

“Despite Declines Damage Demands Respect”

S&P 500, DXY, Euro, Oil, Gold, Silver, Copper, VIX, % of Stocks Above 200 Day MA, Brazil, Russia, India, China, Turkey, Pakistan, Greece, Euro STOXX 50, MSCI EM, Palestine, Sri Lanka, Bangladesh

While last Friday’s late day reversal in the S&P offered faint hopes that the worst of the global correction is behind us, many markets around the world (see charts) remain in a weak technical position and the potential for further downside must be respected. Previous areas of well defined support continue to betray our trust and should no longer be relied upon to provide the warm blanket of security which they had throughout the historic advance of 2009. Experience has shown that failed technical setups can tell us as much about the market’s health as patterns which are successful. While I would like to believe that the double digit declines in stocks and commodities has provided the buying opportunity of the year, the technical damage incurred by this aging advance suggest that a deeper correction is in store before the uptrend resumes in earnest.

S&P 500



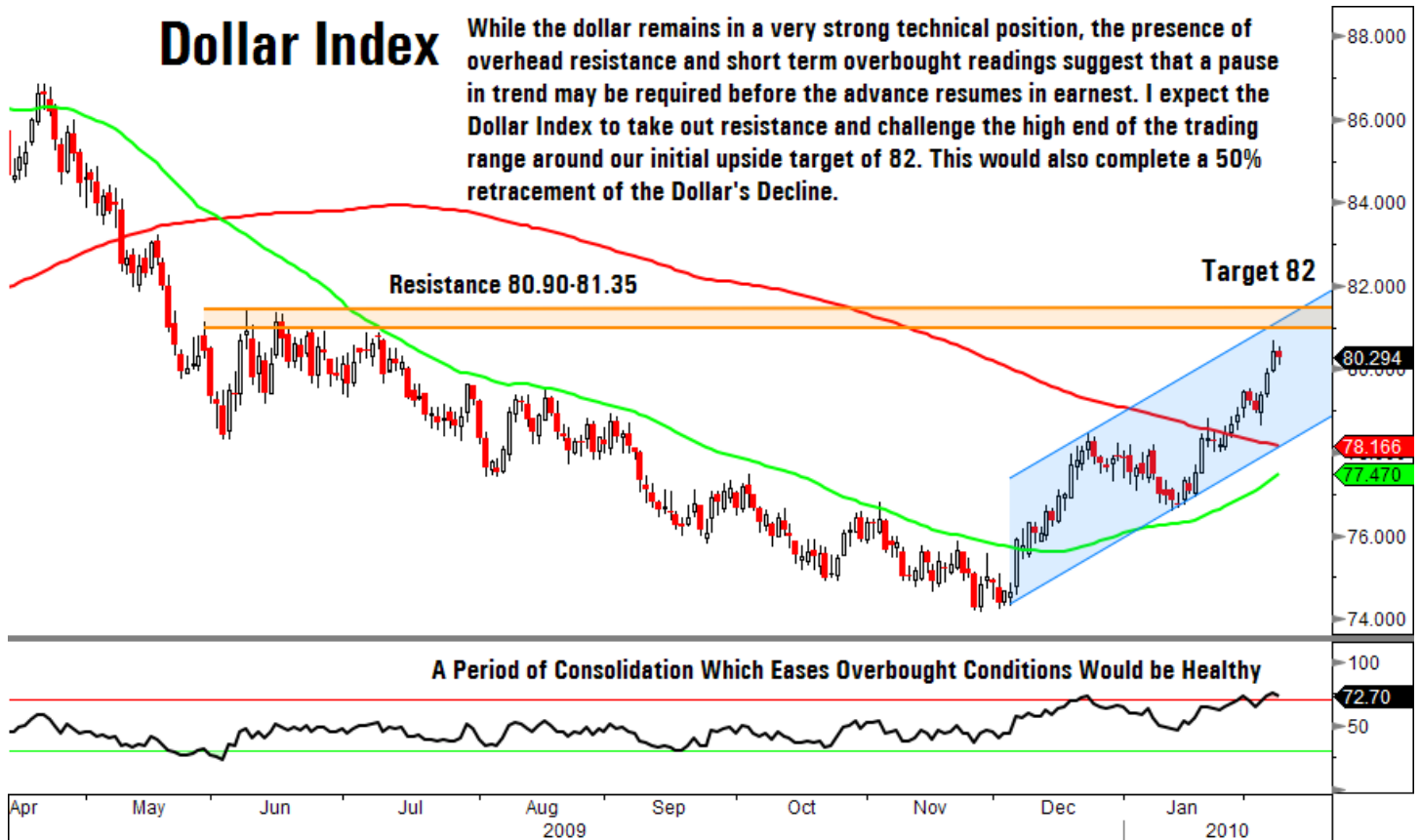
See Important Disclosures and Analyst Certification on Page 12

Auerbach Grayson & Company Incorporated 25 W 45th Street New York, NY 10036

Member FINRA, SIPC

Dollar Index

While the dollar remains in a very strong technical position, the presence of overhead resistance and short term overbought readings suggest that a pause in trend may be required before the advance resumes in earnest. I expect the Dollar Index to take out resistance and challenge the high end of the trading range around our initial upside target of 82. This would also complete a 50% retracement of the Dollar's Decline.



DX-Y -- DOLLAR INDEX SPOT G72 Daily 2/9/09 to 2/8/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 10:32:56

Euro

Given the torrid pace of the decline and the presence of "deeply oversold" conditions, the Euro could be set up for an ephemeral bounce. However, I can not endorse the "catch a falling knife" strategy. A break below Friday's low (1.3586) may lead to a sharp and swift decline which tests the low end of the trading range and our initial downside target of 1.35. This would also complete a 61.8% retracement of the Euro's entire advance.



