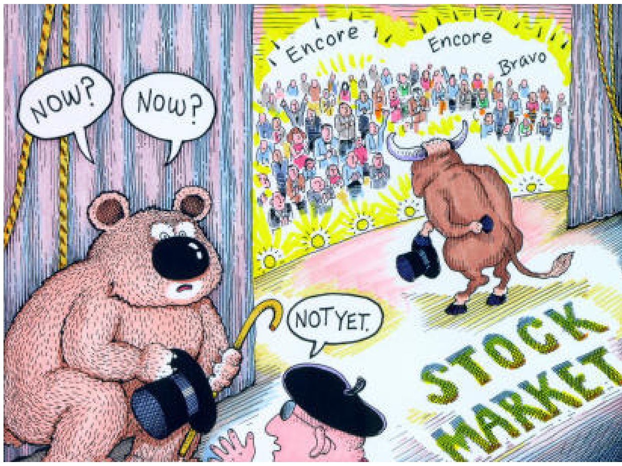


Please take the time to watch this Video (LINK) you should find it very interesting...The federal Reserve tried to get this video banned and pulled, why would they want to do such as this is America the land of the free right folks.

On Monday….My best guess it that markets will attempt to press the recent bearishness (DOW/SPX and Russell-2000, the Nasdog are all looking weak, but they are vastly oversold) a tad bit lower at the beginning of the week until we encroach into and retest the January relative lows (Dow 11,630-11,650, SPX 1265-1270, Russell-2000 640-650 while we already know that the Nasdog retested those lows last week. As I have said many times. Greed and Fear are tremendously strong market drivers and as such hedge-funds, institutional investors and many funds have been found to almost always over-leverage and over-extend their positions bearish and bullish. We need to watch the money flows closely, along with the greenback and Asian markets for early directional signals.

Last week the Federal Reserve stepped hard on the printing presses (*The Federal Reserve announced Friday that they will increase the amount of loans it plans to make available to banks this month to $100 billion. The Fed already has provided a total of $160 billion in short-term loans to cash-strapped banks since December. The Fed, in another step, said it will make $100 billion available to a broad range of financial players through a series of other separate transactions.*) and some of that extra liquidity could make its way into equities as the bond markets right now are somewhat in a bubble-mode due to fear...and they are extremely over-bought.

I'll be watching the Transports, Small/Mid-caps along with the SOX for early directional indicators/ signals and clues along with the overnight Asian markets….so far we have a significant bout of bullish tonality and it will be up to the bulls to protect it and build upon it at these lofty levels (see technical section below).

Please remember (even though I am bearish on an intermediate and long-term basis) I am somewhat neutral right now... there are usually 8+/- bullish market participants to every 2+/- bearish participants so the propensity for bullishness is almost always stronger and greater. On the flip side, the overall markets/indexes/stocks normally drop 4-times faster then they go up as liquidity and the lack of buyers

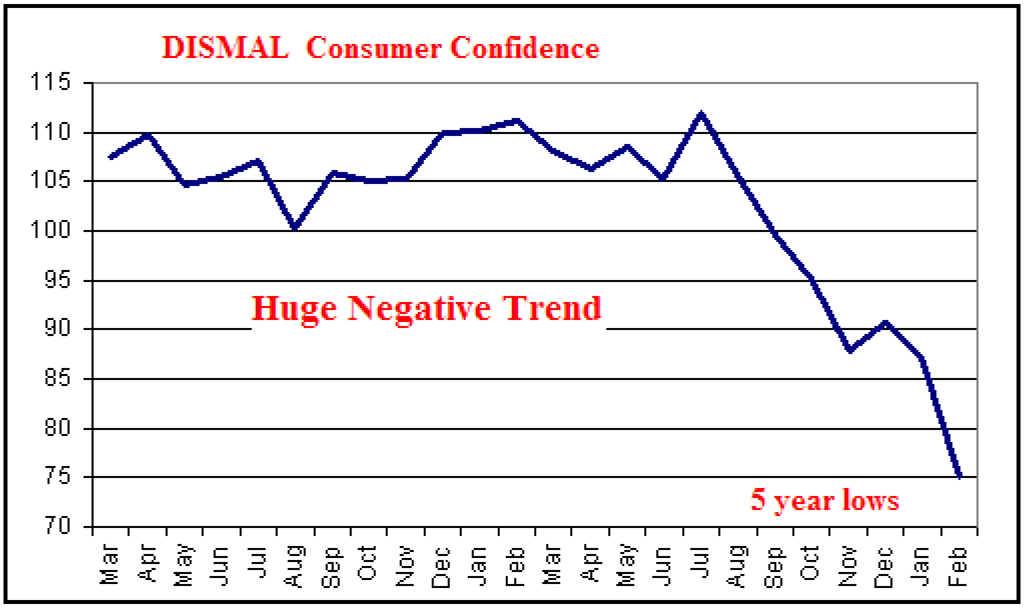
evaporates especially after manipulated short squeezes, which tend to create an foundationless environment, and as such the selling can quickly feeds on itself like a plague or a quick acting cancer. So prepare yourselves for a rollercoaster ride again this week. Volatility remains at extreme high levels and complacency is no longer an issue...if the VIX exceeds 36-40 or even spikes to 45 look for a reversal to unfold.

We are sitting on the edge of a proverbial cliff, and the indexes are barely hanging on by their proverbial finger tips and this weeks market action (prior to options expiration, meaning some potential unwinding ahead is to be expected) will be the key as to whether we get pushed over the edge or are thrown a life line…Please read my financial section below especially the section on the Nasdog it may enlightening. We may bounce after retesting the relative lows.…(the Nasdog did not as yet) and if we see a retest-buying-spree it will no doubt start a short-squeeze and it could be a “V” shaped relief-rally as the short-interest in the indexes are at record levels.

