

## DOW JONES' ACCELERATION LOWER?



July 27, 2007

### NEW YORK

Dow Jones (XXX):

Re-printed from the July 7, 2007 report:

**"The daily Nikkei chart below allows for a minor new high...", is a comment that holds true here for the Dow. A minor new high would put in place the ugliest of all triple-diverges and set the stage for an award-winning and all-debilitating bear crash that will disillusion investors for two whole generations, as is more likely the culture of aversion in Europe regarding equities after a bloodbath.**

Yesterday's interim report (transmitted today at 1:36 a.m.) contemplated the chance that investors, who saved some powder for intermediate term Dow puts as previously discussed, may get an opportunity this morning, due to the combination of heretofore high put premiums (that were therefore discounting some of this decline) and a pullback in the VIX that would be coupled with a minor pop up in the Dow. Simply, a minor correction of the VIX and bounce in the Dow would be enough to place intermediate term puts in a price range that is historically quite fair, not far from lows and even opportunistic for

one who believes that recent action confirms a new Bear market's beginning. With this morning's relatively minor moves – as there wasn't a terrible from-the-opening follow-through to the downside – the opportunity for being 100% short presented itself.

We're 100% short.

Also from July 7:

**"Conclusion and strategy:**

Everything points to a summer peak that will make investors wonder why they ever returned to the markets that they had sworn off after 2002. Impeachment and political instability, along with higher oil prices will be blamed as the triggers. Of course, the media will trot out the old stories too (housing, the bankrupt consumer, etc.). Don't expect anything original. Just the investor banging his head against the wall, "How did I do this AGAIN?" As another put entry point nears, continue to build put positions of longer and longer date than those previously held. Dow puts should be purchased whenever the VIX hits another buy point in its ongoing up-trend. This is at hand!"

Sid Klein

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