

Hi Everyone

I think a correction is in the cards for the not to distant future so we are not adding any new investments at this time. And we will probably use strength to cut our equity positions if the market continues to go up further.

There are watching two extremely over bought sentiment indicators which are the 5 day and the 10 day CBOE put/call ratios. They both are at extremely over bought ratios. This is the most stretched that these two indicators have been going back to January 2004. If you will remember that is when the market topped out after the initial phase of the bull market ended and the market ended up going into a rather lengthy pull back relative to time it lasted about 6-8 months; the damage was not extreme but the market was very choppy and difficult to trade and would have been better just to have been out.

I think that is sort of what the market is lining up to do right now with the S&P 500 approaching major over head resistance.

The last time these equity only put/calls were stretched was in the middle of January and that was right before we had the 8-9 percent pull back I the major indices, the last couple of times we had one in October which lead to a pull back and then we had one September and August that lead to smaller pull backs. But with the market extended so far this time I think that we are going to get a bigger pull back then the ones we saw over the summer.

There are many other indicators as well pointing to the market being very over bought including an indicator that tracks the market advisors sentiments. This pole has shot up to 75% bulls. This is the highest we have seen this pole since 2007 which was the peak of that bull market.

So with this pole and others showing extreme over bought or frothy numbers here I think that this is another indication that too many people are betting on the market continue higher. When every body gets to the same side of the fence the fence is going to break. So I think everything is lined up here for a decent size pull back or a correction starting anytime here in the second quarter and lasting at lease into the third quarter if not longer.

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