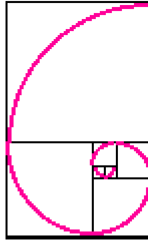

Sand Spring Advisors LLC

Four Themes for 2001 and Beyond

by

Barclay T. Leib

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As the equity market gropes for some sort of short term trading low – and particularly because over-anticipating when and where that low will be can be dangerous for one's health -- we want to take time out to examine various ongoing themes that the balance of 2001 should bring. These range from an immediate Elliott wave interpretation of the NASDAQ, to cyclical precious metal patterns, to important regulatory changes, and thoughts on mad cow disease and its potential market impacts.

Theme #1: 5th wave extensions usually get retraced twice

I think there is little doubt that the period that began in October 1998 and lasted until the first quarter of 2000 was a classic Elliott 5th wave extension on the NASDAQ stock indices. All the hoopla, madness and absolute magnitude of the price advance made it such.

And yet one important rule laid out by R. N. Elliott, as paraphrased by Bob Prechter in his classic text *The Elliott Wave Principle* is that:

> "When an extension occurs in a fifth up-wave, the ensuing correction will occur in three waves and retrace to the beginning of the extension. The first and second waves of the downswing become wave "A" and "B" of an "irregular" correction. Wave "C" will then be composed of 5 waves downward, fast and probably to the beginning of the 5th primary of the preceding bull market."

This downswing will then be followed by a second retracement UP. That is, "the fifth wave extensions are always doubly retraced."

Let's eyeball on a current NASDAQ Composite chart how this language might potentially apply to the markets as we have them today:

NASDAQ Composite Monthly

We see above that measured from the extreme low of 1998 to the extreme high of 2000, a 90.9% retracement level comes in near 1699 on the NASDAQ Composite, a level that also equates to 100-month moving average support.

We think such a level would be sufficient to satisfy Elliott's rule that the entire 5th wave extension would be retraced, and set up a rally towards 2805 as a partial double retracement.

It would then be above this latter 2805 target that things are likely to get messy and more complicated to interpret. If the upcoming rally is a true wave 4, it should not of course intersect wave 1 down that stands at 3042.6. If it were to start doing so, then a more extensive "double retracement" of the previous 5th wave extension would be under way.

We do not currently have a good fundamental justification for this expected rally period (Certainly, the semiconductor and PC market is currently backlogged with tons of unsold inventory) except that the United States' economy is simply unlikely to go down for the count without a good fight. There are just too many smart and hard-working people out there. Yes, we just experienced a 65+% equity free fall, but attitudes don't change that fast. If people still want to be bullish "for the long term," there's likely no denying them some sort of reprieve in the short term.

Theme #2: The most likely reason to rally is that the Fed is forced to be too loose in their monetary policy. Cyclical rallies from dormant lows in the precious metals are due.

With MZM growing at an annualized rate of over 15%, Japan pledging to reflate at any cost, and the Fed having already cut interest rates three times in three months, is there any doubt that Central Bankers will err on the side of too much inflation rather than risk serious debt defaults? We think it is obvious that they will, yielding typical late-cycle rallies in the precious metals sector.

Moreover, we have previously pointed out that 2001 is due for the low in an approximate 8.3-8.6 year cycle in gold movement that extends back to the 1970's when gold was first de-pegged. Significant gold lows took place respectively in 1993, 1985, and 1976. 8.6 years of course represent 3141.3 days, or Pi times a thousand, an important yard mark in our minds for measuring financial time.

Gold stocks are also invariably the last sector of the equity market to rally, typically trotting along just after the oil sector stocks. Since the Fed effectively can't tighten very much given current global leverage and financial fragility, the upcoming move could be particularly explosive.

There is also a 60.2-year cycle (seven 8.6-year cycles) in silver prices that should turn positive this year:

- Basically silver peaked in value in June 1919.
  Approximately 60.2 years later in January 1980, it peaked again.

- Following on from the 1919 high, silver eventually bottomed in January 1933 and made a secondary low in August 1939. Approximately 60.2 years beyond these events, silver bottomed again in June 1993 and made a secondary low in July 1999.

