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Market Background

When we kicked off this week, the market had been struggling over the previous 10 trading sessions, with selling pressures pushing the **S&P 500** back below its 50-day moving average and its ascending-support trendline. Despite that technical damage, the market is currently benefiting from oversold conditions and the prospect of some key economic data. Both have left the bulls with a pretty good opportunity to step up to the plate and to generate the sort of squeeze that has been the hallmark of this market for the past nine months.

The road, unfortunately, hasn't been very smooth. As it stands, the major indices are positive for the week, but only by a small amount, and the bulls have had a hard time getting anything going. Two days this week, for example, the market finished the session well off its highs. One session closed near the best levels of the day, but in that case the volume was notably light and the intraday range was very narrow. On Wednesday, however, came some of the most disturbing action that we've seen in a while. Despite oversold conditions, strong start to the day, and a dovish policy statement from the Federal Open Market Committee (FOMC), market players still sold into so-called good news and strength.

Taking a look at the charts and the overall action over the past few weeks, it's clear that overall market conditions are shaky. Like I've been saying in my blog on *RealMoney*, the upward trend has yet to change, and it will take time for that to happen *if* it is going to happen. Still, the bulls are losing confidence, and not much has happened to change that.

For the past nine months, the market has been exhibiting an unusually consistent pattern but, over the past couple of weeks, the evidence suggests that that a consistent pattern might not work this time. Interestingly enough, nothing has really changed from a fundamental perspective. In fact, the earnings news and economic data we've seen suggest that the economy has continued to heal. Sure, unemployment remains a huge issue, and likewise for all of the other concerns about which that the bears have been lately pounding the table. There hasn't been any major bombshell, however, to indicate that lower prices are in the cards.

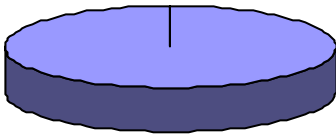
Regardless of any influences or fundamental underpinnings, the simple fact is that investors have behaved differently since both the Dow industrials and the S&P 500 have come within spitting distance of their respective primary descending-resistance trendlines. I talk a lot about monitoring the character of the market (as nebulous a task as that might be), and there's been a definite shift. Whether the bulls will step up and keep the pattern of V-shaped bounces intact is anybody's guess. But instead of having some sort of unwavering outlook as to how the action will play out, the most important thing to do is to have a plan in place that you can execute no matter which way the proverbial cookie may crumble.

Plan of Attack

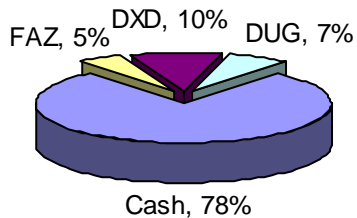
The vast majority of market commentators would have us believe that they are never wrong. Despite the fact that the market will always be wholly unpredictable, so-called market gurus try to give us the impression that they're always perfectly positioned to deal with whatever the Market Beast may throw their way. In the short term, that sort of approach may sell subscriptions, boost readership or attract new viewers. But anyone who tries to navigate the market with an eye toward longer-term success knows that it's impossible to be "right" most of the time.

Current Long-Term Allocation

Cash, 100%



Current Short-Term Allocation



In fact, the most successful investors will tell you that they are actually "wrong" more times than not. The market's job is to make sure that the greatest number of its participants are as poorly positioned as possible, as frequently as it can, and in as many ways as there are stars in the heavens.

The secret, of course, is in a disciplined money-management approach. Another crucial factor lies in continued acceptance of the fact that, no matter what happens, we will never be able predict or influence (neither with actions nor hopes) how the market will behave.