Rumors continue to circulate that we could see some impromptu fed-head action {either an outright 50-basis point rate cut or a 75-basis point rate cut in the discount window} as the market weakness of late can be attributed to incessant reports of margin-calls being received by hedge funds which have precipitated the increased more selling (Carlyle Capital was in the headlines last week several times).

The markets could have been spooked on Friday as a fed-head issued a warning against expectations that they might soon approve another rate cut in interest rates aimed at shoring up banks and stock market sentiment. Richard Fisher stated that “The Fed is taking a very pro-active stance regarding what we view as economic developments. I would discourage you from thinking…..that suddenly we are going to move rates solely in response, about the current turmoil and heavy losses on global stock markets as investors fret about the US economic outlook. “It simply doesn't work that way,” he stated while at a seminar organized by the Bank of France. “We are charged with creating the conditions for sustainable, non-inflationary growth.” Fisher said, adding that US monetary authorities “have other tools to work with in terms of market liquidity.”

Adding to Friday’s malaise was Bush's top economic adviser, Edward Lazear, acknowledging that the economy may dip into negative territory in the current quarter. Lazear's comment was the most pessimistic assessment heard out of the White House to date; he would not discuss whether the White House believes the economy will actually fall into a recession though.



The $64,000 question appears no longer to be are we going into a recession but how long and deep the recession will be…the dismal payroll numbers came in just a few minutes after the Fed-heads announced that they would take steps to ease credit contagions, by boosting the amount of money that they will auction to banks/lenders; this action when coupled with expectations of further interest rates cuts may start to shore up the battered and vastly oversold markets….There is also a lot of speculation that the Fed would make some kind of surprise announcement before their meeting on 3/18 possibly going so far as effecting another emergency rate cut, but I think that is unlikely due to the dollars huge drop. There does however remain strong consensus that the Fed-heads will drop interest rates 50/75 basis points at their next meeting and this is in turn should lend support to the markets as well (at least temporally).

The charts are plainly ugly, as the selling and distinct lack of buying has been encouraged by crummy economic data the continuation within the financial-sector where new-contagions are unveiled daily and undiscovered tidbits of balance sheet woes. We are just a brief selling event away from retesting the Lows on the SPX and Dow and the problem that we are confronted with is two-pronged as at this juncture (Support) could be very close and as such its very difficult to SHORT with impunity conversely its very difficult to take on new LONGS, we are right now in the twilight-zone, we need to wait for the developing trend!

This past week we saw that many various surveys showed that confidence in the economy has dropped to new lows as worries about a possible recession, persistent problems in the housing and credit markets and soaring energy prices have put the populace in a very depressing state of mine. According to the latest RBC Cash Index, confidence sank to a mark of 33.1 in early March, down from 48.5 in February. The new reading was the worst since the index stared in 2002 and surpassed the previous low reached last month…what I found very disturbing is that the continued deterioration in confidence comes at a time when the Helicopter Printing Press Bernanke has signaled that he and his band of merry warriors will keep on cutting interest rates to bail out the financial markets and to bolster the economy. The President and Congress have speedily pushed though what I believe to be a ridiculous and ill thought out relief package that

includes tax rebates and tax breaks for businesses. Rebates of up to $600 for individuals or $1,200 for married couples should start going out in May; and despite this news the mood was sour!

> **Right now the average American is feeling like they have been stomped on and I agree as we've reached a point where there's very little for the American consumer to cheer about; as everywhere we look, and around every corner we find another contagion to their wealth (and perceived wealth or lack thereof). The negatives are growing as their home-values are dropping groceries are soaring, gasoline stations are raising their prices at the pump daily/weekly and home-heating oil is at record highs; and these are just a few of things that are all weighing on consumer minds and sentiment.**

I was totally surprise early on Friday that the markets (even globally) reacted so negatively on Friday to what I believed and perceived were jobs numbers that were better than expectations (especially the whisper numbers were distinctly worse). So the headlines read for the most part that US employment data sent world stock markets sliding. We also saw what I believed to be intervention in the last 20+/- minutes of trading as the rebound was swift (maybe it's a prelude to a reversal, only time will tell as the Nasdog did retest the lows). It was certainly an end of a grim week for investors and traders alike.

The Labor Department report showed the second straight month of losses in non-farm payrolls, and for years while we were chugging along Bush and the hypsters have touted this indicator as one of the best of economic health and momentum; and on Friday we saw that the data "revised" showed a loss of 22,000 positions in January, compared with an earlier estimate of a drop of 17,000. Dangerous cracks in our limestone foundation are starting to crack. Employers slashed American jobs by the largest amount in over five years and hundreds of thousands of people dropped out of the labor force (used up benefits) a very ominous sign that I have been speaking about for some time….that our country is falling toward a recession or has already toppled into one. For the second straight month, employers reduced their payrolls nationwide. In February, they cut payrolls by 63,000-jobs adding to the 22,000 cut in January. We saw that the unemployment rate actually dropped slightly from 4.9% to 4.8%, as over 450,000 people left the labor force for various reasons; most due to running out of unemployment benefits; and the lack of available work

This may be a preliminary sign that home sales may be stabilizing (or was it just a blip) as the index of sales contracts on previously owned U.S. homes came in flat in January according to NAR; (the National Association of Realtors), though the level is still down almost 20% from the prior years level. This index is usually considered to be a leading indicator of existing home sales….by region, January's pending home sales index fell 4.1% in the Northeast and 6.1% in the South; while the index rose 13.0% in the West and 0.6% in the Midwest. This may also be a minor sign of a stabilizing market. In December, the pending home sales index fell 1.2% from the prior month, compared with the prior estimate of a 1.5% drop. The NAR report indicated that existing-home sales remaining basically flat, close to an annual level of 4.9 million, in the first half of this year; the NAR expects total 2008 sales of 5.38 million; while the aggregate existing-home price is projected to fall 1.2% to a median of $216,300 this year.