EUR EURO SPOT G72 Daily 2/9/09 to 2/8/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 11:00:20

Crude Oil

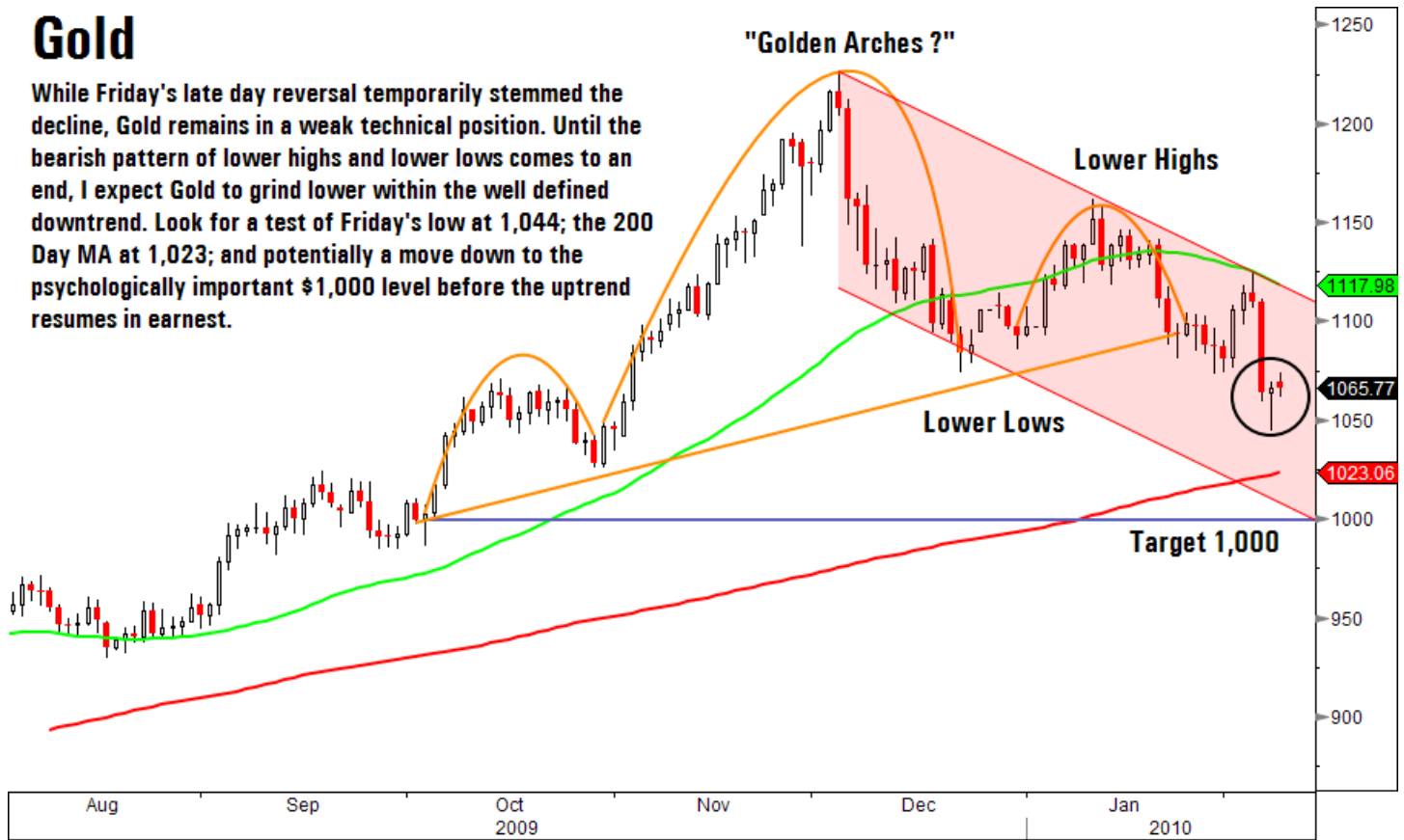
Friday's downside break of the well defined 9 month trading range has added to an already weak technical position. While today's intraday reversal at the 200 day MA is encouraging, the technical damage suggests that Crude is poised to test \$68 at a minimum. A close below \$70 would generate a confirmed sell signal and set the stage for a move down to \$65.



CL1 - Generic 1st 'CL' Future G72 Daily 2/9/09 to 2/8/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 11:21:00

Gold

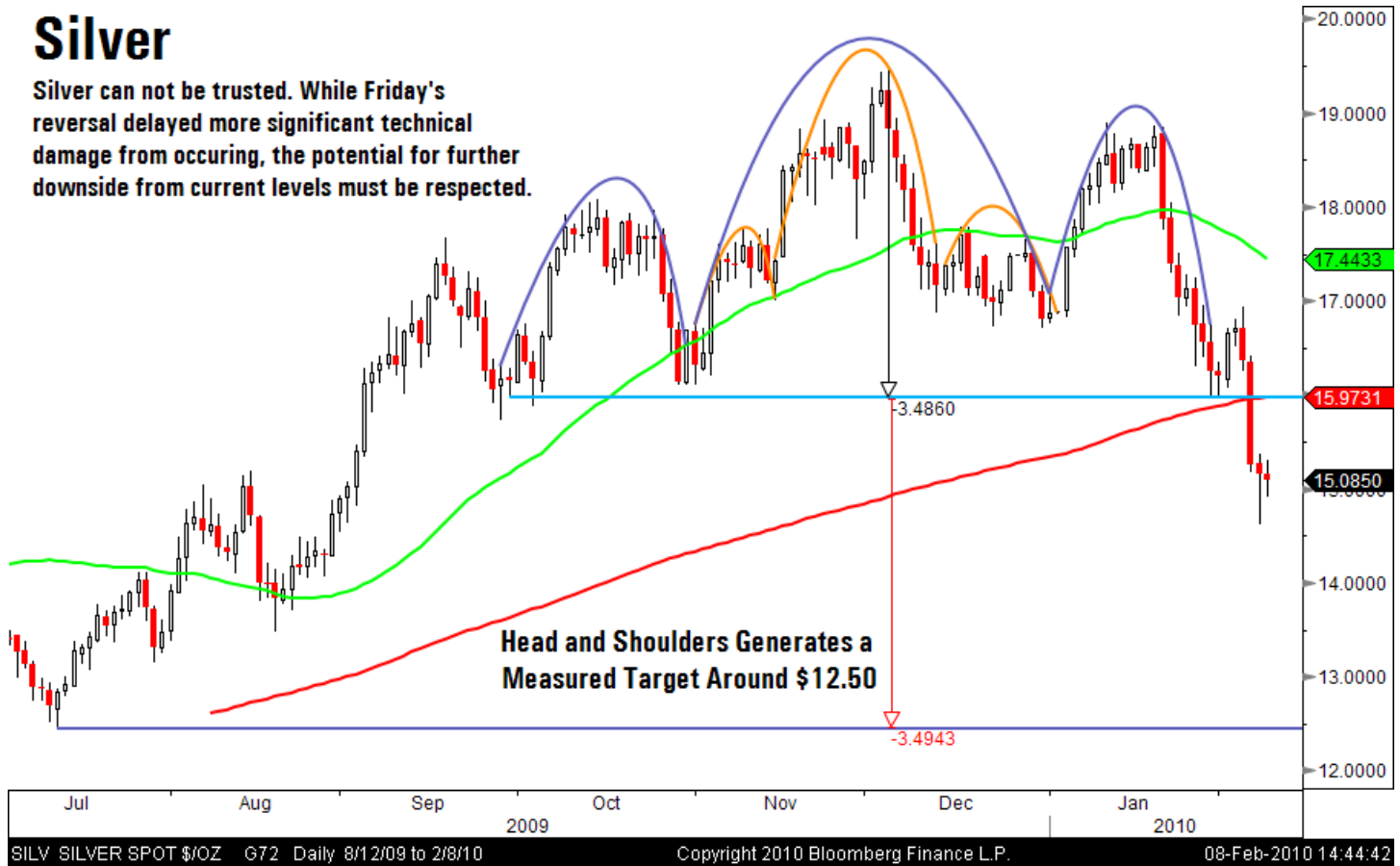
While Friday's late day reversal temporarily stemmed the decline, Gold remains in a weak technical position. Until the bearish pattern of lower highs and lower lows comes to an end, I expect Gold to grind lower within the well defined downtrend. Look for a test of Friday's low at 1,044; the 200 Day MA at 1,023; and potentially a move down to the psychologically important \$1,000 level before the uptrend resumes in earnest.



