

# 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.

Sid Klein

LEGAL NOTICE: This market letter is the work product and intellectual property of Mr. Sidney Klein. It arises out of his training and profession as an international expert on financial equities. It is a private correspondence from Mr. Klein to his subscribers. Any person who copies or otherwise disseminates this letter becomes subject to international criminal and/or civil prosecution under the Universal Copyright Convention and the Berne Convention for the Protection of Literary and Artistic Works. Nearly all countries in the world have signed both of these Conventions and have pledged to enforce them through their own legal systems. In addition, Interpol may be called upon to assist in the international enforcement of these Conventions through its processes of arrest and extradition. If you are the *recipient* of a copy of this market letter, whether through the internet or by facsimile, you should immediately report to Mr. Klein the name of the person or entity that sent it to you. Send your email to [sidklein@sidklein.com](mailto:sidklein@sidklein.com).

DISCLAIMER: This market letter is intended to assist in the dissemination of information to private subscribers. The information contained herein represents Mr. Klein's best efforts in good faith to advance knowledge to his clientele, but there can be no implied guarantee as to its accuracy or completeness. The information is given as of the date appearing on this market letter, and Mr. Klein assumes no obligation to update the information or advise on further developments relating to the information provided herein. No solicitation to buy or sell securities is intended, and none should be inferred. Investments are inherently risky, but investment risk itself is a function of individual preferences. Thus any opinions, recommendations, or judgments expressed in this market letter are of necessity abstract and general. They must be modified, accepted, or rejected by individual subscriber/investors whose risk averseness cannot be known to Mr. Klein.