



**Registered Investment Adviser**

November 24, 2010 Commentary  
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S&P 500: 1198  
NASDAQ: 2543  
Gold: 1178

“No generation can contract debts greater than may be paid during the course of its own existence.” –*Thomas Jefferson, in a letter to James Madison in 1789*

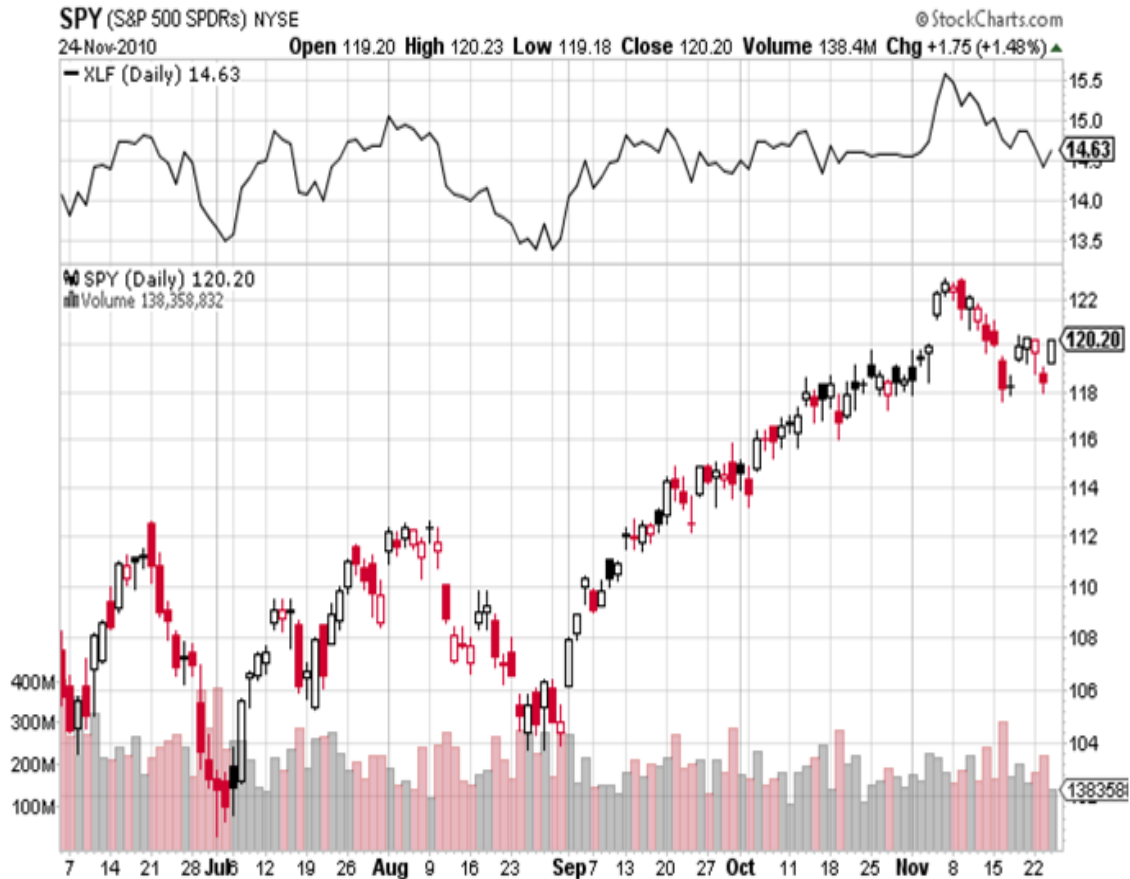
**Thank You**  
**Financials Still Underperforming**  
**LRAD**  
**Gold**  
**Summary**

**Thank You**

Happy Thanksgiving! Thank you for your continued business. I hope you enjoy the company of friends and family this weekend.

**Financials Still Underperforming**

It seems like the world is coming back around to our long term bearish thesis as sovereign debt worldwide is coming into question and the paper money solution is increasingly going out of favor. Gold represented this well as it rallied on a recent sharply down day in the general markets. However, nearly every year we have an end of the year rally dubbed the “Santa Claus rally” and this year may be no exception. Our patience should be rewarded shortly as many, many indicators are leading me to believe a sharp, possibly long and drawn out decline is coming.



As you can see above, the divergence between the S&P 500 as represented by SPY, and financials as represented by XLF, the financial sector ETF, continues. Since late August the market has risen some 15% with half that performance from XLF; since early September the market has risen some 9% while financials have gone nowhere. Markets can rise for a while without financials but for a long term rally to be in place, we need much more support from financials. The lagging financials during the second half of that run tells us something is not right. Also notice the red and gray vertical volume bars at the bottom of the chart. The preponderance of red 'spikes' indicates heavier volume on down days. This implies selling with conviction is occurring.

## LRAD

LRAD is holding its own and seems to be stabilizing in the \$2.35-2.60 area. It would be nice to see it tread water here as short-termers get out and it builds a nice long base from which to launch the next up-leg. This will require a little patience as exciting stories like this progress in fits and starts sometimes. Earnings will be reported December 1<sup>st</sup> and I don't expect any surprises.

## **Gold**

As mentioned above, Gold is performing well and still hovering around its ALL-TIME high of 1400ish, currently around 1375. I think it says a lot when Gold is at an all-time high and the stock market is still 20% below its high despite money costing as little as seemingly possible. What happens when money begins to cost more (interest rates rise with sovereign debt fears) is the big risk in the market today.

## **Summary**

As mentioned before, we continue to invest in inverse funds which amount to a substantial short position on the overall market. We continue to own Gold, although at lightened weights. We are holding LRAD, taking pops as opportunities to lighten weight there as well while maintaining a core position.

Again, have a great Thanksgiving weekend and enjoy the holiday parties.

Successful Investing!!

Justin

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