- From the secondary August 1939 low silver meandered sideways for approximately a year and a half before taking off with the escalation of World War II. We are now approximately a year-and-a-half beyond the July 1999 secondary silver low. Is another war in the cards soon? Mmm, it doesn't look that way right now, but you never know what might be around the corner.

Theme #3: The regulators are changing the rules that propagated the previous bubble. This will prevent a return of financial hype as we previously experienced it. The financial service sector is the most vulnerable to these changes.

Back in 1998 I wrote an article on the topic of bubbles, comparing the 1980-81 Hunt Silver crisis to the then current ebullience in stocks such as Dell Computer. In it I suggested that eventually bubbles get pricked by some sort of rule change, and as "well intentioned or as small as that rule change is, it can with time devastate a market that has already met a mania stage." And here the well-intentioned rule changes come:

- Fed Rule Financial Disclosure, now prevents loose-lipped CFOs from leaking company information to their favorite analysts.

• Proposed FAS rule changes on merger and acquisition pool accounting are scheduled to go into effect next year. If these changes had been in effect previously, companies like Cisco would never have been able to dupe the public as to their incessant but false “growth.” No new company will now be able to replicate the Cisco phenomenon. That game is gone, finished.

• A recent announcement by the SEC that they are going to start auditing 1out of 4 public corporations instead of 1 out of 16 – looking for any evidence of financial fraud. Where were these guys two years ago?

• New FAS 133 accounting standards have already been put in place. These rules no longer allow corporations to hide large derivative losses and report smooth earnings streams previously based on historic cost or accrual accounting.

Each of these changes is significant enough on its own to spend some time discussing, but to focus in on just the last rule change, FAS-133, this new accounting standard has already caused corporate derivatives activity to drop precipitously this year. "I'd say corporate option volumes are down 50-60 percent so far this year," says one knowledgeable currency options salesperson at a New York bank. "Everyone is lost, and most are too embarrassed to admit they still don't understand the rules, so until they figure it out, they're definitely doing less business."

Such an attitude could obviously cause bank treasury trading revenues to drop way off. In addition, all the requirements of FAS-133 derivatives accounting are so complicated that companies continuing to use derivatives for hedging are in the process of purchasing better software systems to handle these products. In the process, these companies will also become more sophisticated and potentially more aware of egregious derivatives pricing from Wall Street.

Jeff Wallace, managing partner of Greenwich Treasury Advisors, states: "Just from being forced to do effectiveness testing, corporations are going to end up being more sophisticated. They’ll have pricing models using interbank rates and be far more aware of the bad prices they may be getting from their Wall Street bankers. It is not going to be good for bank trading profitability."

Furthermore, because of all the new rules and different treatments companies can take to handle derivatives, don’t bet that Wall Street analysts will be able to truly discern what real earnings are anymore. One corporate treasurer I recently interviewed explains that "Companies are going to end up with apples and oranges: half their exposures covered and the other half still lurking out there unhedged. Few financial analysts are going to be able to understand what the company has or has not done, and what represents the actual bottom line to a company’s operating performance." In the words of Ernst & Young FAS-133 expert Michael Joseph all of this results from the Financial Accounting Standard Board trying to make sure that the reported balance sheet of companies are more correct, but in the process, “the earnings statement will most surely suffer.”

Lastly, FAS-133 is going to hurt parts of the asset management industry. Once upon a time, Fannie Mae was able to grow its assets under management and deliver a smooth growth in its earnings stream. The trick behind the scenes was that nothing got marked-to-market, and accrual accounting ruled. Fannie Mae has long acted as if the assets it owns and the liabilities it issues are all going to be held to maturity, so who cares about the intervening blips and swings in the market.

But in an era when credit quality is quickly going down the tubes, and yet real estate to date remains sky high, FAS- 133 is going to start to make the true performance of Fannie Mae's portfolio far more transparent. Their earnings are going to start to roll n' roll.

In order to fight back against the new accounting impact, Fannie Mae is actually planning to release two sets of financial performance numbers: one using its old methodologies, and another one using FAS 133's newly mandated approach. "I think the Wall Street community is aware of our stance on this issue," says Jonathan Boyles, head of financial accounting standards at Fannie Mae. "And the analysts will appropriately discount the earnings volatility FAS 133 may create--particularly given the requirement to mark time-value of options to market."