GOLDS GOLD SPOT \$/OZ G72 Daily 8/12/09 to 2/8/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 14:42:27

Silver

Silver can not be trusted. While Friday's reversal delayed more significant technical damage from occurring, the potential for further downside from current levels must be respected.



Copper

0.0%(352.35)

The technical damage inflicted by the breakdown through critical support at \$3.00 has set the stage for further declines. Given the magnitude of the 182% advance from the 2009 low, a test of support at the 38.2% retracement level at 2.65 appears likely.

23.6%(298.64)

38.2%(265.41)

38.2% Retracement

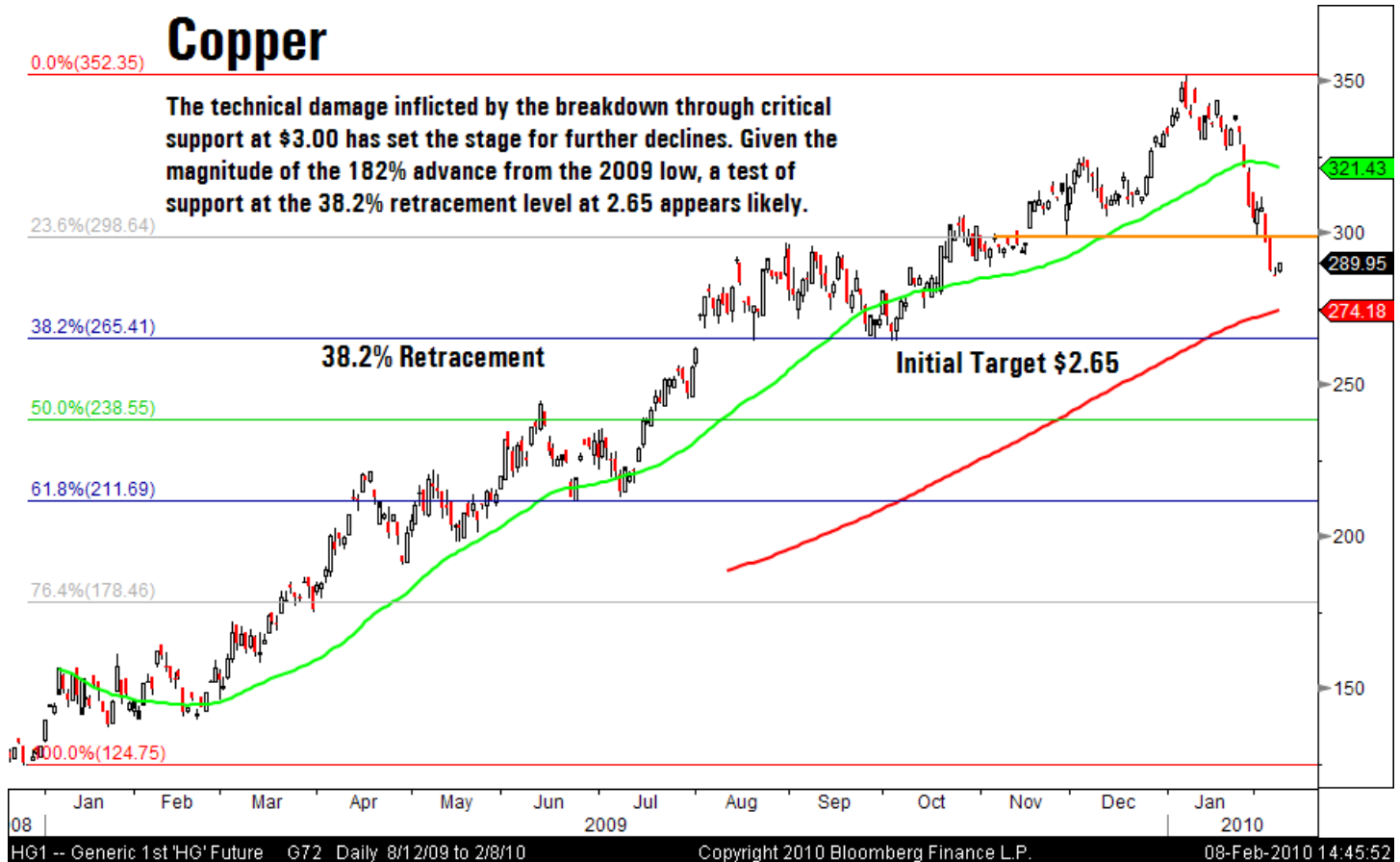
Initial Target \$2.65

50.0%(238.55)

61.8%(211.69)

76.4%(178.46)

100.0%(124.75)



VIX

While volatility remains largely in check, the break above the 200 day MA, first higher low in months and rising 50 day MA are an indication that volatility is on the rise.