Also this past week the Mortgage Bankers Association reported that the percentage of mortgages that were in foreclosure hit a new all time record in the fourth quarter, while mortgage delinquencies rose to a 23-year high. We saw that a record 2.04% of U.S. mortgages were somewhere in the foreclosure process at the end of the year, while a record-high 0.83% of loans entered foreclosure in the fourth quarter, the trade group's quarterly survey found.

What I have forecasted for over a year now finally shows up in the pro forma data released by the Federal Reserve on Thursday ([Flow of Funds Account]), one reason that the markets were seriously spooked…the data showed that due to the impact of higher prices (energy, food etc.) an increasing ballooning debt burden and plunging home prices, Americans were poorer at the end of 2007 than they were the year before (Nothing new here for those who had been reading T-Waves). According to the Fed-heads the net worth of U.S. households fell by $533 billion, or at a 3.6% annual rate, in the fourth quarter of 2007, the first time total wealth has fallen since late 2002. The report indicated that for all of 2007, household net worth rose a mere 3.4% to $57.7 trillion, the slowest growth rate in over five years; worse yet after the effects of 4.1% inflation are included (imagine that a federal reserve report stating that inflation was at 4.1% last year) real

net worth dropped for the year. The Fed-heads flow of funds report also confirmed a sharp slowdown in borrowing by households and it was the weakest/slowest growth period in over 10 years; as household borrowing rose at a mere 5.6% annual rate, less than half the debt growth seen during the credit boom years in 2003 through 2005. Borrowing by households for mortgages also slowed to a mere 5.0% annual rate, also the slowest rate in over 10 years as well. What I found interesting is that borrowing for consumer credit {mostly credit cards} slowed to a 4% growth rate. Despite the slowing in overall mortgage debt, household's continued to lose equity in their homes; as equity fell for the third straight quarter, dropping by another $286 billion, or at an 11% annual rate; and this trend is extremely disturbing.

The contagion is far worse in my opinion as the value of American homes in the flow of funds report is based on the home price index published by the OFHEO Office of Federal Housing Enterprise Oversight, which I believe vastly understates the recent and ongoing drop in home prices because they do not cover homes with nonconforming loans, including those for single-family homes over $417,000.

The report also indicated an contagion that I have been speaking about for almost two-years now and its an extreme contagion that is likely to get far worse in the coming years…..Household equity has fallen to a record low of 47.9% of home values (according to my calculations its closer to 35%).

What was even more amazing and very-negative was that the data also indicated that over the past three quarters, the banks and/or lenders owned more of the average house than the "homeowner" did and this is HISTORIC as it's the first time this has happened. According to my estimates that 9.5 million homeowners, or about 11.0% of homes, will have zero or negative equity by the end of this quarter; and what is even more alarming, unsettling and disturbing is that according to my calculations about 14.4 million households, or 16.5%, will be what I call "upside down" if prices fall just 20% from their peak; and we are surely on that trend path. As we saw in the latest Standard & Poor's/Case-Shiller index showed U.S. home prices plunging 8.9% in the final quarter of 2007 compared with a year ago, the steepest decline in the 20-year history of the index.

Total household assets fell by an annualized $308 billion to stand at $72.1 trillion, while liabilities increased a whopping $226 billion to $14.4 trillion; remarkably real estate assets have fallen by a record $170 billion. We saw that financial assets also fell by $254 billion; while mortgage debt increased by $116 billion. The report also indicated that home-equity loans increased by $26 billion on an annualized basis and this was the smallest increase in over five years as well; for all of 2007 we saw that home-equity loans increased by $60.5 billion, about 32% of the borrowing that was seen in 2004.

Disposable personal income increased at a 3.8% annual rate to $10.3 trillion, the slowest growth since the third quarter of 2005, when Hurricane Katrina hit; we saw that for all of 2007, disposable incomes rose a mere 5.5%.

What was interesting as reflected in the report was that despite all the talk about a massive credit crunch in the business sector, total business borrowing grew at a 12% annual rate during the quarter, the same pace as in the third quarter of last year.

What is also very noteworthy, and is quite bullish when things start to turn around is that corporations retired a huge amount of shares, as they retired $854 billion of corporate equities in the fourth quarter, including a record $1.3 trillion in purchases from the household sector, $112 billion from pension funds and $75.7 billion from mutual funds. Exchange-traded funds bought a record $263 billion in equities and foreign residents bought $285 billion.

CAUTION is in ORDER……I am concerned about one thing though as my near-term indicators are flashing major divergences…despite the selling on Friday, I was watched some significant late day buying especially (block-buying in technology, high-beta and Chip/Semi stocks). The markets have been very-whippy with negativity tonality and right now the accompanying sentiment are so negative right it's a bit scary as we have the majority leaning all to the SHORT side of this proverbial boat now (and then there is a significant part of the herd that is sitting on the side lines due to uncertainty and they have a horde of pent up cash to put to work). So many participants are all leaning heavily to the short side, that a mega SHORT squeeze could catch them all by surprise….and we have to remain very aware of this possibility, as very soon (by the middle part of March) we will start the next wave of confession from those firms that will fall short of expectations and the start of earnings, and we should even start to see some early selling to pay the tax-man (see tax-selling section below). We have seen that over all Short Interest has also increased significantly and as such could fuel any-snap-back:

- Short Interest jumped to a record on the NYSE in the first half of February as recession fears weighed on investors' minds. As of 2/15 the number of short-selling positions not yet closed out climbed a whopping 4.8% to 14,369,951,951 shares from 13,709,338,101 shares