Our advice: don't bet on it. If the Fannie Mae chart pattern pictured below is a complete Elliott wave 5-up from the 1991 low, this stock is one to specifically avoid on the long side.

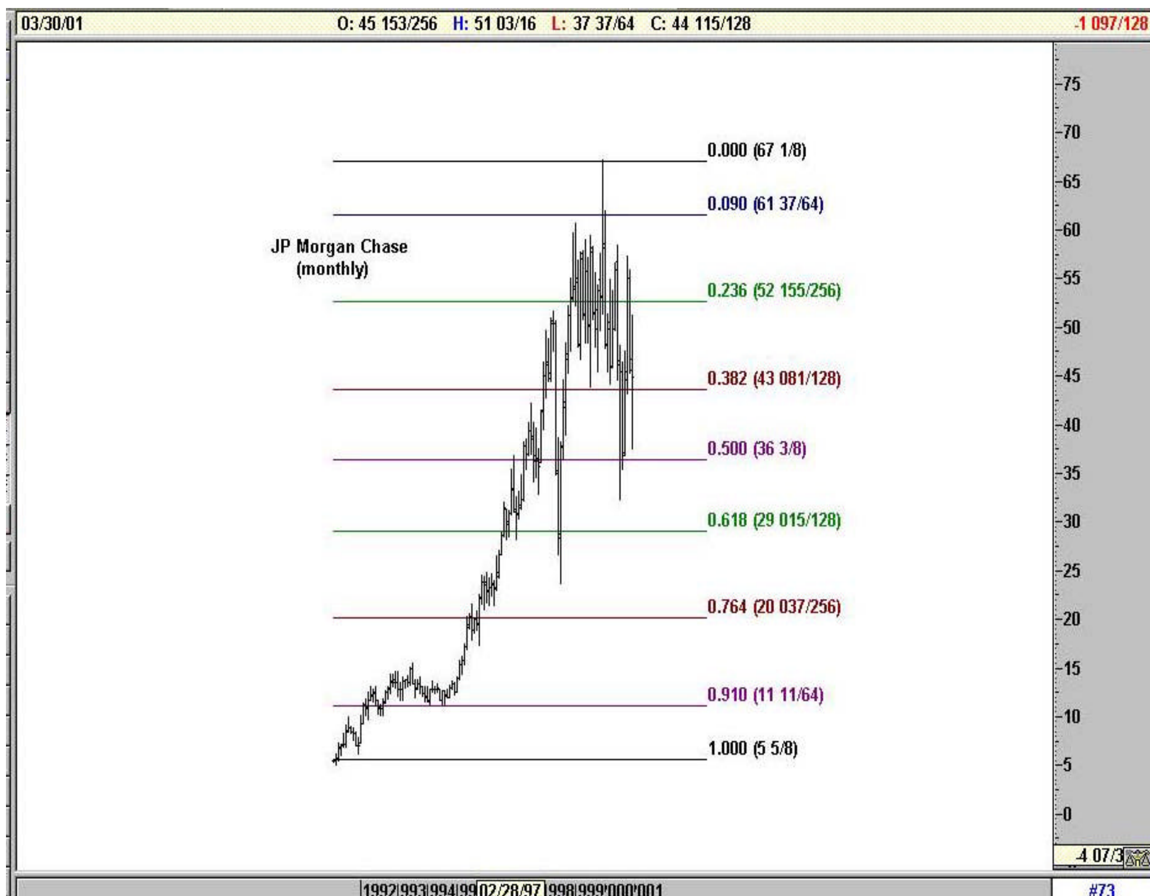
But the saga continues beyond just Fannie Mae's purgatory. FAS 133's tentacles are also spreading into other parts of the asset management world. Firms that previously hedged financial assets and liabilities on a portfolio basis can no longer achieve hedge accounting unless they drill down to each component part of the portfolio and create linked trades and exposures. This can be nothing short of a logistical nightmare for some.

Insurance companies have also long bought convertible bonds because of the equity kicker they offer the long-term investor. In the past, these convertibles were typically carried at par or at cost. Now, under FAS 133, the buyer of a convertible bond (but interestingly not the issuer) must strip out the equity option from the host bond and mark both separately to market.

