



Taking Profits

March 19, 2009

Ben Bernanke has put on the Superman cape and is now clearly the leader of the Plunge Protection Team (PPT). He caught the markets flatfooted and out of position yesterday. Superman Ben announced \$1.2 TRILLION of intervention in the bond and mortgage markets.

Gold soared. Bond prices soared and yields imploded. The stock market popped. Commodity prices popped. The U.S. Dollar pooped. It was an amazing display.

Here is a two day chart of GLD (streetTRACKS Gold Trust Shares, as of about 7:15 a.m. PDT this morning). Look at that spike following the Fed announcement yesterday. It was like fireworks going off. Superman Ben declared that he was not going to let us go into a deflationary depression. He put \$1.2 Trillion of brand new fiat dollars on the line to back that promise. These are fictional dollars to be electronically printed soon at a printing press near you! He will clearly do more if he needs to. If there was any doubt before yesterday it is now clearly gone. The "reflation" (inflation) trade is on!



We used the day to take some profits on the trades we had recently put on for the Fresnel and New World models. We sold half of three of the index ETF's we had purchased. Call it luck or call it smart, but we sold right near the high tick of the day. Those sales included the XLK (Technology Select Sector Spyder), the SPY (S&P 500 Index Spyder), and the MDY (S&P Midcap 400 Spyder).

This morning we sold the other half of those index Spyderys. So as of this writing we have taken nice profits on all three trades for the XLK, SPY and MDY.

Fresnel now owns very small allocations to American Oriental Bioengineering (AOB) and the NYSE Euronext (NYX).

The New World owns allocations to AOB and Smart Balance (SMBL).

THIS IS STILL A TRADERS MARKET. DO NOT MISTAKE THIS RALLY AS "MADE FOR INVESTORS"!

Expecting a Pullback by Next Week

All of our short term trading indicators point to the stock market being very overbought (on a short term horizon) and we are expecting the market to retreat. Whether that starts tomorrow or next week can't be determined. But the odds now overwhelmingly favor a pullback.

Tomorrow is options expiration day and we could see the market make one more attempt to rally between now and the close on Friday. It would not surprise us to see a push into the 805-815 area. That may or may not happen. Whether we hit near term highs yesterday, or will hit them today or tomorrow is irrelevant to us. We expect the market to retrench next week.

Economy Still Weakening, Stock Market Strengthening, Bonds Strengthening

OK, your brain should be telling you one thing about the markets right now, but I'll bet your emotions are telling you another.

Your brain should be recognizing that the global economy is still getting weaker. That is because it is. China, the last hope of the western world is slowing quickly.

The March Business Outlook Survey from the Philly Fed was VERY weak. [Click here to read the entire release.](#)

Your emotions are keyed to the equity rally and you don't want to miss it. I have two thoughts about that. The first one is for current 5T Wealth clients - You haven't missed it! Your account never went down 10 to 26% this year, so you don't have to recover from that.

Now a word for many of the NPR listeners who are now tuned in to 5T Wealth - We are happy that those of you who remain in the markets have had the chance to recover some losses. Remember, this is a traders market. Since you are not clients of 5T Wealth, we can't offer you investment advice. We'd simply state that it might be smart NOT to over stay this rally.

Bond prices got a huge lift yesterday from the Fed action yesterday. Their intervention in the market drove yields down and prices up. We will now wait out at least a week to see if these new low yields hold before attempting to add more bonds to any of our models.

The Gold Trade

Gold got a huge boost from the Fed yesterday and that trend is holding today. The funny thing is that GLD was within a hair's breadth of getting a 5T sell daily sell signal yesterday. No worries about that today.

Natural Gas

We told you in the last newsletter that natural gas prices were getting close to our downside target of \$3.50. They got to \$3.81 yesterday. We got SO close to putting on the first part of a long trade (buy) and didn't do it. "Nat gas" spiked over \$4.00 today on the Fed action. Oil is over \$50. We are now wondering if the bottom is in for these two commodities.

We will be looking hard at the commodity trades next week. Today and tomorrow we are going to let these markets settle out a bit.

Mark to Market

I keep getting a lot of questions from NPR listeners about what could derail this rally in equities. My answer is "lots of things". But there is one thing to really keep an eye on. Much of this rally has been based on the hope, and now belief, that there are some serious modifications coming for mark to market accounting. If that does not materialize this stock market rally could evaporate in a heartbeat.

Yesterday FASB opened the comment period on their proposed changes. The deadline for comments is April 1st. We shall see what happens.

On the Road

I will be on the road today and tomorrow. Lee is in the office. Call him if you need him. We will be back to you next week.