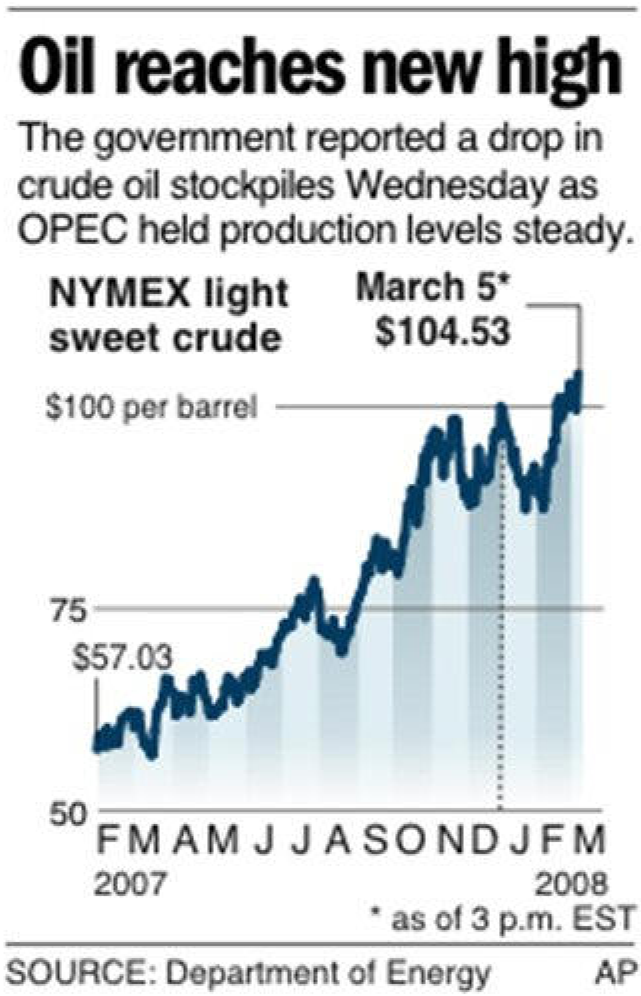
in late January; as such the short ratio, or number of days' average volume represented by the short positions outstanding at the exchange, jumped to 9.4 from 6.5 at the end of January.

- **Short interest on the Nasdog rose 4.9% in mid-February, suggesting an increase in bearish sentiment in the stock market. As of 2/15, short interest rose to about 9.05 billion shares, compared with 8.63 billion shares as of Jan. 31. The Nasdog's short ratio, or the average number of days it would take to cover the outstanding short positions, increased to 3.53 days from 2.96 days in the previous period.**

I believe the smart money players (and of course us momentum-players) will continue to sell-into-any rally attempts and as such any rally attempt could fail miserably or we could see a host of manipulated gap/runs due to headline news or pre-market upgrades and manipulated futures activity but it would only likely last 3-6+/- days as the likelihood that the markets could run smack dab into a horde of sellers lined up significant overhead resistance levels is extremely likely as the liquidity starts to dry up and those with pent up profits that failed to hit the sell-buttons on the way down start to book them profits.

Let's revisit a HISTORY lesson Sometimes is a good trending factor to understand and be aware of. So lets do a little reflection regarding historical trends…I pulled this history out of the good old Stock Market's Almanac which reflects upon the so-called "January Barometer" indicator which was devised by Yale Hirsch back in 1972. And his premise and conjecture goes something like this {As the SPX trend develops in January the rest of the year will likely follow suit and this predictor has enjoyed a 89% accuracy rate since its inception…according to the records this barometer has failed only five times since 1950, and that is a hell of a track record for the past 54-years. Now the $64,000 question to be answered is will this year make it 50 out of 56, only time will tell. I have followed the markets for many years, and if we see the December lows taken out during the month of January then you need to expect a serious bearish trend to develop very quickly thereafter as according to the records that I have analyzed.

Black-Gold a Plague & Pestilence that is a Crushing force on our economy



Crude futures on the New York Mercantile Exchange skyrocketed $2.95, or 3%, to a $102.59 a barrel, a new record in nominal terms and just below its inflation-adjusted record of $103.76 set in 1980. News of unrest in Nigeria have raised supply concerns, while demand seemed poised to rise higher than normal due a burst of cold weather in the Northeast.

The bull rally in crude, which has risen 7.7% this year, has already pushed up U.S. retail gasoline prices, which on average are less than $0.10 from a record $3.27 a gallon (level seen after Katrina) according to the Oil Price Information Service. The Energy Department is forecasting peak gasoline this year at $3.40-$3.50 this spring….while AAA expects that we could see $3.75 a gallon they are cautiously reflecting that gasoline could reach $4.00 gallon of gasoline by this May, an AAA spokesman said this week. {A year ago the average gallon of gasoline statewide was selling for $2.40. By late May, it had reached $3.14, a difference of $0.74 cents, before falling back again, and this trend could repeat its self}. The spring price run typically occurs when refiners switch to more expensive blends as the summer driving season starts.

What's to blame….its simple three major catalysts are converging (record-high crude oil prices , hot-money chasing commodities called speculative trading, and the Federal Reserve's interest rate cuts, which weaken the dollar, crude is pegged to the dollar! Right now strangely the forces of supply and demand are not the real underlying catalysts that are driving gasoline prices higher (I believe that we have $18-$23 of speculative trading in the price of crude, and momentum trading by the large brokerage desks like GS, MER, LEH is driving the rally in crude right now as the sector is awash in cash-flowing into an illiquid market) . When crude is trading $98-100+ a barrel, it will be difficult for consumers to get any kind of relief at the pump. And to make matters worse Federal Reserve Chairman Ben Bernanke suggested this week another cut could be in the offing, as such we could see our greenback could weaken further and it will take more dollars to buy a barrel of oil.