Perhaps in normal markets, this would not be a major problem. But consider what the equity market has done over the past twelve months. How many underwater telecom or Internet convertible bonds currently reside in insurance companies' portfolios? A few earnings and portfolio surprises could easily be brewing in this area.

All of that said, we could not find a compelling technical picture (except perhaps AFLAC) of an insurance stock worthy of selling right here. Oddly enough, some of the charts actually suggest potential new highs first before the insurance sector turns vulnerable. This is a theme of greater earnings volatility within the insurance sector, not an immediate instruction to sell.

Instead, and again a situation within the financial services sector, we might focus for the moment on JP Morgan Chase. As M&A and IPO business lessens, and asset management trends move away from the buy-and-hold mentality and more toward creative alternative strategies (a small implicit plug for the Wimbledon Sand Spring Class L Fund that I manage), and as corporate derivatives use slows, this is a stock that will likely face disappointing revenue growth in the quarters to come. Take a look at the weekly chart pattern below:



Now compare the JPM chart on an "analog basis" to the way the Australian dollar looked back in 1996 when it was topping out between .80 and .81 cents on it way to .49 cents:

The financial services stocks such a J.P. Morgan, as well as previously discussed Morgan Stanley (with its own huge head and shoulders topping formation) are to be avoided at all costs.

<u>Theme #4: Few think that the mad cow and hoof-and-mouth diseases are within the U.S. yet, but mad cow likely already is, and if it is not, it soon will be.</u>

In my travels interviewing hedge fund managers, I recently visited Chicago and met with an agricultural trader with some twenty-five years experience. I posed this gentleman the question of how mad cow and foot-and-mouth diseases were impacting U.S. agricultural markets. His responses were illuminating, and we offer them here:

The initial response to mad cow was perceived to be bullish for the grain markets since grain feed was deemed likely to pick up market share from bone-meal based protein supplements.

In actuality however, the real response in Europe to date has simply been a decline in meat consumption altogether, and foot-and-mouth has accelerated the butchering of herds. Germans now buy 40% less beef and sausage than a year ago because of mad cow disease fears. And as cows are slaughtered, the lower the demand for corn and other grain feeds in general. To date, therefore, the anticipated positive impact on U.S. grain markets has failed to materialize. Indeed, its been a depressant to grain prices.

Meanwhile, some have rushed out to buy U.S. hogs as a replacement product for beef, that futures market having gained approximately 30% in the past six months. U.S. Live Cattle futures have also rallied on a replacement product basis.

But are these latter up-moves really justified? This gentleman is convinced that mad cow is also already well entrenched in the U.S. food chain. "I don't eat a lot of meat myself," he says, "and as a firm, we perpetually keep an out-of-the-money put position in Live Cattle for the day that bovine spongiform encephalopathy (BSE) is exposed here. In our opinion, it's not a matter of whether this will occur, but simply when. Eventually, we'll have a *60-Minutes* story showing people the impact of BSE in its human Creutzfeldt-Jakob disease (CJD) form, and exposing its growing existence in the U.S. Given the amount of cattle that comes across from Mexico all the time, there is no way BSE is not here already, and when this realization finally hits home, meat consumption in the U.S. will halve. Live Cattle futures will collapse."

The strength of this gentleman's assertions led us to do a bit more reading on BSE, hoof-and-mouth, and CJD. It also led us to take a look at some of the chart patterns of the meat sector, meat packing industry, fast-food, and other agricultural stocks.

So allow us a moment to digress from the equity markets as a whole and discuss issues within the global food chain in some detail.

Mad cow disease finds its roots in the mid-1980's when a small proportion of British cattle started to exhibit debilitating wasting behavior that eventually led to death. After some investigation, their ailment was linked to having been fed scrapie-infected sheep offal as part of protein-based feed supplements. Certain changes in the rendering process of animal-based feeds that began in 1981-82 precipitated this crisis, building atop several other requisite conditions that existed in Britain: a large sheep population relative to cattle; a relatively high incidence of scrapie infection in its sheep; and the use of substantial quantities of meat and bone meal in its cattle feeds.

