Sand Spring Advisors LLC

A Brief Update into the Year of the Ox

By,

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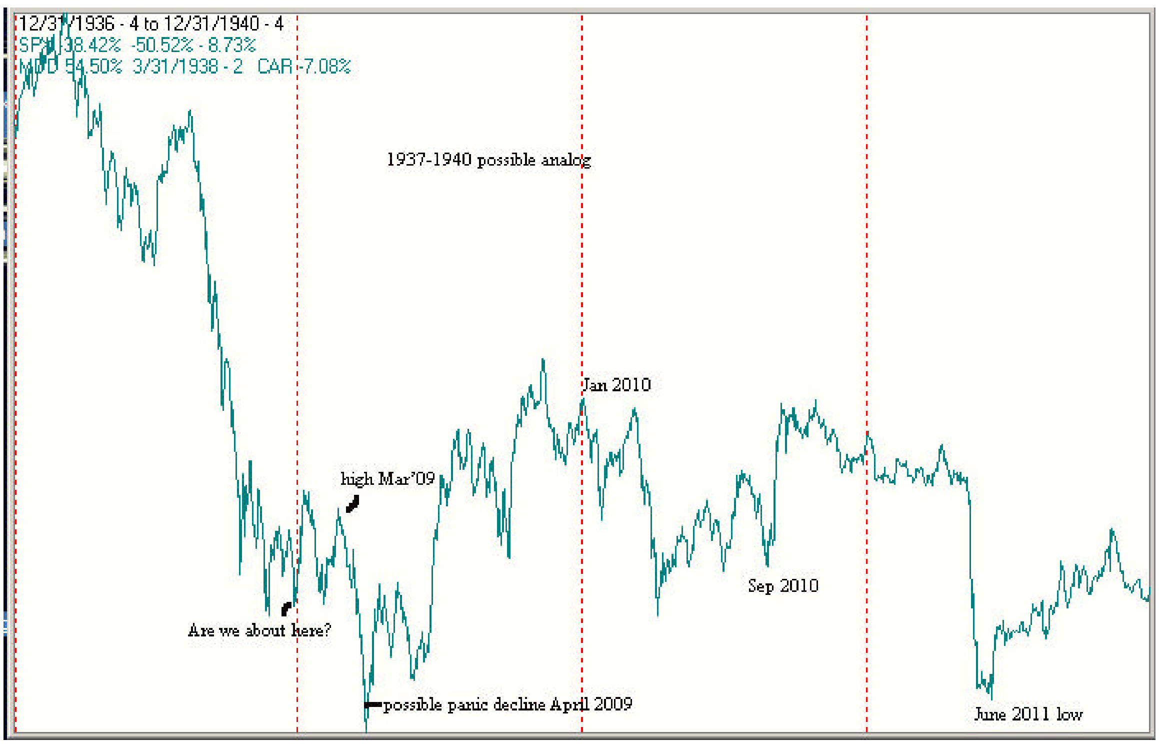
January 25, 2009



We left off our last monthly newsletter with the 1937-1940 analog chart above.

The "Are we about here?" comment suggested a swift rally in the first few days of January 2009, followed by an equally swift decline back towards last year's lows.

Both moves transpired about as expected as the U.S. equity market vaulted higher into January 6th before collapsing into January 20th.

Within what easily might be perceived as a choppy 4th wave of some degree, we feel that it is now time for yet another upswing which should last at least into early- to mid-February.

On a weekly basis, we believe that we are about to start the 4th wave B-C rally period depicted below.

This is obviously a "pins-and-needles" type of move to play because we admit that a final plunge lower in a 5th wave likely still lurks in our future. But such a 5th wave down is likely more an event that transpires towards the end of the first quarter – not now. This latter move could easily be hedge fund redemption related toward quarter end combined with some geo-political crisis.

For now, we need to stick to trading our 1938 analog – and at least from here, that analog is bullish for a minor swing move higher.

One pi-related timing element that may be of some importance is also offered to us by Bill Erman of Ermanometry.com. He points out that in trading days (not calendar days) 3141 (pi) days separated the 1987 crash low and the all-time constant dollar S&P top on March 24, 2000. 3141 divided by the square root of 2 (1.4142) = 2221 days. 3/24/2000 + 2221 trading days = 1/26/09. Time for a minor low?

Another tidbit of bullishness comes from the folks at *Stock Market Cycles*. They note:

> There was an interesting sentiment indicator at the market close Friday that was potentially bullish. The March S&P e mini contract closed at an 8.45 discount to the S&P cash. It is a good indicator with which to judge market sentiment although the data must be treated carefully depending on where the futures are in relation to their three month cycle. The last time the futures closed at such a large discount was November 21st, the day when the low for the year was registered in 2008.

Here at Sand Spring, we have long witnessed the proclivity of turning points to also fall on or around Full Moons and New Moons, and Monday January 26, 2009 represents a New Moon with a solar eclipse -- indeed also the beginning of the Chinese Lunar New Year: the Year of the Earth Ox.

1997 was the last year of the Ox and also the last time Jupiter was in Aquarius (something that transpires for one-year approximately every 12-years). 1997 was a turbulent year, but generally one of hope and expansion – and arguably the year when the Internet became a much larger portion of all of our lives. Interestingly, 12/30/37 to 5/14/38 was a similar such Jupiter in Aquarius period; albeit the Year of the Ox in 1937 was moving to become the Year of the Tiger in 1938.

While we are not Astro experts, Jupiter in Aquarius appears to be a force of general expansiveness in new thinking and quantum leaps forward in technology. Jupiter's mid-year conjunction with Neptune (which effectively stretches to year-end) is similarly an alignment of hope, relief, and recovery. This window occurs however within the previously discussed multi-year dour and conservative Pluto in Capricorn transit. To our mind, the period as a whole thus represents a bounce within a downtrend.

As a first step, could a rally which begins this week end (or at least takes a pause) on or about the Full Moon and Lunar Eclipse on February 9th? Technically, such feels about right. The excuse for such may easily come from Obama-hype of new programs and approaches. Of course, whether these approaches work in the end may be a very different question than enjoying a bounce from them as they are announced and latched upon by a general public salivating with hope for new leadership.

We are generally not ones to play a "Greater Fools" path to investing, but in the current instance, a short-term lay-up trade to the upside seems likely.

Stay tuned. We are migrating to these brief updates as the duration of our standard trading window also shortens.

Send us your comments at information@Sandspring.com.

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