ALVERY BARTLETT GROUP

MARKET COMMENTARY

BY ALVERY A. BARTLETT JR.
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Staying the Course, Overtly Bearish…

Prices as of August 24, 2010 Close	
30 Year Treasury Bonds (CBT)	135-26/32 3.875% Yield
Dow Jones Industrial Average	10040.45
S&P 500 Index	1051.87
Spot Crude Oil Futures	$71.58
Spot Natural Gas Futures	$4.051
Spot Gold Futures	$1232.7

Our November 2009 market commentary letter was entitled, "Once again, Overtly Bearish…," and our January 2010 market commentary letter was entitled, "Still Overtly Bearish," and as you can tell from the title of this letter our stance has not changed (previous market commentary letters can be found at www.alveryb.com). It sounds like the record is broken; how much longer will the boy cry wolf? Some foreign markets started to weaken as early as September 2009, while the U.S. equity markets, internally, were showing similar signs of weakness since Nov/Dec of 2009. Please excuse the technical jargon, but the market has traced out a 34 week head and shoulder topping pattern – and spent this time tempting more bulls. It has rallied just in front of big time support numbers on six or seven occasions in last two and half months. The bull structures have been repeatedly tested and the bear has been repelled just in the nick of time. One could find solace in the recent buyout activity, low interest rate environment, the reports of cash hoards, and the improving corporate balance sheets, but rallies have not been supported by macro fundamentals, which keep disintegrating. The internal technicals of the market, such as net up vs. down volume, market breadth, and analysis of momentum have been indicating continuing weakness. World markets seem to be set up for a large unified move in the same direction. The dominos are so well lined up that any move to the downside beyond these current levels (1030 on the S&P 500) would expose even more serious danger. We still don't see initial support levels until 870 or 820 on the S&P. Major support rests below 600 on the S&P – a frightening thought. Cycles suggest lows going into the end of October, early November, and possibly as late as the end of March. The market needs to hold these levels and rally beyond the first week or two in September to establish a more believable reprieve. Once again, prices need to quickly get up and out of this hole, which the market has dug for itself. Investors should be prepared for even more violent moves in the near term.

Sincerely,
Alvery A. Bartlett, Jr.