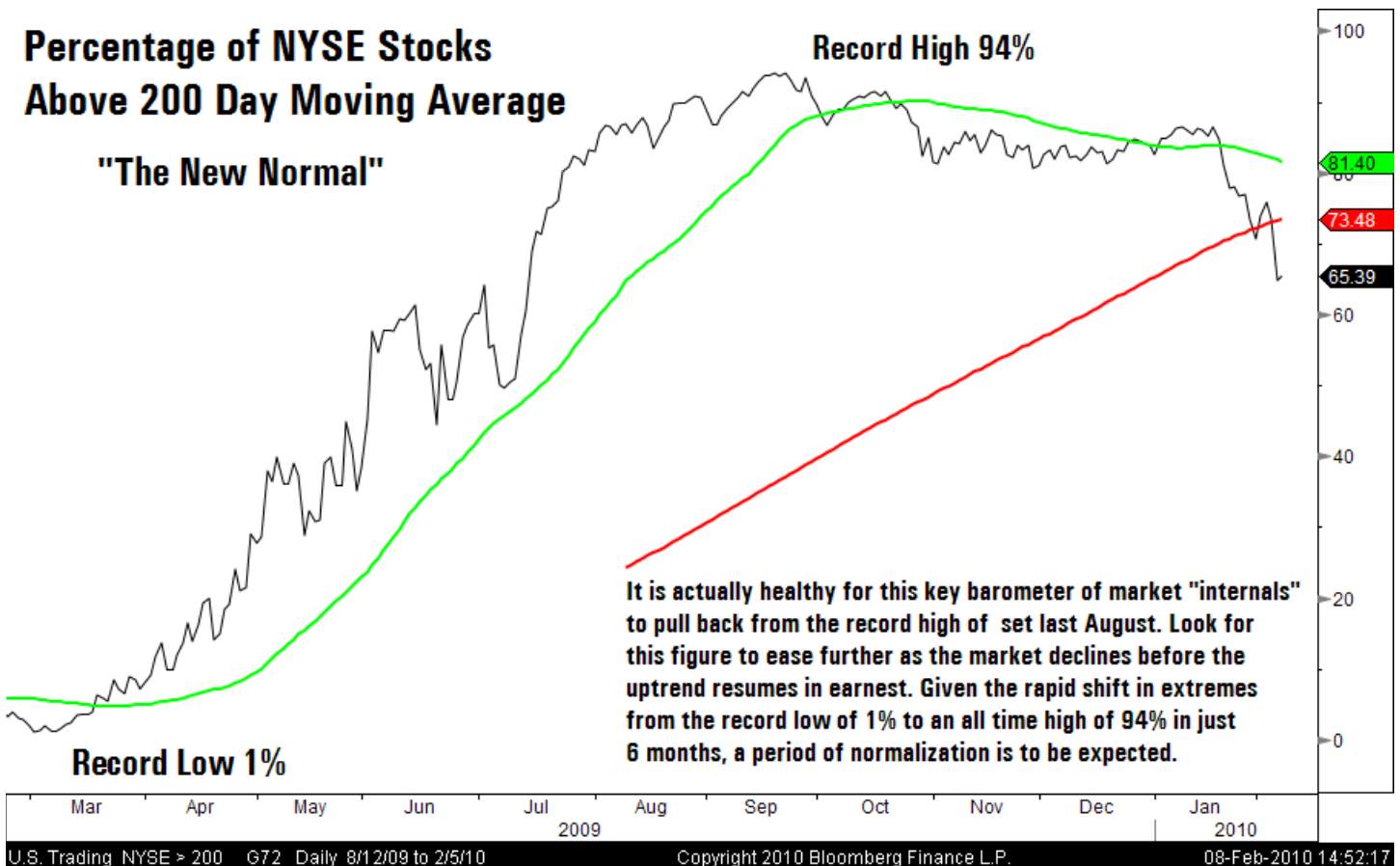
Percentage of NYSE Stocks Above 200 Day Moving Average

"The New Normal"

