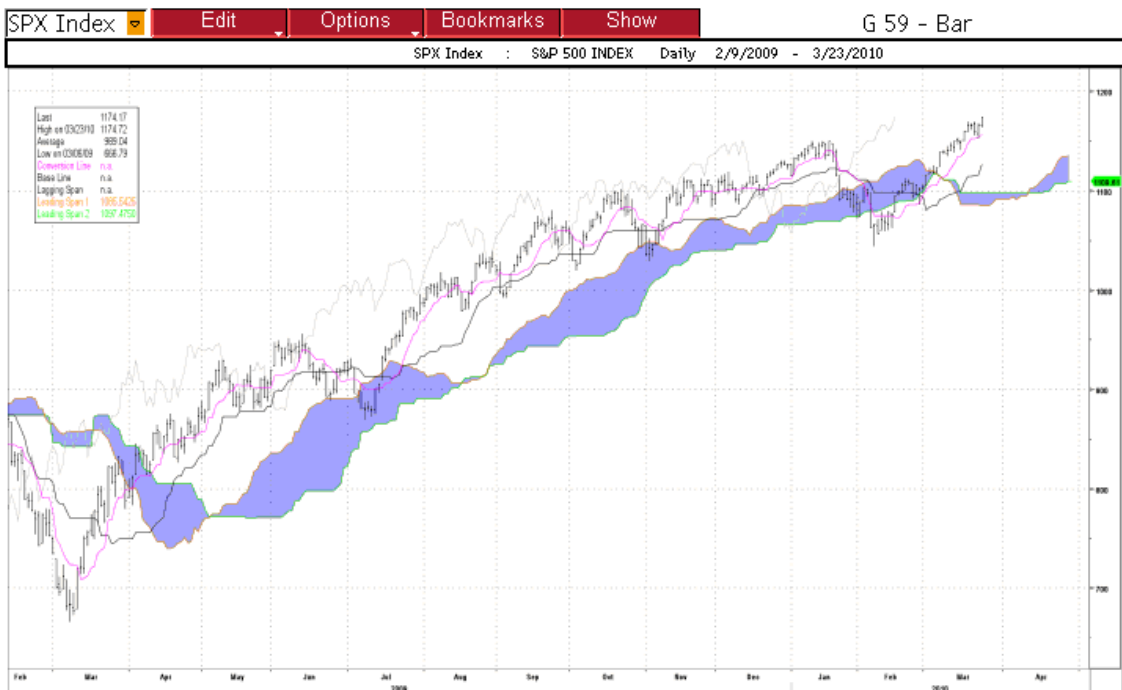
**Message**



**Chart 6: SPX Daily with Ichimoku**

**SPX 1174.17Y** as of close 3/23

**Message**



# Technical Analysis & Strategy

**Chart 7: SPX 60 Minute with RSI & MACD**

**SPX 1174.17Y** as of close 3/23 Index **G**



**Chart 8: EUR Weekly with RSI & MACD**

**EUR ↑ 1.3494 - .0005 BGN 1.3492/1.3495 BGN** Currency **G**  
 At 18:18 Op 1.3499 Hi 1.3507 Lo 1.3489 Close 1.3499 Value 3/26/10



# Technical Analysis & Strategy

**Chart 9: EUR Daily with RSI & MACD**

**EUR** ↑ 1.3493 - .0006 BGN 1.3491/1.3494 BGN CurrencyG  
 At 18:17 Op 1.3499 Hi 1.3507 Lo 1.3489 Close 1.3499 Value 3/26/10



**Chart 10: DXY Weekly with RSI & MACD**

**DXY** ↑ 80.825 + .243 / CurrencyG  
 At 17:29 Op 80.576 Hi 81.031 Lo 80.553 Prev 80.582



# Technical Analysis & Strategy

Chart 11: DXY Daily with RSI & MACD

**DXY 80.825Y** as of close 3/23

CurrencyG



Chart 12: JPY Weekly with RSI & MACD

**JPY ↑ 90.43 +.03 BGN 90.41/90.44 BGN**  
 At 18:28 Op 90.40 Hi 90.46 Lo 90.39 Close 90.40

CurrencyG  
 Value 3/26/10  
 G 24 - Weekly



# Technical Analysis & Strategy

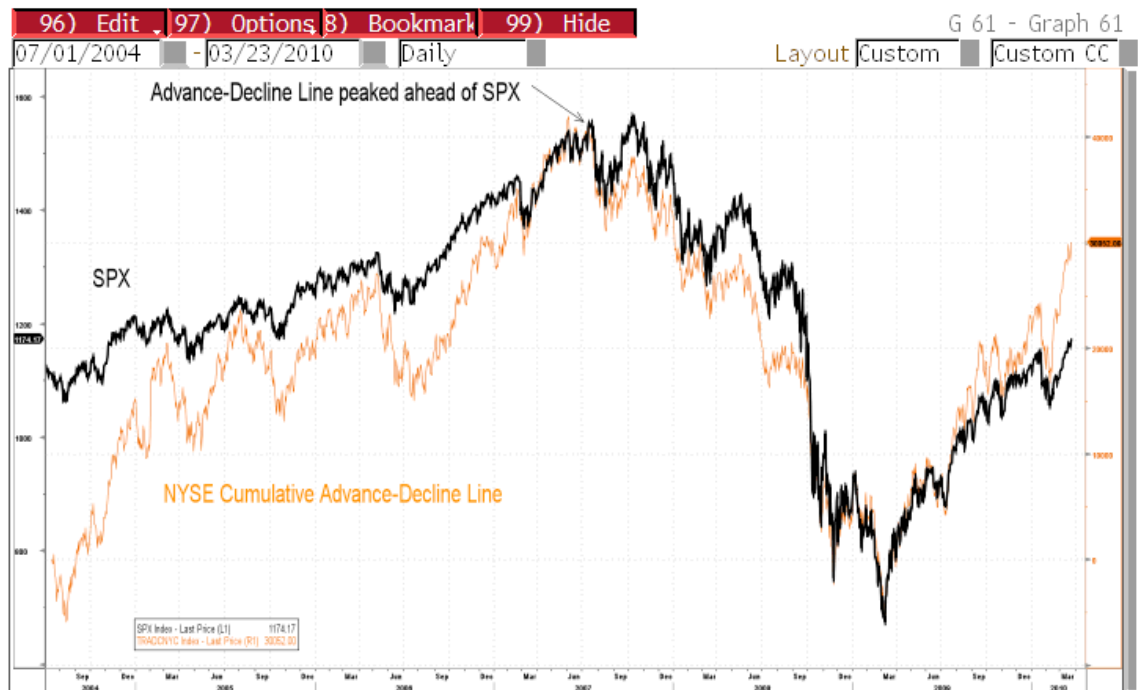
Chart 13: JPY Daily with RSI & MACD



Chart 14: SPX vs. NYSE Cumulative Advance-Decline Line Daily

<HELP> for explanation.

CurrencyG



# 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](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.