Sand Spring Advisors LLC

A Bear's Period of Purgatory

by,

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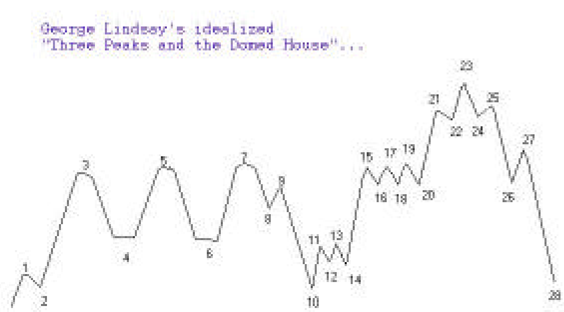
I wrote in my last February 21st letter:

> "In terms of timing, May 18, 2010 is 4.3-months removed from our last minor January 7, 2010 pi cycle high. This would be an idealized time to see perhaps a low in copper and/or equities, with a retest of this low then following later in the summer (with a peak of negativity on or around Arch Crawford's August 1st astro period of acute tension)."

Geez – getting to this anticipated low certainly doesn't seem very easy.

Indeed, across March, I severely underestimated the potential magnitude (and overall breadth) of the rally period that began back on February 5th. At first I thought that a potential "1987-like" failed bounce pattern was transpiring also similar to the pattern that developed across the first quarter of 1939. The set-up comparison looked almost lock-step perfect. But as various market indices one by one moved to new recent highs, I had to move to expect more of a "Three Peaks & Domed House" formation.



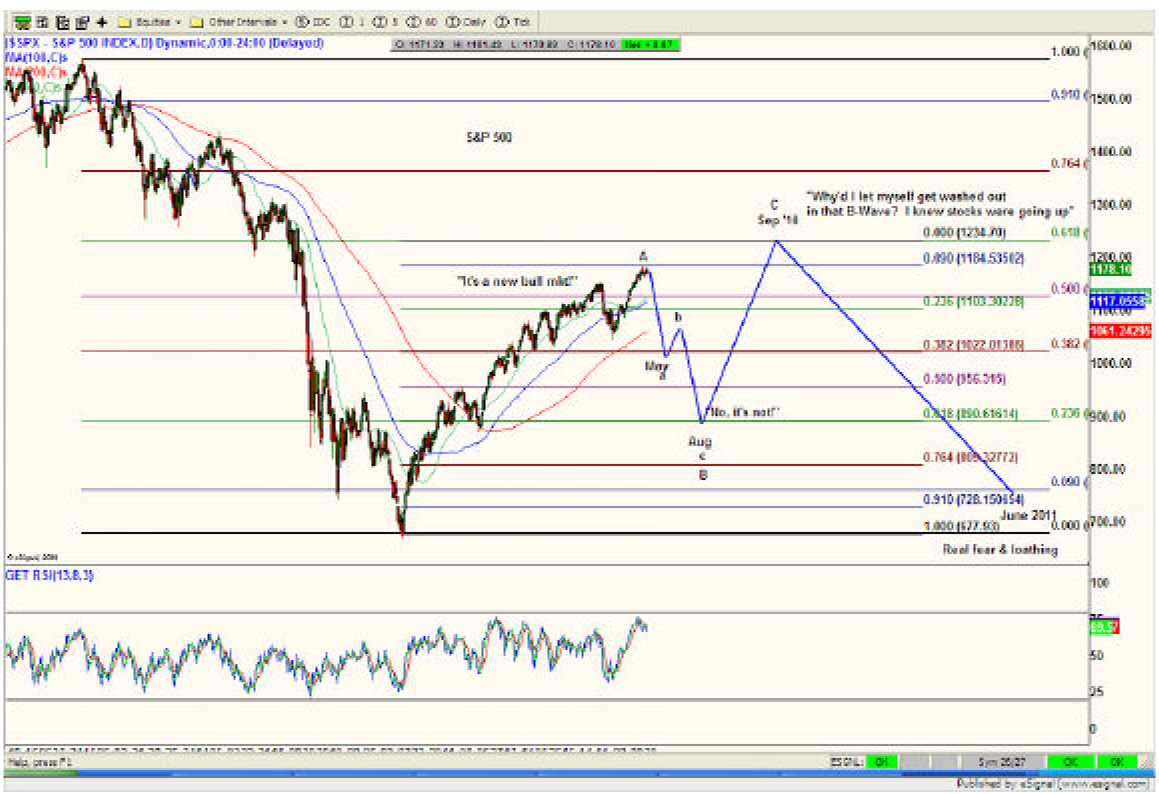
As this is typed, such a latter formation remains entirely possible for the broader indices on a 60-minute bar chart basis, but boy, has this rally period been tiresome and exhausting for bears. Even as I look at the steepness of the various chart patterns below that I list as potential shorts, I have to keep asking myself, is this market destined to poke up to the strong "line in the sand" fractal resistance around 1229 on the S&P before bears will get any lasting satisfaction?