There is no excuse in my opinion for crude oil to be any higher than $50-60 a barrel; and most of the fault lies with the current administrations irresponsible energy policy, lackluster dollar-policy and their continued and relentless bolstering of fear that keeps the price high….who benefits Big-Oil-Men, Saudi, Russia, OPEC and other large producing states…and speculative traders like Goldman Sachs; so these players are very unlikely to want prices to come down now!

Inflation the underlying cause….The real cause of inflation in my opinion is an overall increase in the quantity of money flowing through the monetary systems, and though the FED, has for the past few years is refusing to report on M-3 money levels. It is my humble scholarly and educated opinion that inflationary pressures are a direct monetary event and caused by the intentional increase in the quantity of money being pumped into an already saturated system with is always caused by federal-reserve and governmental influence. It is irrefutable to me that governments are the source of all inflation as they control the printing presses (ours have been running at break-neck speed for far too long) and the flow of monies. And to make matters worse the tunnel-vision financial bubble-media buttheads want us only to think of inflation in terms of rising prices; this is as ridiculous as it gets. This is like looking at the symptoms of a disease rather than the real underpinnings of the disease itself, and we (*or at lest many*) have been lulled into a false sense about the real and disturbing underlying contagion really is.

If you remember economics 101 you should remember a little blip of a definition, which has just been glanced over by most of those in bubblevision-land that alludes to the fact that inflation is an increase in the quantity of money and credit relative to available goods resulting in a significant and continuing rise in the general price level, an increase in the quantity of money caused by government….(now we sure have seen that the printing pressers have been on fire, and credit "debt" bubbles are as large as the Hindenburg, and we all know what happened to it). You will notice that this definition doesn't say anything about cost-push, profit-push, or crisis-push inflation. I will write about that side next weekend….It simply states that when the overall supply of money expands it leads to higher prices and that is exactly what we have seen, and then it leads toward higher commodity costs and precious metals become highly sought after as inflationary-pressures rise. I firmly believe it is the expansion of money-supply and not rising prices that leads directly to inflation (the old cart before the horse analogy). This also points to another contagion as the real cause and effect behind inflation as government intervention in the economy and financial system by adding stimulus and expanding the supply of money due to political gain and running for cover from the real issues…and increasing credit being pumped into the

system is also another culprit…and the FED, Politicians, Administration-Officials and even the President are always pointing the proverbial finger away from themselves; it reminds me of what a true criminal does when backed into a corner. It's a very basic premise and highly overlooked that when governments increase the supply of money and credit in their respective economies it increases demand for goods leading to higher prices…the end of economics 101 this week!

We have a huge problem that will push us into a deep recession and possible depression and it will take real leadership to deal with it! And right now this current administration, which help inflate the problem, is inadequate to deal with it, and those running for the presidency are equally an inept from my vantage point do deal with it! Currently we have approximately 8.9 million homeowners, or 10.5% of the homeowner population currently owing more on their homes than they are currently worth, this is extremely disturbing, and a huge economic weight and burden for our economic-well-being….this is the largest populace of homeowners upside down in their homes since the Depression. And it's more than 5-times the contagion that we started to become worried about 6-years ago. Bush officials say they still oppose any taxpayer bailout for people who borrowed more than they could afford or banks that made foolish loans during the height of the speculative bubble in housing (but the banks/lenders are the only ones getting the bail-outs so far). And this is just the tip of the iceberg as more and more American home owners; I estimate that between 17-19 million homeowners by 2010 will be upside down in their homes meaning that they have negative-equity in their homes, basically meaning that they are worth less than their loans. In my opinion this hugely under-reported cancerous economic infection and it will in my opinion lead to a massive collapse (more than we have already seen) in the credit markets…defaults…and huge losses to lenders. It will also likely bring about a massive cutback in consumer spending and unavoidably push the United States into a deep recession. This easy-home-ownership market that has been hyped and promoted by Bush and this administration and these crazy and laid-back credit-policies employed by the bankers and lenders that were consumed by their own greed has now left many homeowners with foreclosure headaches.

Will the Nasdog Lead Us Out of the Bear or Deeper into it!!

The Nasdog is practically embroiled in a full bear market and this so called pull-back/retracement could likely persist significantly longer than a normal pullback in the broader stock market unless the so called 4-horsemen can be resurrected as these technology bellwethers have been severely battered; and due to their very heavy weighting in the NDX, and as such if they remain stricken with the flu so will the NDX and Nasdog.

The technology heavyweights (**RIMM**, **AAPL**, **GOOG**, **QCOM**, **CSCO**, **INTC** **and MSFT make up 38.4% of the weighting of the QQQQ/NDX's**) and they were the main catalyst which provided the base for the solid bullish run into October of last year…the so called 4-horsemen (**RIMM**, **AAPL**, **GOOG**, **CSCO**) were the primary players being hyped incessantly by the talking-buttheads on the various network stations especially Cramer on CNBC. Since October, when they led the Nasdog to a 52-week closing high, these so-called 4-horsemen have reversed course and dragged the Nasdog down with them…on 10/31/07 the Nasdog hit an intraday high of **2,861.50**; and after 4+ months it has **sold off 650+/- points** or a whopping **22.7%** to Friday's close of **2,212.48**; the NDX-100 on 10/31/07 hit an intraday high of **2,239.23**; and after 4+ months it has **sold off 532+/- points** or a whopping **22.8%** to Friday's close of **1,707.50;** so there is very little in the way of a divergence between small/large cap players in the sector!