Record High 94%

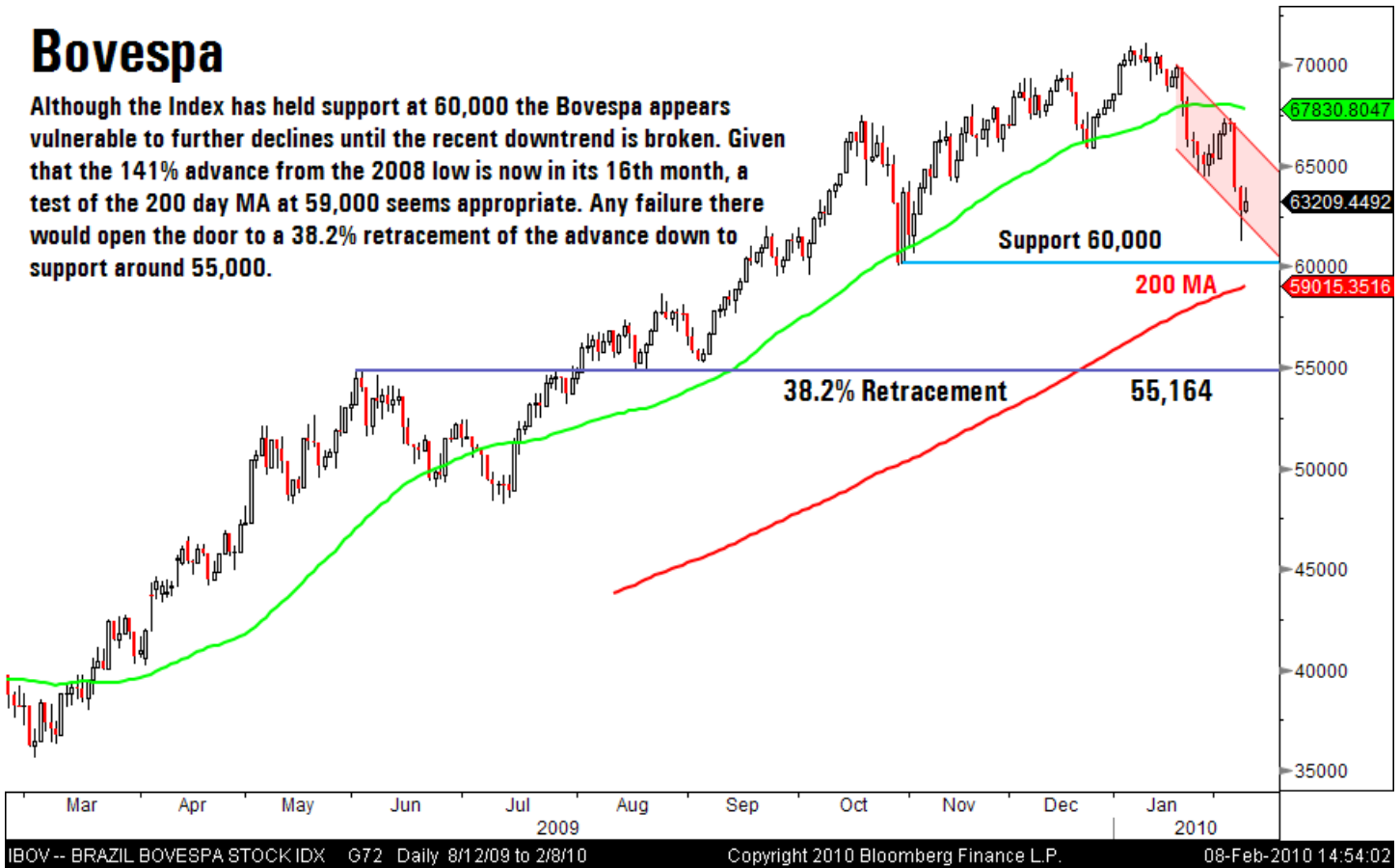
Record Low 1%

It is actually healthy for this key barometer of market "internals" to pull back from the record high of set last August. Look for this figure to ease further as the market declines before the uptrend resumes in earnest. Given the rapid shift in extremes from the record low of 1% to an all time high of 94% in just 6 months, a period of normalization is to be expected.



Bovespa

Although the Index has held support at 60,000 the Bovespa appears vulnerable to further declines until the recent downtrend is broken. Given that the 141% advance from the 2008 low is now in its 16th month, a test of the 200 day MA at 59,000 seems appropriate. Any failure there would open the door to a 38.2% retracement of the advance down to support around 55,000.



MICEX Index

While the MICEX held up better than most global indexes throughout the recent correction, technical patterns have eroded over the past few sessions. If support fails to hold at 1,300, I expect a test of the 23.6% retracement level (1,251) at a minimum. Given the myriad of precedent for a test of the 200 day MA, a close below 1,250 would raise the potential for a move down to 1,176.