Since that time, Britain has banned the feeding of animal-parts based feed to other animals, but until recently, did not ban the export of such blood and bone meal-based feeds to other countries. Not surprisingly mad cow disease spread throughout Europe. Confirmed cases of BSE have now shown up in Germany, France, the Netherlands, Belgium, Denmark, Ireland, Luxembourg, Liechtenstein, Portugal, Spain, and Switzerland. Argentina and Mexico claim to be BSE-free, but likely they aren't.

Things became even scarier when, in 1996, scientists discovered that BSE prions (or basically malformed proteins) could jump species to humans, causing a fatal brain disease known as "new variant Creutzfeldt Jakob disease" (nvCJD).

Of note, the sheep form of scrapie has been around for over two centuries. But BSE and CDJ had never been heard of before a few initial cases in the 1920's. These first cases started approximately a decade after cattle began to be fed the protein-rich remains of scrapie-infected sheep to accelerate their growth. This certainly implies that BSE and CDJ are both manmade phenomenons.

Meanwhile, across the Atlantic, Americans are of course among the world's leading carnivores, the average American eating nearly 100 pounds of beef and veal a year. Starting in 1997, the United States banned the import of most beef types from BSE-infected countries

(tightening these restrictions further in 2000), as well as the donation of blood from people (myself included) who have lived in Europe for longer than 6-months since 1980. But only in 1997 did the U.S. start to put any minor limitations on the use of any animal parts in the feeds in our domestic meat production industry. Basically, the FDA ruled at that time that "at risk or already ill" animals could not be added to animal-feed mixes. (We wonder what rocket-scientist bureaucrat finally figured that one out?) But the FDA did not ban the production of animal-based feeds altogether. To this day in the U.S., cow and sheep parts continue to be fed to cows. And yet, the United States clearly already has "mad sheep," "mad deer," and "mad elk" roaming around this country.

Three flocks of "mad sheep" were diagnosed nine-months ago in Vermont, and two of these flocks recently destroyed. Out west, a fatal "mad deer" disease is occurring at epidemic levels in deer and elk. Mad deer disease, also called chronic wasting disease or CWD, has hit a full 15 percent of free-ranging deer and elk in northwestern Colorado and southeastern Wyoming.

The only explanation to date as to how U.S. deer and elk have become so infected is that they have consumed cattle feed spread out in pastures for grazing cattle. Until recently, the carcasses of deer hit by cars have still been recycled as part of the "feed-rendering" process, continuing the potential viscous cycle within our food chain. Only recently have authorities started to test killed deer carcasses for CWD before sending them to the rendering factory.

Hunters coming in contact with the blood or other bodily fluids of such animals must exercise extreme caution not to become infected themselves. The gaming authorities now require heads of game to be turned in for CWD testing, and only after such testing proves negative for CWD, are hunters advised that it is safe to eat any of the other meat of their kill. Three young hunters previously exposed to mad deer disease died in the past three years of CJD. Another Williamette Valley-based fellow particularly fond of eating lamb, contracted CDJ a few years ago, and has since passed away.

The fastest way to contract the disease appears to be from eating animal brains, and yet food processors continue to routinely mix cow brain into hamburger meat. At a minimum, and to be safe, hamburger meat and sweetbreads should likely be left out of your diet.

CJD may take a long time to incubate, but once active, it is a fast and furious disease. Victims of CJD, young and old, fall ill, and then over a matter of months slowly lose their sight, their hearing, and their minds as the nervous system is destroyed. By the time of death they often can't move or speak. People often confuse the symptoms of CJD with Alzheimer's Disease since the two diseases are somewhat similar. In some ways, the search for a cure for BSE or CJD might follow breakthroughs in a cure for Alzheimer's, since both diseases involve proteins in the brain that accumulate because they cannot be degraded. The primary difference between the diseases is that once active, CJD progresses rapidly, while Alzheimer's occurs only slowly over time.

Furthermore, with the incidence of Alzheimer's Disease on the rise in the U.S. in recent years, one must wonder how many false diagnosis situations there have been. One recent study estimates that 5% of Alzheimer diagnoses are likely CJD in reality.

One casualty of the recent mad cow turmoil in Britain has of course been McDonalds. As of 1996 the company stopped serving hamburgers made from British beef, then they declared that British beef was safe again, only to revert more recently to source their beef supply from BSE-free countries. Then, just a few weeks ago, an Italian supplier to McDonalds was found to

have BSE within its cows. Not surprisingly, McDonalds has seen their European sales of hamburgers plummet.