- **RIMM** (chart) has been the strongest performer of the big-4 as it had hit an all time intraday high of **137.01** on 11/07/2007 and in just 4-months the stock has fallen about **39-points**…to Friday's close **98.04**, this is a BEAR-Market **correction of 28%** a clear implosion for this stock, that was once a high flyer! Their recent earnings were good:
    - On 2/21/08…..Research In Motion reaffirms their EPS & revenue guidance, and they raised subscriber additions guidance RIMM reaffirms guidance for Q4 (Feb), sees EPS of $0.66-0.70 vs. $0.69 First Call

consensus; sees Q4 (Feb) revs of $1.8-1.87 bln vs. $1.85 bln consensus. RIM now expects net subscriber account additions for Q4 to be approximately 15-20% higher than the 1.82 million net subscriber account additions forecasted by RIM on December 20, 2007. The total Black Berry subscriber account base is expected to be approximately 14 million at the end of the quarter. Co said, "The seasonal slowdown in net subscriber account additions that we expected in the New Year did not occur and our focused execution with partners has continued to produce strong results within both enterprise and consumer segments."

- **GOOG** (chart) was soaring…it hit an all time high intraday high of **747.24** on 11/07/2007 and in just 4-months the stock has fallen about **314-points**…to Friday's close **433.35**, this is a steep a BEAR-Market **correction of 42%** a clear implosion for this stock, that was once a high flyer! The main reason that GOOD has been hammered lately...I believe that unreliable third-party data suggesting growth in paid-click volume has slowed materially. The underlying fundamental concern is that a soft U.S. consumer is causing slow-down in eCommerce activity. Their recent earnings were fair:
  - On 1/31/2008 Google missed by $0.02, and they missed on revenues as well as they reported Q4 (Dec) earnings of $4.43 per share, **$0.02** worse than consensus of $4.45; revenues **rose** 52.1% year/year to $3.4 bln vs the $3.45 bln consensus. Google-owned site revenue was up 65% year/year compared to 68% last quarter; International revenue remained 48%; Paid Clicks were up 30% year/year compared to 45% last quarter... Co does not provide guidance.
- **AAPL** (chart) was soaring…it hit an all time high of **202.96** on 12/12/2007 and in just 3-months the stock has fallen about **80.71-points**…to Friday's close **122.25**, this is a steep correction of **39%** a clear massive correction for this stock, that was once highly beloved flyer! Their recent earnings were good:
  - On 1/22/2007 Apple beat by $0.14, and they beat on revenues ** However iPod shipments below expectations; and they guided conservatively for Q2: they reported Q1 (Dec) earnings of $1.76 per share, $0.14 **better than** consensus of $1.62; revenues **rose** 35.0% year/year to $9.61 bln vs the $9.47 bln consensus. Apple reports iPod shipments of **22.1 mln** vs **~25 mln** street expectation; they reported iPhone shipments of 2.3 mln vs ~2.3 mln street expectation; they reported Mac shipments of 2.3 mln vs ~2.3 mln street expectation. Here was the kicker AAPL issues downside guidance for Q2, sees EPS of $0.94 vs. $1.09 consensus; sees Q2 revs of $6.8 bln vs. $6.98 bln consensus. In my opinion Apple guidance is typically conservative….the headline that most people focused on was the miss on iPod shipments.
- **CSCO** (chart) a darling of the dot-com (**during that time it touched $82.00 a share split adjusted**) era rallied nicely this past year…it hit an all time high of **34.24** on 11/07/2007 and in just 4-months the stock has fallen about **10.13-points**…to Friday's close **24.11**, this is a mini-

bear-market steep correction of 29% a meltdown, for this international technology, as you can see it hasn't helped the index at all! Their recent earnings were good:

- On 3/4/08 Cisco CEO Chambers in recent presentation stated that he's "**even more comfortable**" with long term guidance since his last conference call; sees the downturn as short and shallow ……..On 2/6/08 Cisco reported EPS in-line, and revenues in-line they reported Q2 (Jan) earnings of $0.38 per share, in-line consensus of $0.38; revenues **rose** 17.0% year/year to $9.83 bln vs the $9.79 bln consensus….they slipped on their operating margins as they dropped a tad, 24.5% vs 24.8% in Q1. They stated that Q2 product gross margins 65.0% vs 64.8% in Q1 (64.5% in Q4; 64.1% in Q3). Chambers stated that his firm "delivered another solid quarter with strong revenue and order growth driven by a broad base of geographies, products, services and customer markets... As we enter the second half of the fiscal year, our innovation pipeline is in excellent shape, our balanced product momentum across core and advanced technologies continues to be solid, and execution against our long-term strategy remains unwavering."

- **AMZN** I added this player as it was Crammer and Fast-Money play (chart) was soaring…it hit an new relative high of **97.43** on 1/02/2008 and in just 2+ months the stock has fallen about **33.35-points**…to Friday's close **64.09**, this is a steep correction of **34%** a clear bloody correction for this once high-flyer their recent earnings were also good:
  - On 1/30/2008 Amazon reported EPS in-line, while the beat on revenues they also guided Q1 revs above consensus; they reported Q4 (Dec) earnings of $0.48 per share, and revenues rose 42.2% year/year to $5.67 bln vs the $5.37 bln consensus. AMZN issues upside guidance for Q1, sees Q1 revenues of $3.95-4.15 vs. $3.92 bln consensus; Operating income is expected to be between $155 million and $200 million, or to grow between 7% and 38% compared with first quarter 2007. AMZN issues upside guidance for FY08, sees FY08 revenues of $18.75-19.75 bln vs. $18.25 bln consensus; Operating income is expected to be between $785 million and $985 million, or to grow between 20% and 50% compared with 2007.

These four stocks, account for about 8.4% of the Nasdog's $3.6 trillion market value, and just a few months ago they were the best-sought-after hot-money momentum plays around as investors couldn't keep their hands off of, and most of the talking-butts on the various networks especially Cramer were hyping these stocks as darlings every-night now these some hypsters and investors act like these players contracted Leprosy, or the Bubonic Plague. These were the technology darling and now they have some how been caught up in the worries and concerns that have swept these players into the abyss that has been created by the subprime slime created by very-greed and overleveraged banks and lenders…which has resulted in a growing mortgage crisis. It was thought not to long ago that these very stocks were triumphant as very successful as these technology firm's strong balance sheets and global exposure would shield them from the growing global credit storm. But as the incessant stream and thunder roar of an impending recession, and rising inflation have started to diminish and tarnish even these once shinny-stars!