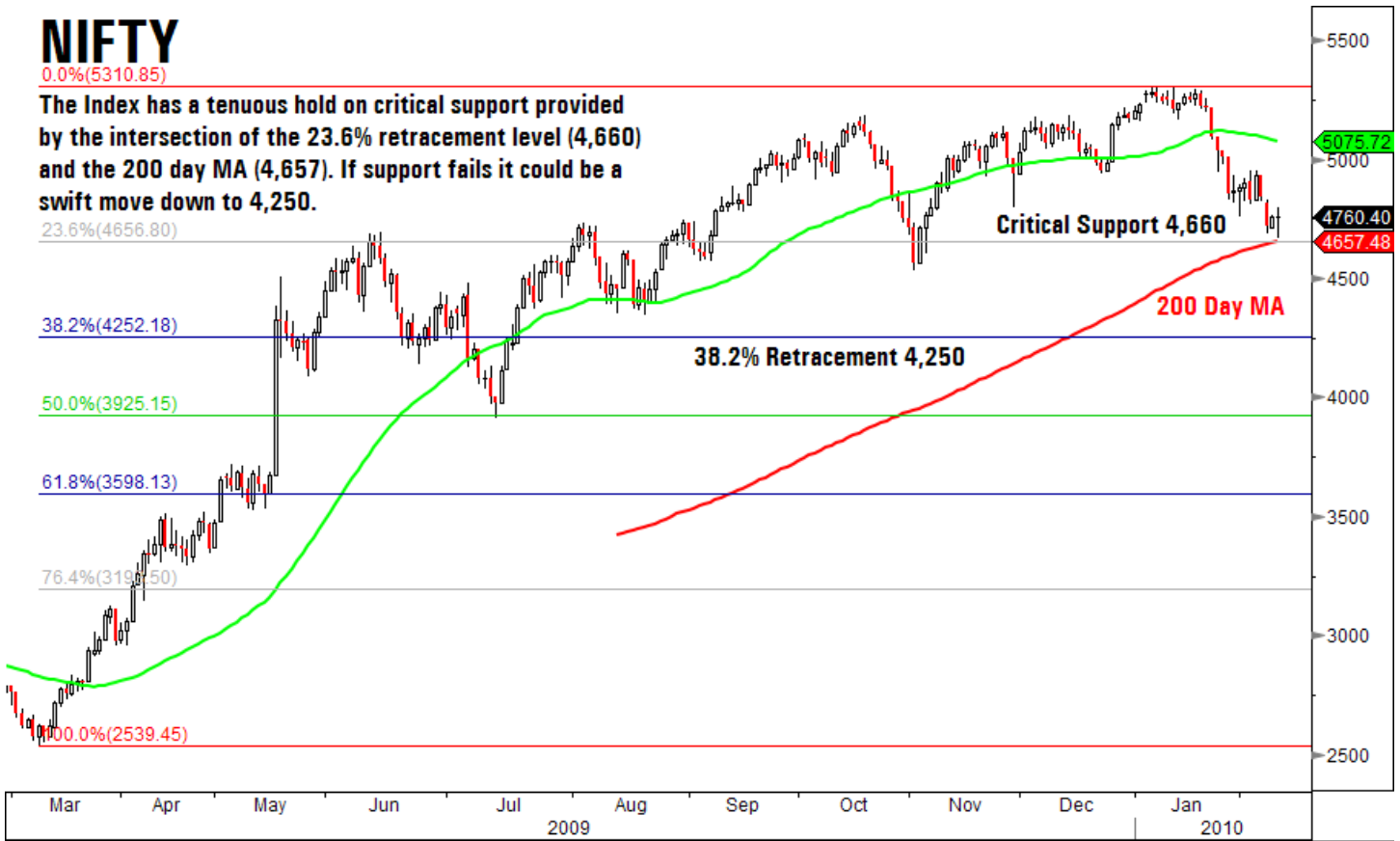


NIFTY

0.0%(5310.85)

The Index has a tenuous hold on critical support provided by the intersection of the 23.6% retracement level (4,660) and the 200 day MA (4,657). If support fails it could be a swift move down to 4,250.

23.6%(4656.80)



NIFTY -- NSE S&P CNX NIFTY INDEX G72 Daily 8/12/09 to 2/8/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 14:57:08

HSCEI

Under ideal conditions I would give today's marginal violation (10,989) of 11,000 support the benefit of the doubt. However, these are far from ideal conditions, and the HSCEI must regain our trust. The technicals suggest that a move down to 10,400 is likely, and given the extent of the technical damage a further decline and 50% retracement must be considered.



HSCEI -- HANG SENG CHINA ENT INDX G72 Daily 2/9/09 to 2/8/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 14:58:33

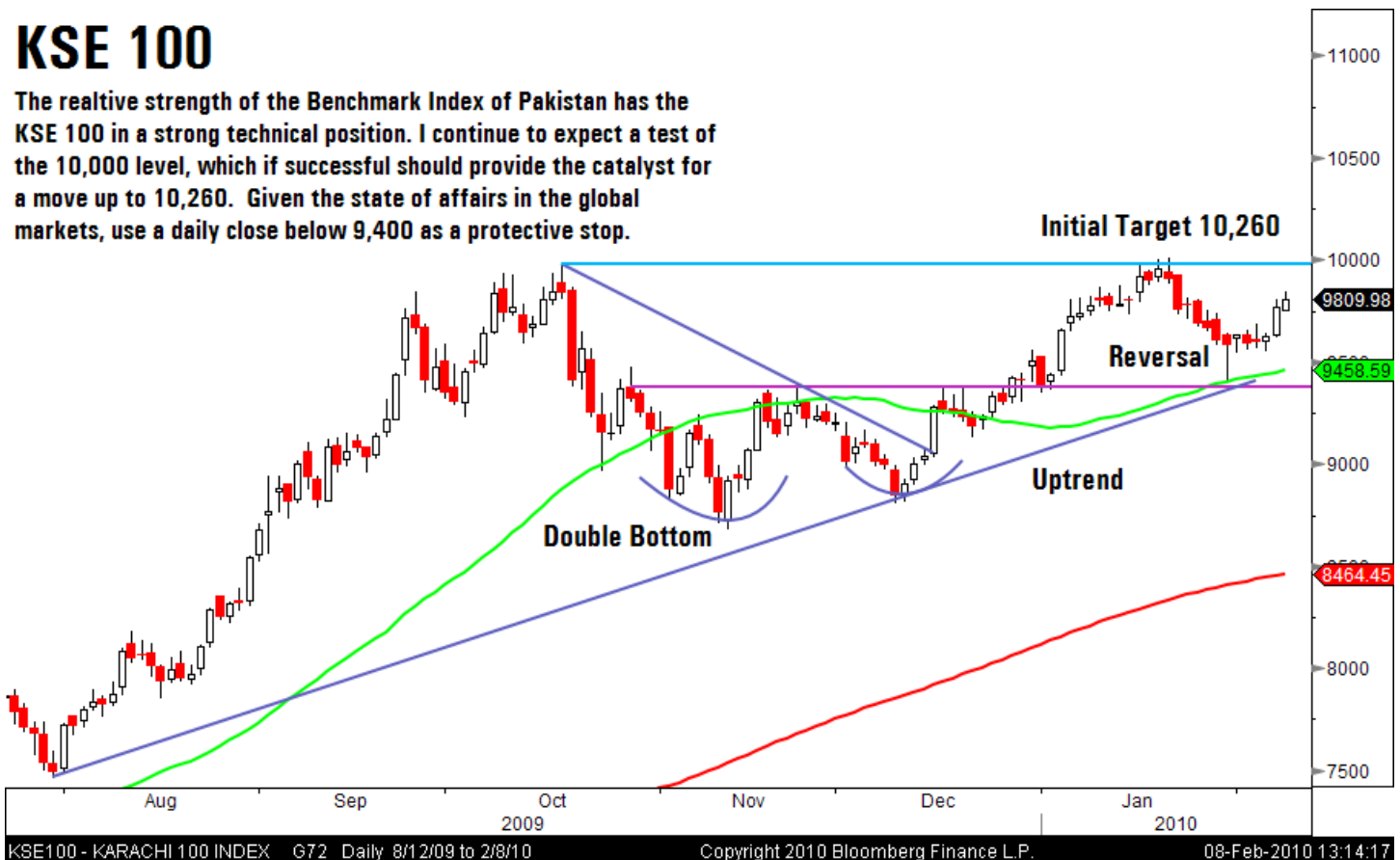
ISE National 100

The decisive breakdown from the well defined sideways trading range has left the ISE 100 in a weak technical position. Look for support at the 23.6% retracement level around 48,000 to hold. However, be mindful that any break of 48,000 could lead to a fast move down to 43,000 - 44,000.



