

The Turning Point



September 23, 2010

DOW JONES

Richard Russell once wrote that the best way to hit a major cycle summit is to probe an intermediate term peak, or even a shorter term top within the latter.

I do so here, believing that we may be catching a MAJOR summit to go 200% short!

September 5, 2010:

"In considering the very worst-case scenario for bears, the limit would be Dow 11,000, at which the market would become a 200% short!"

September 19, 2010

"Having gotten to 10,600, the market has truly gone as far as it should. My reference to 11,000 as a level at which to go 200% short (September 7, 2010 interim update) was precisely that: a level at which to go 200% short, if that ridiculous level were to ever be attained."

The VIX has maintained its divergence throughout, while having gotten stuck in my "in-between level." A market decline such as what is envisioned here will

send premiums flying, both for single market situations, as well as global intra-market spreads (long/short plays).

The Dow 10,800 area is far enough, insofar as the level at which to go 200% short is concerned. Today was perfect.

The Dow's right shoulder and 75% correction from the low under 10,000 suggests that it is indeed time to be 200% short, using very long term Dow puts.

At 9000 we'll be able to sell sizeable premium against the position.

Enjoy the run!

Sid Klein

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