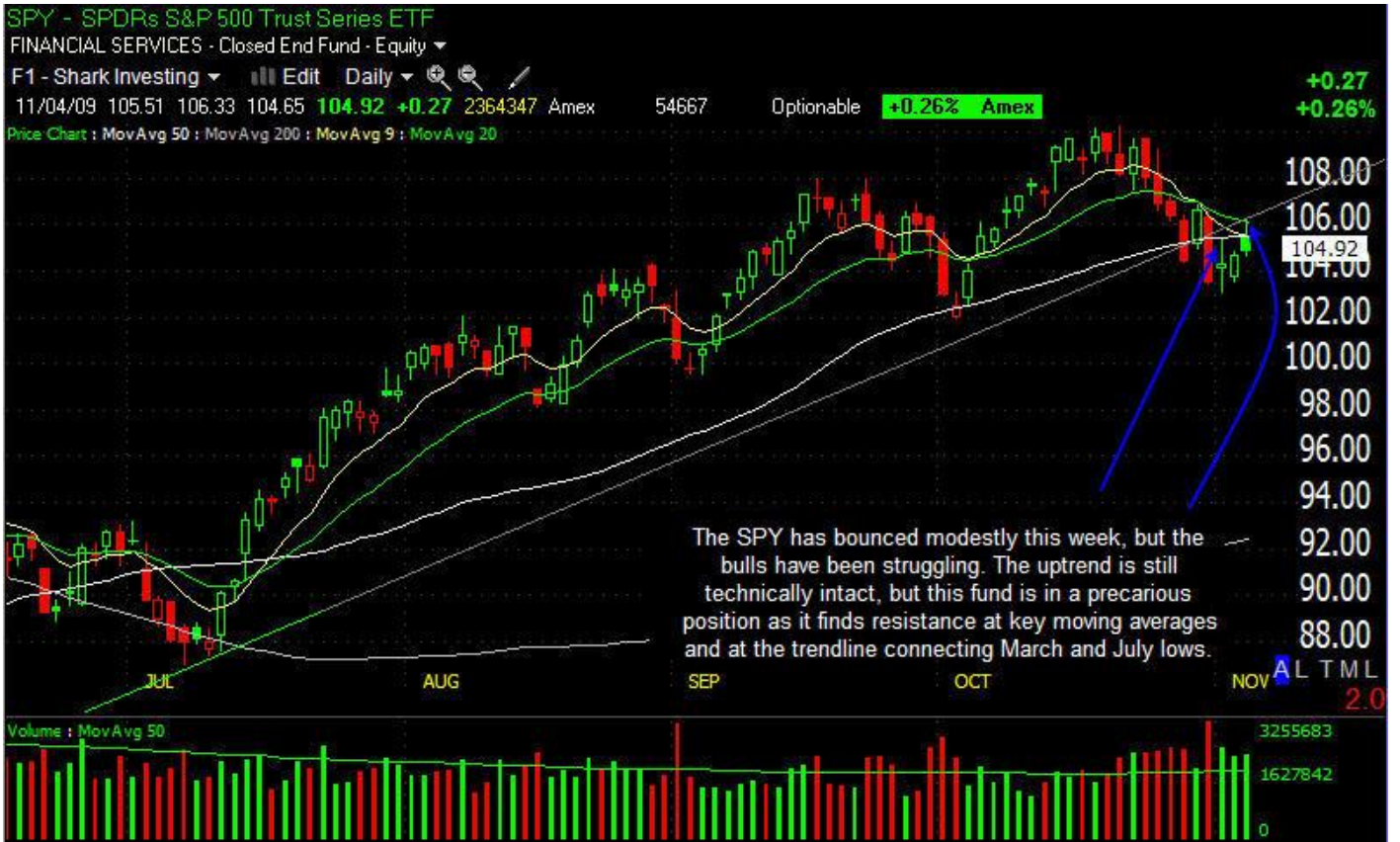
For the first time in a while, I feel a little better about my positioning in the model portfolio. I have no idea how things are going to play out, and the bulls may surprise us yet again. The overall pricing action has deteriorated, however, and that needs to be respected.