The table below (re-produced from an earlier letter) keeps nagging at me to be more patient for the 1218-1229 region to be reached, where one finds the 61.8% retracement of the 2007-2009 decline, as well as a band of 76.4% retracements of earlier larger moves.

2007 HIGH	1576.09	2007 high	1576.09	2007 high	1576.09	2007 high	1576.09	2007 high	1576.09
0.9099	1434.464	0.9099	1439.577	0.9099	1443.224	0.9099	1453.587	0.9099	1494.162
0.764	1205.126	0.764	1218.519	0.764	1228.073	0.764	1255.217	0.764	1361.495
0.618	975.6318	0.618	997.3103	0.618	1012.774	0.618	1056.711	0.618	1228.737
0.5	790.15	0.5	818.525	0.5	838.765	0.5	896.275	0.5	1121.44
0.382	604.6682	0.382	639.7397	0.382	664.7563	0.382	735.8387	0.382	1014.143
0.236	375.1737	0.236	418.5307	0.236	449.4574	0.236	537.3327	0.236	881.3848
0.0901	145.8364	0.0901	197.4732	0.0901	234.306	0.0901	338.9627	0.0901	748.7179
1929 LOW	4.21	1974 low	60.96	1982 low	101.44	1987 low	216.46	2009 low	666.79

But the steepness of the general market ascent since last March 2009, taken together with recent low volumes, also keeps pushing me to expect a more immediate end of an A-wave up, with the thought that perhaps 1229 on the S&P is only eventually seen (if at all) on a C-wave rally, but with such a rally only occurring AFTER an intervening nasty B-wave down.

A potential path such as the one below would certainly serve to irritate almost all neophyte technicians and general market players. Imbedded within this chart, I poke fun at the likely thoughts/comments one is likely to see at each point in time along the way:



On an idealized basis, and completely objectively, I would still expect to see the following pi cycle rhythm:

May 18, 2010: minor pi low, bounce, with retest & potential further decline into early August 2010.

September 26, 2010 – anticipated high after sharp rally period from early Aug 2010 low. If we are currently doing a 5-wave A-wave up of a corrective A-B-C pattern, then September 26, 2010 could easily be the end of the C-wave after an intervening down B-wave (May-August).

June 15, 2011 – next more major market low after a slow grindy decline between Sep 2010 and June 2011.

October 1-3, 2015 – next major market high.

February-November 2017 – end of overall market malaise that began in early 2000….17.2 years (2 * pi * 1000) of choppy sideways markets, unpopular presidents, and periods of war having slipped by.

2017-2034: Next major buy & hold boom period for equities.

July 2034: major market high ushering in next period of panic. This date is 314 years (π again) from the 1720 South Sea Bubble, 942 years (3 * π) from the Crisis of 1092 and 1570 years (5 * π) from the period in which the Roman Empire was falling from power.

But enough big picture stuff.

To tempt the Gods (yet again) – particularly on a long weekend after a supposedly bullish Friday unemployment number -- I would like to get a bit more granular this month, and post the chart patterns of various individual stocks that look the most vulnerable to my eye as the current A-Wave bounce hopefully peters out. These suggestions should be viewed as the "lowest hanging fruit" to potentially attack on the short side with the best risk-reward set-ups. As a matter of disclosure, please note that I am already short each of these equities within the Sand Spring Fund LP, and I may easily sell more of each on the first sign of real market weakness:

AME…Ametek; 21.9 P/E; electrical equipment maker….Will the rising price of steel input prices start to hurt this one? 61.8% retracement recently reached.