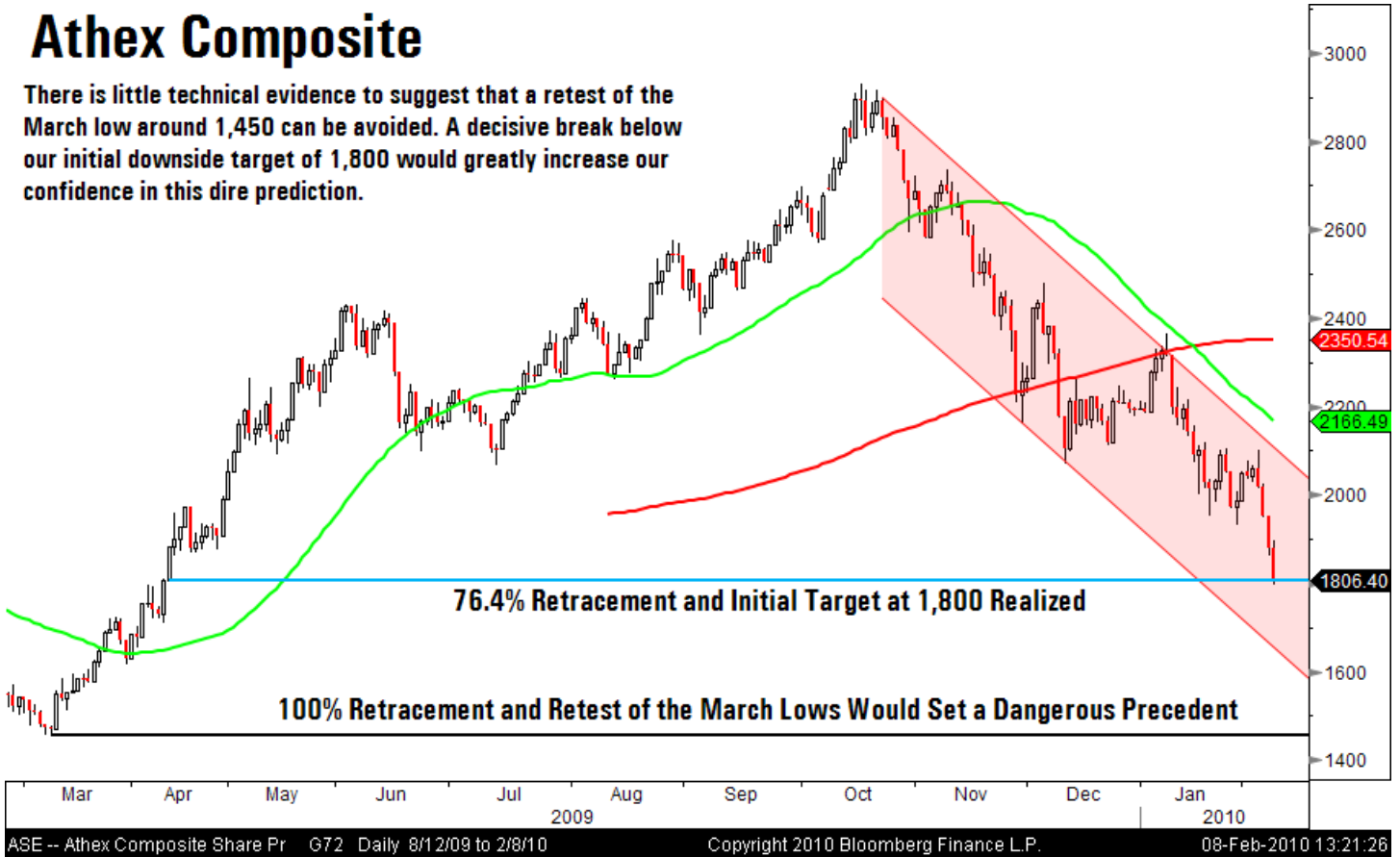
KSE 100

The relative strength of the Benchmark Index of Pakistan has the KSE 100 in a strong technical position. I continue to expect a test of the 10,000 level, which if successful should provide the catalyst for a move up to 10,260. Given the state of affairs in the global markets, use a daily close below 9,400 as a protective stop.



Athex Composite

There is little technical evidence to suggest that a retest of the March low around 1,450 can be avoided. A decisive break below our initial downside target of 1,800 would greatly increase our confidence in this dire prediction.



0.0%(3044.37)

