

Not 200%



September 7, 2010

VIX

July 4, SKGS 2010 letter:

"The June 20, 2010 report advised going long at the next day's open. Thus, we nailed another VIX low, this time at 22.87."

As per this month's report which went out 2 days ago, a more hedged stance in terms of time with respect to my all-out secular bearish position in New York, the VIX was closed at the open at **22.77**. So, the loss is 10 cents.

September 5, 2010:

"When the June and August lows are connected, there appears to be a pennant from which volatility could break out; the downtrend line of the pennant derives from the May, July and August tops."

"Still, given the theme of this report, and within its context, considering further that the present VIX trade was purchased at its lows, in order to reduce net short exposure to the market for strategic reasons, liquidate the VIX trade in the morning."

The removal of premium by selling short term deep out-of-the-money puts (against a like position), was in deference for a stretching out of the rolling over collapse and crash in New York.

Still very bearish, despite the bullish comment above on the VIX, it was/is a matter of risk management to have taken the approach of removing what is a non-integral index (VIX) which is redundant (the VIX was/is followed principally as an indicator, though we have enjoyed spectacular gains in it in the past).

I maintain both (VIX long and Dow short) when doubly bearish. As I wrote Sunday, the Dow merits a 200% short position if ever at 11,000, though the 10,750 area for a top would be more likely.

Additional thought: Are my thoughts of risk management a sign of a peak? I suspect that that may crossed your minds.

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