But even all of McDonald's precautions and damage control may have been too late. CJD has an incubation period of 10 to 40 years. Many falling victim to the disease today may have contracted it a decade ago. I had a MacDonalds across from my London flat in 1990-91, and am not happy about the number of times I ate there.

One disturbing fact is that the average cow in the U.S. is sent to slaughter before its fifth birthday. But BSE usually takes up to eight years from the time of infection in cows to be outwardly discernable. Many infected animals are thus likely ground up and fed to somebody – humans, dogs, cats, and other cattle -- before ever even being tested for BSE.

Tests on various methodologies to "render" or cook bone and blood parts also show that these processes fail to stop the propagation of BSE from initially infected material. Instead, whatever is at the heart of BSE (whether it is a "flipped protein" or viral infection – much debate still exists on this subject) continues to exist in bone and blood meal even after the rendering process. And according to British scientists, it doesn't take the consumption of great quantities of infected feed to pass the illness. "A cow can contract BSE by eating one gram of infected material – a spec the size of a peppercorn – from another cow," a recent report states, " Even a minute trace of the material in meat and bone meal…can infect a cow."

But here's the punch-line: An article in the science journal *Nature* estimates that despite all the best precautions to limit the spread of BSE within Britain, an estimated 975,000 infected cows have already entered the human food chain. Given that Britain continued to ship its bone-meal feed supplements around the world all the way until last November, and this feed was cheaper than other types of feed available, there is little doubt that BSE has already gone global.

This is not a wonderful thought obviously, particularly when the *New York Times* recently tells us that "Out of 900 million cattle [in the U.S], the Agriculture Department has tested fewer than 12,000 sick cows for mad cow disease <u>in the last decade</u>" (our emphasis). By comparison, France is now testing more than 20,000 cows <u>per week</u>.

Some animals like chickens can be naturally cannibalistic. One weak chicken in the hencoop can fall prey to the pecking of its neighbors. But not cows. It is grossly unnatural to feed other animals to cattle that are natural vegetarians. The only reason this has occurred is because modern factory farming wants to make cattle bigger faster, and these farm-factories have resorted to the use of growth hormones, antibiotics, and high-protein feeds to do so. Dairy farmers regularly use protein-based feed supplement to get their cows to produce more milk. Some of our readers might like to take the time to read Peter Cohen's book *Milk: the Deadly Poison* to learn more about this.

People defend American agricultural processes by pointing out that these high-protein feed supplements are not typically derived from sheep – the offending culprit for the spread of BSE in Britain – and that few sheep in America are discovered scrapie-infected each year. According to the National Renderers Association, sheep parts make up only about two-tenths of a percent of the animals rendered into U.S. feed, and since only a handful of sheep scrapie cases have been found each year in the U.S., U.S. feed production must be considered fine.

But if U.S. feed supplements do not contain much in the way of sheep-parts, what so they contain? This can conceptually at least be even more disgusting. "Do you know what the

ASPCA does with all those dogs and cats they are forced to put down?" our Chicago ag-expert asks parenthetically. "They end up going back into feed supplements for chicken and cattle. So the old joke about Chinese restaurants serving cat is really not that far off the mark. The average person likely ingests proteins originally derived from cats and dogs every day." This is the "other animal parts" generically labeled on feed supplements.

Now our point here is not to disgust, but to suggest that several suspect practices, typically driven by that all-American desire for a little extra profit, may already be impacting the U.S. food chain. If dogs and cats are available as a cheap source of protein, so be it, just as sheep offal was so readily available and cheap to use in Britain.

In addition, USDA inspectors may be on the lookout for potentially infected meat coming across our borders, but can they check every shipment and every cow? What of the cows that outwardly look healthy, but have BSE brewing undetected inside of them?

Every year, thousands of Mexican cattle cross our Texas border. Imports from Mexico were up 22% in 1999 and another 36% in 2000 to approximately 1.3 million head of cattle. Imports of beef from Argentina (now infected with hoof-and-mouth) have been running at the equivalent of 700,000 live cattle each year. In late January, the Food and Drug Administration announced it had quarantined some cattle in Texas on suspicion they had been fed rations containing cattle parts in violation of rules to prevent mad cow disease.