We must remember that these firms which are dependent on consumers buying iPods and BlackBerrys, have rolled over, and they were once following the general downtrend of stocks and now they are leading the technology sector into an abyss and as such are depressing the index in general.

The Nasdog needs the participation of these heavy-weights to start to emerge from the cesspool and start to act as the lead sled-dogs to pull this damaged index out of the recent death spiral. It's tough for these once high profile leadership stocks to go down and then have the rest of the index disregard the contagion and crawl higher; if you have been around the markets for some time you know that's not usually the way it works.

These players fall into the information technology sector which still accounts for about half of the Nasdog's market capitalization; and it's highly unlikely that the index can shake off the very-bearish sentiment that besieged and overwhelmed the once stalwart technology sector…and recovery/ revival in this sector will need to be led by the horsemen. The Nasdog unlike the **SPX** & **Dow**, wherein we have tended to see rotation within the index take place; (If one sector can no longer lead the way, another takes its place) Its worth noting that the

Second largest biggest in the Nasdog healthcare, which includes biotechnology companies like **AMGN, DNA, BIIB** to name a few but the sector accounts for only about 13.5-14.5% of the market's value; and unfortunately these sector has also been caught in the **downdraft**!

And from my vantage point we are not likely going to get much in the way of help from the next two heaviest weighted sectors "**consumer discretionary**" will not fare very well if/when we enter a recessionary period and the other sector "**financials**" are already in their own bear market and it could get worse. The Nasdog's only sector of relief has come from commodity-related firms which have helped to mitigate some of the damage and carnage that the sector has experienced

I believe that the technology sector is about to start to attract some money as it is widely anticipated that the economy will start to improve in the second half of the year **(especially as stimulus checks are disbursed**), and as such, the markets being a forward looking/forecasting mechanism then monies will start in the second quarter, maybe at the end-of-the-first. I believe that the first-group that will get attention would be the 4-horsemen as any time highly sought after high-flyers who missed the last stellar run will likely start to swoop into the same beloved darlings, especially if the wall-street spin and hype machine starts to parade them about on the various bubblevision networks (**they will surely want to establish their own positions first I bet**).

Its worth noting that Google could face increased competition if Microsoft succeeds in taking over Yahoo; while Apple will surely need (Hopefully Steve-Jobs delivers) another hot product or two to follow the great launch of the iPod and iPhone. RIMM's product line which is closely tied into corporate spending could be impacted by the malaise in the financial sector and other corporations. Amazon could start to struggle more than expected with profit margins as the surging internet commerce platforms start to expand and add competition into the fray.

The US Dollar will it REVERSE or Crash Further!

What has happened to our greenback? It appears that the talking butt-heads have forgotten all about the crumbling greenback as they only address it with positive connotations, and undertones {*I guess it is not in Wall Street's best interest to publicize anything about dollar weakness, as it could lead to lower foreign investment in US stocks and bonds*}. Currently our currency is getting crushed and you wouldn't know it from the mainstream financial media that our greenback has been stricken with a fast acting cancer. Right now our greenback is in a secular bear market and it appears that we could continue to make new lows. In my opinion folks if our greenback continues on its steady decline, the implications will probably be profound and very negative once the reality of the situation sets in. Especially for American investors and speculators, as our greenback is the linchpin of our and most of the world's financial systems and its crumbling, no wonder so are the global markets.
When foreign investors who have been keeping our markets propped up with their savings see continued new dollar lows. I believe that we will soon see that the massive inflows of capital from (petro-dollars, commodity dollars, and dollars as a result of our massive trade imbalance) dry-up, and worse yet the liquidity that these foreigners have been pumping into our financial markets could be retracted and repatriated, meaning that they could hit the withdrawal buttons. I am very concerned folks as (Daily Chart Weekly charts) shows a very definite down-trend and it looks to be getting far worse before a turn around can happen

Now for the really bad-news….imagine if foreign central banks, become unnerved or become fatigued of this 5-6 years of huge dollar losses...and if they start to diversify out of their dollar assets/holdings into another asset class. To do this they would have to first sell their US assets, *primarily US Treasuries and other high-grade bonds*, to turn them into greenbacks. This first act alone would drive down bond prices and subsequently drive up interest rates (remember folks, our interest rates are so darn low thanks to China, Japan and emerging countries using excess dollars to buy our bonds, so in a matter of speaking we need to thank these folks for low rates not the fed-heads). If this dismal scenario plays out it doesn't take much imagination to see all the market bombs that could explode as if long rates rise (mortgage rates) in these precarious times where we are embroiled in a subprime fiasco, this would be a force 5-hurricane unleashed in the mortgage and other US debt markets. Now once the foreign central banks or foreign international investors sold their US bonds, they would in turn sell their US dollars and buy stronger currencies like the euro/pound etc. This would drive the dollar even lower! Thus we would see a worst-case scenario is a vicious circle forming and the eventual crashing of our economy. Hence China and Asia and other emerging countries could hold us hostage as if enough foreign investors sell US assets then dollars which would result in driving prices lower then panic could set in and the dollar could utterly collapse. An basically speaking folks a crumbling greenback in such a scenario would become a market Tsunami wreaking havoc on stocks, bonds, and our interest rates.

Everything I've discussed up to this point should be a alarming wake up call folks, as if anything even slightly resembling a dollar panic starts all of our asset-classes will take a beating. Unfortunately I haven't even addressed the scariest part yet. Thanks to dollar inflation most investment assets appreciate in nominal value over time, so for example there is never a danger that a stock index will hit an all-time low. So who knows how traders and investors will react to such an exceedingly rare event if we get some panic selling in our greenback?