All the best,



Paul Krsek

MANAGING MEMBER & CHIEF INVESTMENT OFFICER

5T Wealth Management

(707) 603-2672 Office

(707) 486-7333 Cell

paul@5twealth.com

www.5twealth.com

5T Wealth Management, LLC

(formerly known as K&A Asset Management)

Registered Investment Advisors

702 Trancas St, Ste 200, Napa, CA 94558

707.224.1340

www.5twealth.com

Disclosure and Disclaimer - Updated last on August 13, 2007 by Paul Krsek:

ELLUMINATION is the proprietary newsletter written for clients, friends, and affiliates of 5T WEALTH MANAGEMENT .

Paul Krsek is the sole author of ELLUMINATION. While the views and representations found in the newsletter generally reflect the attitudes and opinions of the 5T WEALTH MANAGEMENT members and staff, Krsek writes without editing and therefore is solely responsible for the content and opinions contained in ELLUMINATION.

ELLUMINATION does not represent the opinions of Fidelity, Fidelity Institutional Brokerage Group, NFS or anyone employed by Fidelity in any capacity. Neither Fidelity, Fidelity Institutional Brokerage Group, nor NFS, nor anyone employed by Fidelity in any capacity has participated in the creation of ELLUMINATION and they are not responsible for the contents or distribution of ELLUMINATION.

ELLUMINATION is written to provide general information to clients, friends, and affiliates. The contents of ELLUMINATION are not to be taken as individual investment advice. No investment decisions should be made based on the opinions or information offered in ELLUMINATION.

5T WEALTH MANAGEMENT does not represent that the information in ELLUMINATION is accurate or complete and it should not be relied upon as such. Opinions expressed herein are subject to change or modification without notice.

The investment portfolio models or management services mentioned in ELLUMINATION may or may not be available in some states, and they may not be suitable for all types of investors.

5T WEALTH MANAGEMENT manages accounts with various histories and investment objectives. Various accounts may be managed differently from time to time.

Krsek makes frequent reference to the model portfolios called Hatteras, Mendocino, Halifax, Bonavista, Fresnel and The New World. During 2005 Paul Krsek was appointed Chief Investment Officer of 5T WEALTH MANAGEMENT, and as such is responsible to make all trading and management decisions for all client accounts which are being managed according to a specific portfolio model. A description of each of our models can be found on our website at <http://www.kaassets.com/choices.htm>.

Not all accounts managed by 5T WEALTH MANAGEMENT are "modeled" accounts. We strongly urge our clients to understand which model, if any, are being used to manage their accounts.

As of July 3, 2007 Lee O'Dwyer joined 5T WEALTH MANAGEMENT as a portfolio manager. Paul Krsek and Lee O'Dwyer frequently discuss investment ideas, model portfolio strategies and the investment policies of 5T WEALTH MANAGEMENT. But when it comes to the implementation of those policies Krsek is primarily responsible to manage the accounts that fit into each model portfolio description. He generally makes all final investment and trading decisions relative to those accounts that are considered to be "modeled." However, in Krsek's absence O'Dwyer does have the authority to trade all client accounts. He has been actively trading accounts in the various models since joining 5T WEALTH MANAGEMENT.

From time to time 5T WEALTH MANAGEMENT receives requests from clients to purchase securities that are not included in the model portfolio to which they are assigned. Effective May 24, 2006, 5T WEALTH MANAGEMENT has encouraged clients to hold such securities in a separate account for the client. Because 5T WEALTH MANAGEMENT is a "fee only" registered investment advisor" it charges its normal management fee for monitoring such securities in the separate accounts in which they are held.

5T WEALTH MANAGEMENT makes every effort to exclude securities that are 'requested by the client' from the modeled portfolio accounts.

The investment objectives of various accounts and models may be substantially different from one another. Therefore topics or investments mentioned in E-illumination may or may not apply to specific managed accounts and/or models.

Trades or adjustments to accounts mentioned in ELLUMINATION may or may not happen in every account managed by portfolio managers at 5T WEALTH MANAGEMENT.

If you are not satisfied with the investment results in your account it is your responsibility to inform Krsek or Andreae and to discuss possible changes that can be made to the account to accommodate and satisfy your needs.

The assets held in managed accounts at 5T WEALTH MANAGEMENT may include stocks, bonds, cash, commodities, foreign exchange or mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.

The portfolio managers at 5T WEALTH MANAGEMENT do not guarantee results.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest.

From time to time Krsek lists the simple annual returns of the six model accounts in this newsletter. These accounts are "models" and do not represent the actual results accruing to individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their quarterly reports prepared using Centerpiece.

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy any securities or other instruments mentioned in it.