Such events and statistics led James Grants of *Grants Interest Rate Observer* to recently write: "All in all, we think the fact that no mad cows have been found in the U.S. to date is a temporary stroke of fortune rather than additional proof of American supremacy." Best guesses are that six million tons of animal-parts-derived feed continue to be fed to cows each year in the U.S. If just a small fraction of that feed is BSE-contaminated, the U.S. already has a huge food chain problem on its hands.

When *Grant's* covered this story, it relied very much on the expertise of Keith Bronstein, a Chicago commodity speculator and biotech entrepreneur that I too have met and respect. In Bronstein's mind, mad cow disease is about to turn the business of public health and agriculture in the U.S. completely upside down. Winners in Bronstein's mind might be soybean farmers, processors, and distributors. Big potential losers: fast-food chains, meat and poultry processors, and pet-food makers.

Because animal parts also go into certain cosmetics and soaps, producers of these products might also be impacted. Separately, one of Sand Spring's subscribers, Dr. John Vyden of UCLA, has long contended that the inclusion of various polypropylenes in many cosmetic and soap products also poses health risks that few are focused on yet. Bloomberg radio recently ran a story confirming the scientific evidence for this, but then sloughed off the whole issue with a quip: "Imagine not using soap."

Grant's concludes that one potential winner in a "beef scare" might be Agco, a stock that currently trades below its book value, and a purveyor of farm equipment in the U.S. Archer Daniels Midland would also be a logical beneficiary, although ADM owns 12% of one of the potentially biggest losers: meat packer IBP. Indeed, IBP was just left at the altar last week in a broken merger with Tyson Foods.

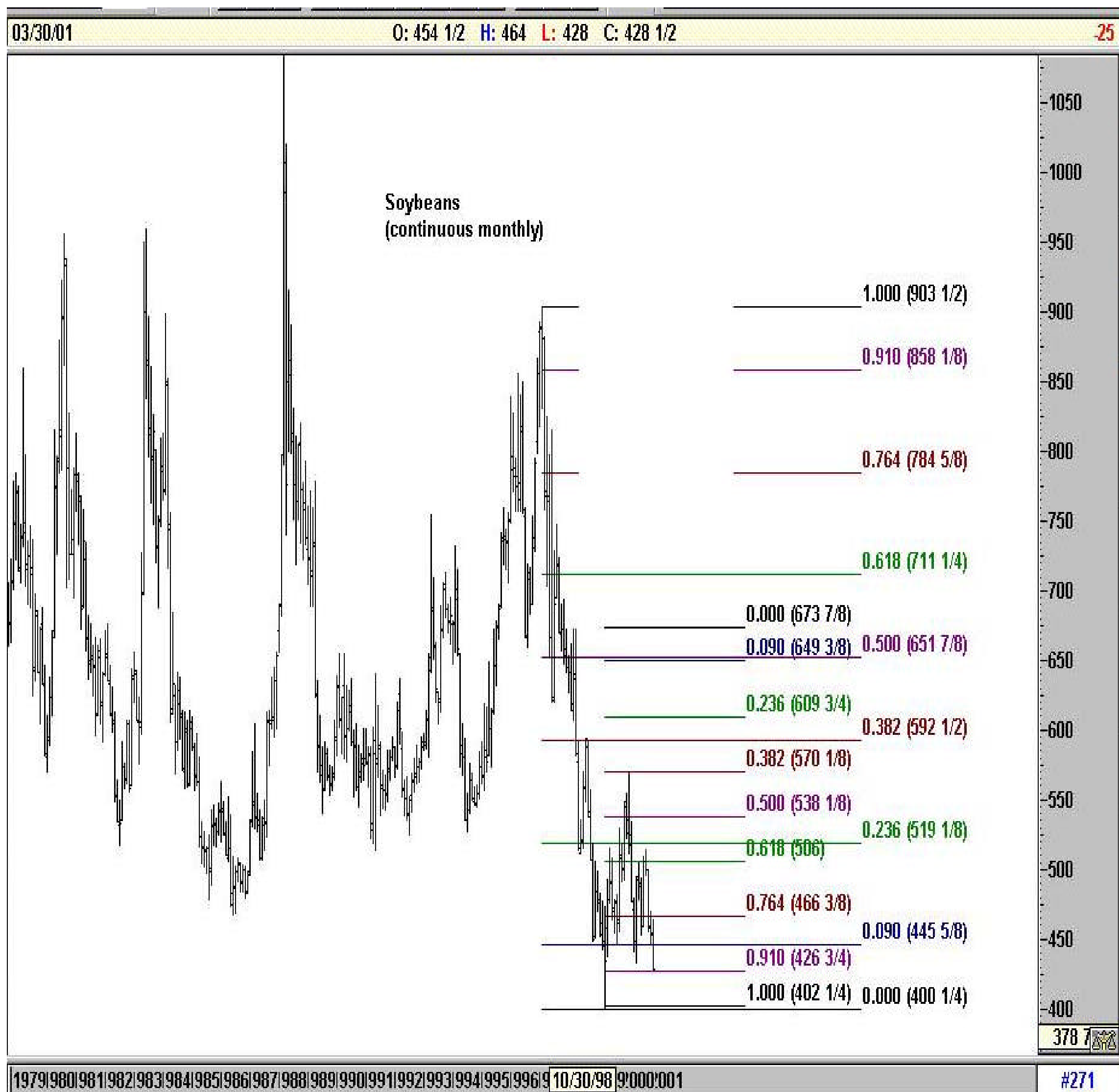
AGCO Monthly – Potential Beef Scare Winner Someday