FLO…Flowers Foods…baker with a 17.5 P/E. How many cupcakes and honey buns do people really need? Fractal rhythm suggests a leg down to $16.92 is in the cards.

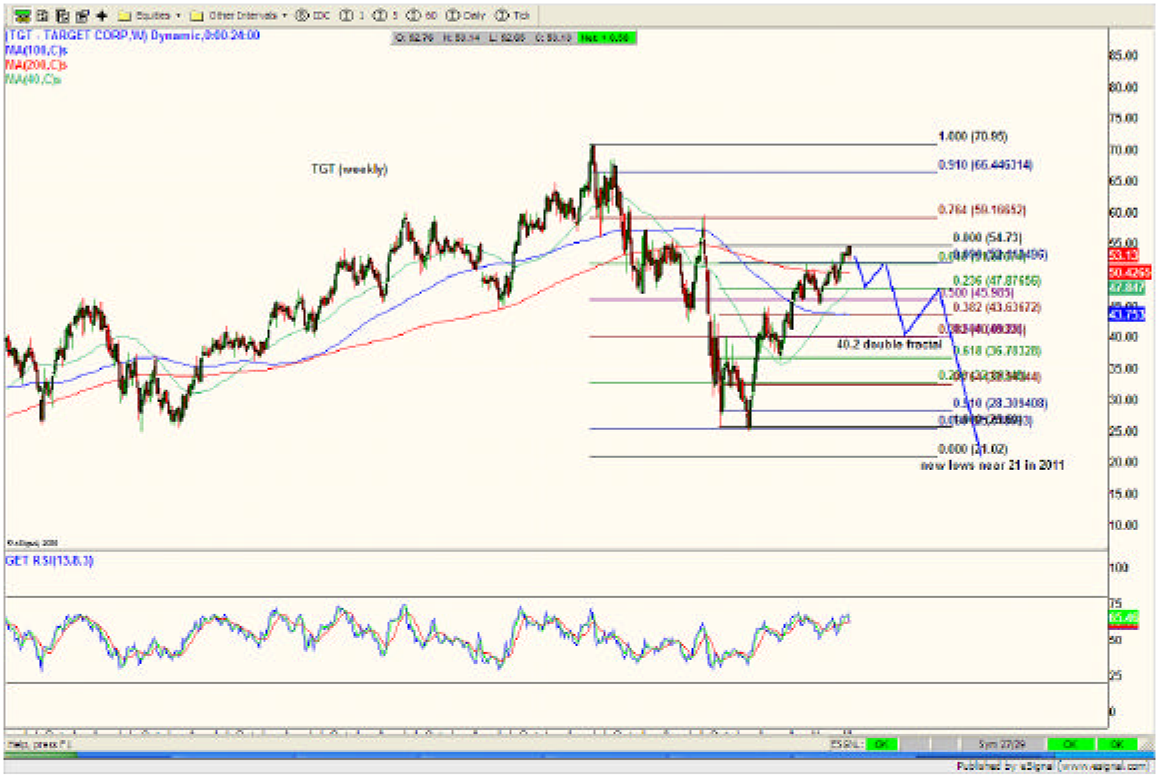
LNY…Landry's Restaurants…loss making second-tier fish restauranteur associated with gambling and other so-called "mob" enterprises, with tons of debt.   New lows with time.

LTM…16 P/E mega-gym builder with lots of debt. New lows with time implied by current fractal rhythm.

PSS…Collective Brands…second-tier shoe/sneaker retailer trading at 18 P/E. Not a tough call to see this one retrace to 16.62, then bounce, and eventually see 11.75 with time.

SWK…Stanley Black & Decker…tools and security solutions at a 21 P/E. Nice double fractal vibration at 42.41 is a clear target initially.

TGT…Target…16 P/E department store retailer with somewhat suspect credit card receivables. Retracement to 40.2 double vibration is my first goal here.



As always, the above views represent my own perspectives and are not meant as direct investment advice. Consult your own Registered Broker Representative before taking any equity positions – either long or short.

Hopefully, if the anticipated B-Wave low emerges between May and August, I can next list a few longs at that time.

Send us your comments at information@Sandspring.com.

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