Existing Positions

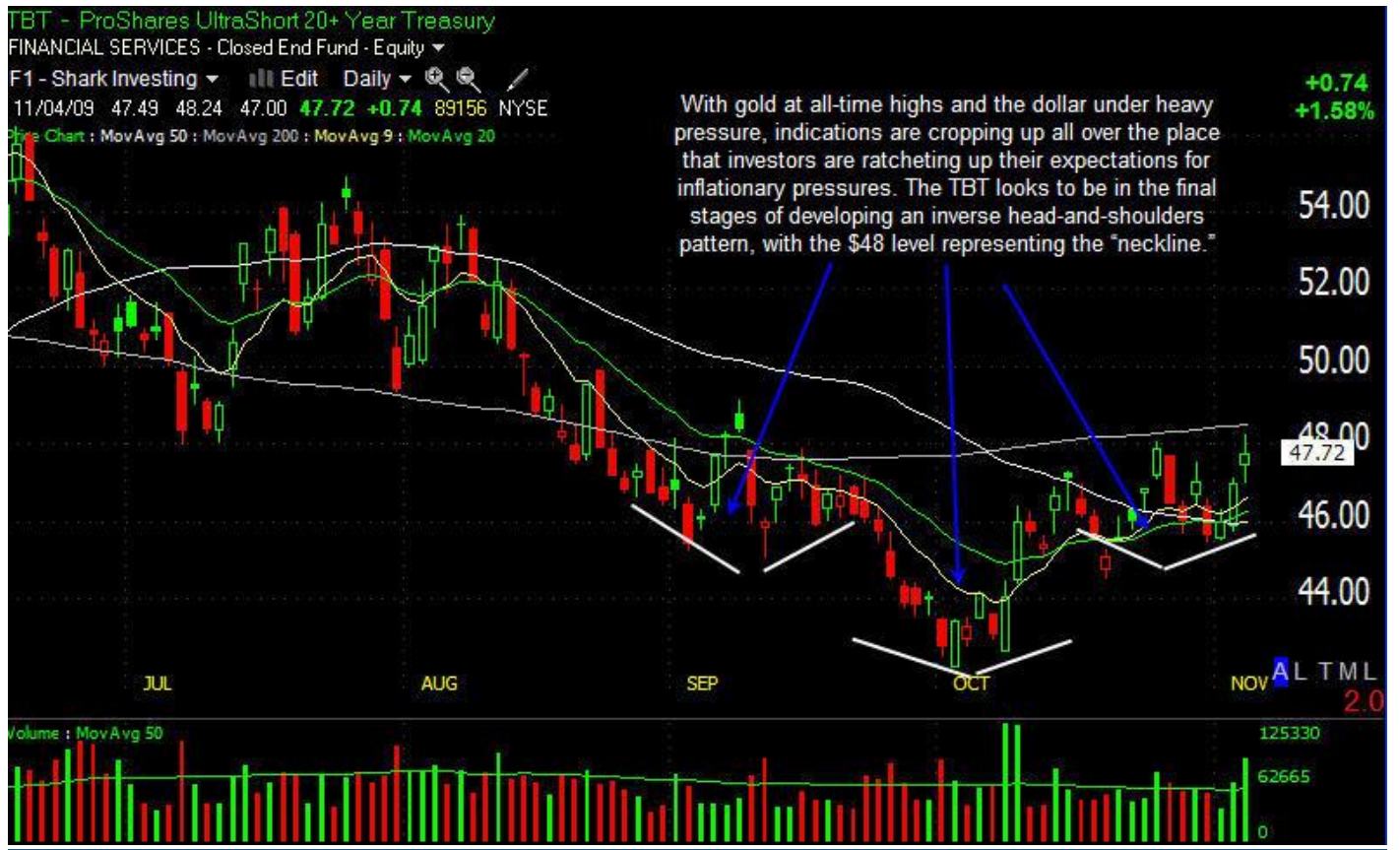
- **ProShares UltraShort Dow 30 (DXD)**: Although the Dow Jones Industrial Average remains above its 50-day moving average, it's the only major index that's still above that key technical measure. The bears are gaining confidence by the day and, as such, I'm going to give my position in this fund some more room.
- **Financial Bear 3X (FAZ)**: Over the past week, the FAZ has been building a small base above its 50-day moving average. Financials stocks have been acting poorly lately and, as a result, I think that this fund has a good chance of running higher.
- **ProShares UltraShort Oil & Gas (DUG)**: Continued weakness in the greenback has helped weak-U.S.-dollar areas of the market to hold up relatively well lately, and I continue to look for an opportunity to cut this position.

