

Good Afternoon,

“The lesson is clear: when we celebrate a great achievement, we are not just celebrating hard work, but also a competitive process where some have won and others have lost.”

-David Shenk

I was reading David Shenk's new book 'The Genius In All Of Us' on Friday and couldn't stop smiling. Finally, the **Perceived Wisdoms** associated with intelligence being endowed upon us genetically are dying on the vine of science. This is another major victory for those of us who agree with Shenk that "talent is not a thing; it's a process."

The 27 members of the European Union (EU) ostensibly approved a 750 billion euro (\$905 billion) stabilization package to "shock the shorts" and stabilize currency and sovereign debt markets. As I write this the S&P 500 ([SPX](#)) futures are up 50 points and the Dow ([DJI](#)) futures are up more than 400 points.

Risk management is a process. So is being proactively prepared for **The Keynesian Elixir** that has become our global economic resolve. Per our friends at Wikipedia, "an elixir is a sweet flavored liquid used in compounding medicines to be taken orally in order to mask an unpleasant taste and intended to cure one's ills. Elixir in the noun form means a drink which makes people last forever."

Forever is a long time. Since last October I have been preparing you for a huge correction that would take place in April or early May so what happened last week should not have been a surprise nor should it have scared you.

What we have here is a very healthy competitive process where some will win and some will lose.

For the month of May to-date, here's the score for US Equities: Dow -5.7%, SP500 -6.4%, Nasdaq -8.0%, and the Russell 2000 -8.9%. This is what we call a market that's immediate term oversold. That doesn't mean that it's not broken because it is.

From a risk management perspective, it's not only critical to probability weight where we are immediate term oversold, but to also have a point of view on ranges of probabilities as to where we could bounce.

1. S&P 500: 1110-1143, with 1143 being our intermediate term TREND line of resistance, and 1172 being the line that's in play if we close > 1143.
2. Nasdaq: 2267-2335, with 2335 being our intermediate term TREND line of resistance, and 2425 being the line that's in play if we close > 2335.

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