

PRIVATE WEALTH ADVISORY

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Portfolio Update: TWM

Dear Subscribers,

Last Friday I urged you to hold on to our short: the UltraShort Russell 2000 ProShares (TWM) as I believed stocks would roll over once options expiration hit. Sure enough, the market tanked this morning as the World Bank lowered its growth forecast for the remainder of 2009.

The Russell 2000 is now on the cusp of a serious breakdown... or another rebound.



As you can see, the Russell 2000 has recently staged a bullish cross over (when the 50-DMA crosses above the 200-DMA). This typically is a very bullish move. However, as I've noted several times, this market rally is losing steam big time and has only been propped up by numerous interventions.

Thus we have a quandary: do we sell now to lock in our gains (currently 11% in less than two weeks)... or do we hold on in expectation of greater gains when and if the Russell 2000 truly collapses?

I say, sell now and lock in the gains.

I do believe stocks will head lower in the coming months. But we are currently experiencing a historic rig in the market. The Feds are doing everything they can to keep this rally going. Stocks have traded sideways for a month now, but have managed not to completely roll over. And the Russell 2000 chart is definitely in rally territory due to its recent bullish cross over.

With TWM, we've already got double-digit gains in two weeks. True, we may see more gains if we hold on, but given the level of intervention we're seeing as well as the general trend line for the Russell 2000, I believe it's time to take our profits.

And 11% in less than two weeks is a solid gain in a short time.

Action to take: Sell the UltraShort Russell 2000 Proshares (TWM) before the market's close today.

I'll be using today's close as the official sell price in our portfolio.

Good Investing!

Graham Summers