IBP Monthly – Already a Beef Scare Loser

The financial press and commentators seemed surprised when the IBP merger fell apart, and queried what Tyson had found beyond a bit of shoddy IBP accounting to precipitate Tyson backing out. Three months of highly publicized mad cow and hoof-and-mouth problems in Europe seems the obvious answer to me. Tyson – never itself known for its ultra-cleanly chicken processing – may have decided that it's simply best to leave beef processing to others for the moment.

Soybean prices are of course currently near record lows, with traders worried about record crops being grown in Argentina and Brazil. But if the U.S. were to ever ban the use of animal-parts-derived feed (as they should!), replacement of such feed by soybean-based supplements would strip the U.S. of its entire soybean inventory. The current natural gas shortage in California would pale in comparison to the potential soybean bull market.

Here at Sand Spring Advisors, we think such a FDA ruling will eventually transpire, but likely only after a true beef scare. The more difficult question is when this will occur and from what replacement product price level. I challenge any Elliott analyst to assign a proper count to the continuous-contract chart of soybeans below, but just by looking at this picture, there is no arguing that soybeans are already cheap. Maybe they will find support right here on the brink of turning even more horrific.



Meanwhile, taking an ultra-long term view of Live Cattle futures, Live Cattle are in demand now as a replacement product for European meat products, but from a technical perspective, we think Live Cattle prices could turn down at any time. Maybe marginal new

contract highs will happen first, and then this “three-thrusts to a high” pattern should roll over and die.

Another theme we derive from this whole situation is that the British pound is not going to be a good performer anytime soon. Their BSE problems have only be exacerbated of late by all the recent chaos on hoof-and-mouth. We maintain an eventual target of at least 1.3611 on the pound given its Fibonacci rhythm of decline to date.

And then of course there are the fast food chains in the U.S. Is that a huge head-and-shoulders top we spy on Wendy's?

On a break of its 100-month moving average support near $25, could McDonalds turn into a $10 stock?

Sure it could, but we'd wait before selling it right here.

Remember our first theme of this article: the markets are short term oversold. Extended fifth waves typically get retraced twice.

While these ramblings we have focused on many negatives for the markets that abound out there -- potentially re-emergent stagflationary tendencies, new stricter financial regulations, and perhaps most serious of all, an increasingly suspect food chain -- does that mean equities are going to collapse right now?

No. Something – we don't know exactly what -- should come along in the short term to give us a sigh of relief. That's just the look and the feel of the charts. The NASDAQ composite at 1699 and the NASDAQ 100 at 1459 are likely the worst levels we could get to in the short term.

It's more the longer term we worry about.

Send us your comments at info@Sandspring.com.

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