If worldwide dollar supply growth continues {*thanks to the fed-heads who continue to create dollars out of thin air*} to exceed worldwide dollar demand then the dollar's price on the international markets simply has to fall regardless of where it is technically is simple supply/demand. With dollar supplies growing perpetually (and this is also happening on a massive global basis as well) we need to keep a keen eye on the greenback, as all will be well until everyone eventually just gives in and screams that they can not stand the weak-dollar currency deterioration any longer; and they capitulate on it and the greenback utterly collapses like every other pure fiat currency has in history.

Folks why am I paying so much attention to the dollar; well its simple as the dollar's price action will be determined by demand; and unfortunately I believe that global dollar demand is waning; lets face it folks foreign investors (who unlike Americans actually have savings to invest) can invest in better-returning stock markets than the US and they can buy bonds in countries with higher interest rates than the US; <u>why continue to come here with their money; especially as our economy weakens</u>.
Most of the world's largest dollar holders are Asian central banks and central banks in particular, and right no the world's biggest dollar investors, are far too heavily concentrated in dollar holdings especially when looking at its current valuation. And if it breaks down through the [80] level it could spark them to refrain from buying and start some significant selling. Even Greenspam, the creator of massive bubbles recently stated that it isn't prudent to have too much exposure in any one currency, and any diversification out of their overweight dollar positions would be a big negative and greatly impact overall demand. Worse yet folks is the current actions of the Bush administration especially Gorge Bush himself….our elected dictator (just my take) as global investors are extremely angry with his aggressive foreign policies. Regardless of what your politics are folks his actions in recent years have largely been seen as meddling imperialism by most of the Muslim world (oil producers) and the

majority of the world; and this sentiment is worsening hence foreign investors are less likely to buy USA paper fiat dollars if their ticked off thanks to his actions; this could also hurt demand, and god forbid if he, through the backing of Israel attack Iran.

Please watch the dollar folks (**weekly chart**), as it has been very weak of late; and its close to a potential bottoming process, and as such those multinational firms like *IBM, AMZN, PG* etc, that have been the beneficiaries of a weak dollar policy, could top, as they will not afforded a favorable currency benefit in their earnings.

Strengthening Dollar

Advantages

Consumer sees lower prices on foreign products/services.
Lower prices on foreign products/services help keep inflation low.
U.S. consumers benefit when they travel to foreign countries.
U.S. investors can purchase foreign stocks/bonds at "lower" prices.

Disadvantages

U.S. firms find it harder to compete in foreign markets.
U.S. firms must compete with lower priced foreign goods.
Foreign tourists find it more expensive to visit U.S.
More difficult for foreign investors to provide capital to U.S. in times of heavy U.S. borrowing.

Weakening Dollar

Advantages

U.S. firms find it easier to sell goods in foreign markets.
U.S. firms find less competitive pressure to keep prices low.
More foreign tourists can afford to visit the U.S.
U.S. capital markets become more attractive to foreign investors.

Disadvantages

Consumers face higher prices on foreign products/services.
Higher prices on foreign products contribute to higher cost-of-living.
U.S. consumers find traveling abroad more costly.
Harder for U.S. firms and investors to expand into foreign markets.

What is the market place displaying and foretelling for us right now….many traders expected that this month would bring more clarity regarding the sprawling minefield of economic bouncing-betties and their potential negative impact into the ever-volatile and often crumbling credit market crisis. Instead, with each new bit of economic data that has been released the landscape becomes less clear as a thick rolling fog rolls in. The latest piece of data especially the jobs report has created more confusion; as the first labor market contraction in over four years, was significantly weaker-than-expected; and it indicated that the housing and mortgage market collapse (due to extreme excesses/greed and a bubble that was created by the president and his cronies is now affecting significantly American jobs) is putting some significant strain on our economy that has been running on hyperinflation and massive inflows of monies. And we have seen that the continued dislocation in commercial paper markets, where firms embark upon to raise the cash they need fund their operations (stock-buy-backs, etc.) and these warnings signals have been flashing-red-beacon; and it infers that more bad news may be lurking right around the corner. Then, on the positive side we had conflicting data released this week from retailers and manufacturers suggesting that the painful wall-street/corporate credit crunch's effect has been limited so far; and not impacted the consumer at this juncture.

PLEASE TAKE-NOTE: The hair on the back-of my neck is starting to stand up folks and I call it my Deja Vu indicator: and this type of situation/scenario that could play out could be very-dangerous for short-sellers, as I have seen and experienced a similar potential nasty develop before that may be again forming and I want to share it with you **HENCE my caution of not yet shorting at these levels right now with unabashed vigor** Currently we have about 60% of market players are expecting a retest of the recent relative lows; to ensure a bottom is really in, hence we have about 35-50% of these fund managers hording cash to put back to work on a retest (possible bullish reversal-fuel) We have another 20-30% of market participants looking to short-into-all-the rallies to press and capture short-profits on the way back down. This type of market dynamic could easily in a light-to moderate volume environment lead toward a significant relief rally. The next several weeks will be very interesting and provide many tradable bounces and drafts...and the relief rallies can be huge, and could force bears especially new-bear-cubs that shorted at each point of perceived weakness or OHR get their claws clipped as the markets (*despite negative contagions and deteriorating fundamentals and economic data*) the markets for periods of time churn higher...the proverbial wall-of-worry, and the new-shorts are partly responsible for the continues crawl higher as each time they cover they provide additional market buying-fuel, meanwhile those in the pact that were waiting for the pull-back and show resilience before enter into long positions; start to panic as they see the markets starting to leaving them behind (*they are greedy remember their bonuses are at stake*) then they start to chase the market higher, while so many others are left scratching heads! **SO-PLEASE-Trade-Cautiously**