ETF Watch

SPDRs S&P 500 Trust Series (SPY)



ProShares UltraShort 20+ Year Treasury (TBT)



SPDR S&P Homebuilders (XHB)



SPDR KBW Regional Banking (KRE)



Have a great weekend, and as always, stay on the lookout for my Allocation and Market Alerts.

James "Rev Shark" DePorre

MODEL PORTFOLIO

TRADING POSITIONS

Holding	Current Quote	Date Initiated	Allocation	# Shares	Cost Basis per Share	Current Value	\$ Gain/Loss	% Gain/Loss
ProShares UltraShort Oil & Gas (DUG)	\$12.79	7/17/09	TR -- 7%	378.79	\$18.50	\$4,844.72	-\$2,162.89	-30.86%
ProShares UltraShort Dow 30 (DXD)	\$32.54	5/18/09	TR -- 10%	203.17	\$49.26	\$6,611.15	-\$3,397.00	-33.94%
Financial Bear 3X (FAZ)	\$21.30	4/22/09	TR -- 5%	53.82	\$93.48	\$1,146.37	-\$3,884.73	-77.21%
CASH Position			78.0%			\$80,245.33		

PERFORMANCE – Trading Positions

Original Cost	\$ 100,000.00	<p>Performance results listed here reflect values of stocks as of the close of the most recently completed trading day, and take into account dividends paid, interest earned in the cash in the model portfolio (using the average money market rate compounded daily), and a model commission rate of \$8.00 per trade. Results are updated overnight (other than interest earned, which is updated monthly) and posted prior to the market open the following business day. The YTD Return figures reflect changes since the first trading day of the current year. The Total Average Return figures reflect changes since the model portfolio's inception 3/15/2007.</p>
Current Value	\$92,841.42	
Total Average Return	-7.16%	
2009 YTD Return	-12.95%	

LONG-TERM POSITIONS*

Holding	Current Quote	Date Initiated	Allocation	# Shares	Cost Basis per Share	Current Value	\$ Gain/Loss	% Gain/Loss
--	--	--	--	--	--	--	--	--

CASH Position 100%

* Please note: There are no long-term positions in the model portfolio at this time.

PERFORMANCE – Long-Term Positions

Original Cost	\$ 50,000.00	<p>Performance results listed here reflect values of stocks as of the close of the most recently completed trading day, and take into account dividends paid, interest earned in the cash in the model portfolio (using the average money market rate compounded daily), and a model commission rate of \$8.00 per trade. Results are updated overnight (other than interest earned, which is updated monthly) and posted prior to the market open the following business day. The YTD Return figures reflect changes since the first trading day of the current year. The Total Average Return figures reflect changes since the model portfolio's inception 3/15/2007.</p>
Current Value	\$ 50,838.51	
Total Average Return	1.68%	
2009 YTD Return	0.53%	

(The overall model portfolio performance continues on the next page)

OVERALL MODEL PORTFOLIO PERFORMANCE

Total Original Cost	\$ 150,000.00	Performance results listed here reflect values of stocks as of the close of the most recently completed trading day, and take into account dividends paid, interest earned in the cash in the model portfolio (using the average money market rate compounded daily), and a model commission rate of \$8.00 per trade. Results are updated overnight (other than interest earned, which is updated monthly) and posted prior to the market open the following business day. The YTD Return figures reflect changes since the first trading day of the current year. The Total Average Return figures reflect changes since the model portfolio's inception 3/15/2007.
Current Value	\$ 148,867.03	
Total Average Return	-0.76%	
2009 YTD Return	-7.36%	

S&P 500

	Date of Portfolio Inception	Open Level	Current Level	% Gain/Loss Since Portfolio Inception	2009 YTD Return
S&P 500 Index (SPX)	3/15/2007	1,386.95	1066.63	-23.10 %	18.09 %

At the time of publication, Mr. DePorre held no positions in the stocks mentioned.

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James “Rev Shark” DePorre is a self-taught trader who primarily trades for his own account from his home on Anna Maria Island, Fla. He also writes the “Trading Insights” blog for TheStreet.com, Inc.’s *RealMoney* premium subscription Web site. TheStreet.com, Inc. is a publisher and has registered as an investment adviser with the U.S. Securities and Exchange Commission.

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