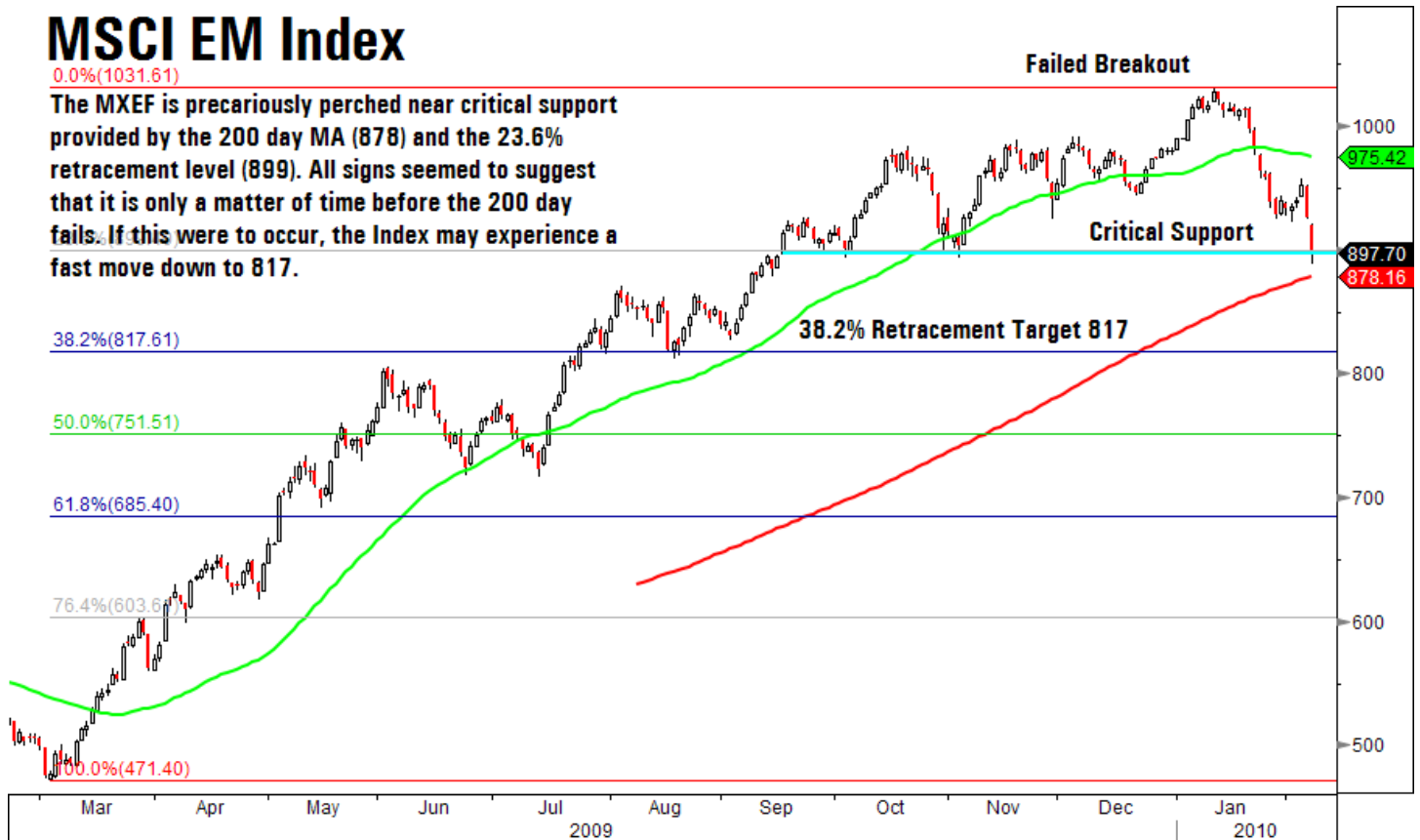
Euro STOXX 50



MSCI EM Index

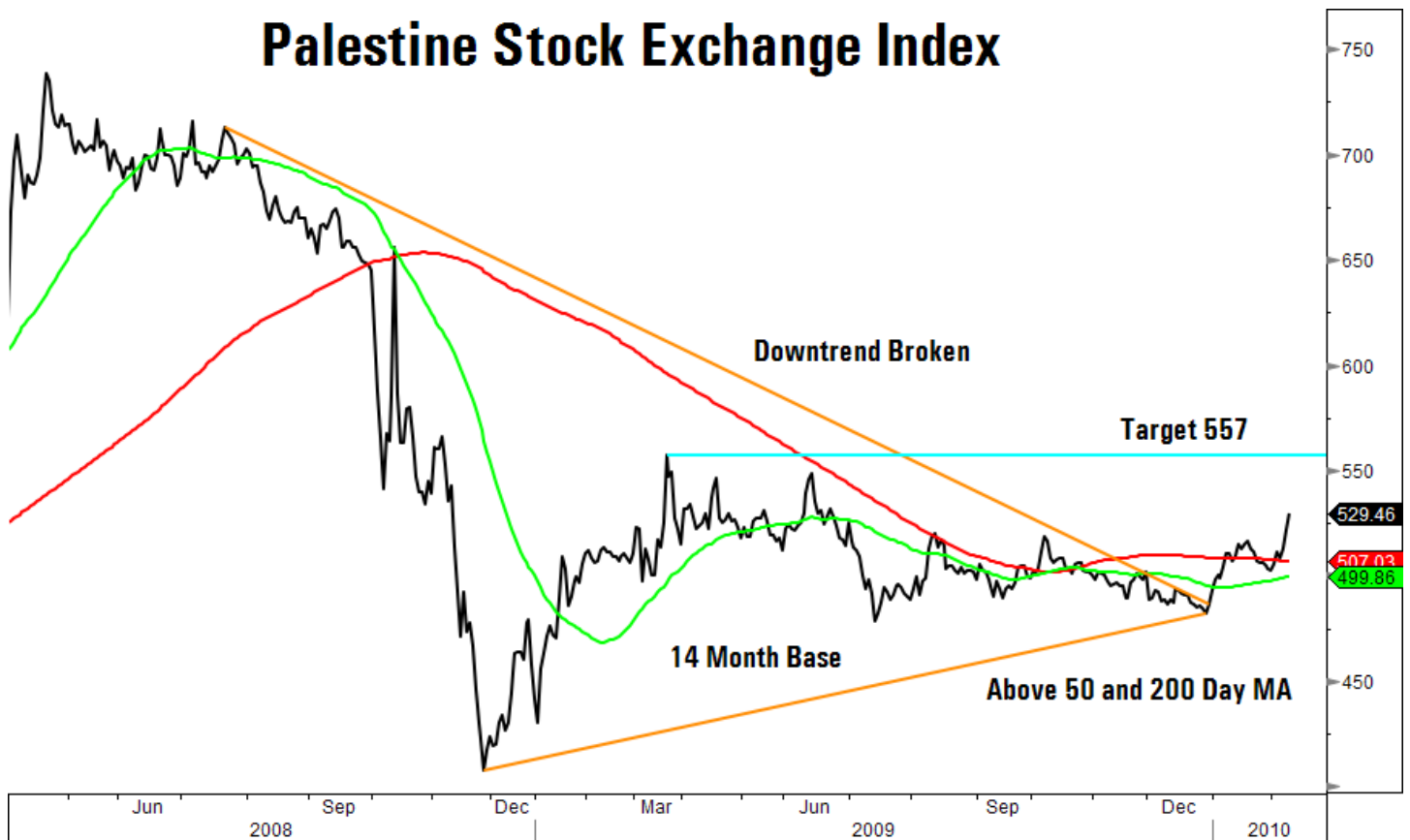
0.0%(1031.61)

The MXEF is precariously perched near critical support provided by the 200 day MA (878) and the 23.6% retracement level (899). All signs seemed to suggest that it is only a matter of time before the 200 day fails. If this were to occur, the Index may experience a fast move down to 817.



MXEF -- MSCI EM G72 Daily 8/12/09 to 2/5/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 13:31:30

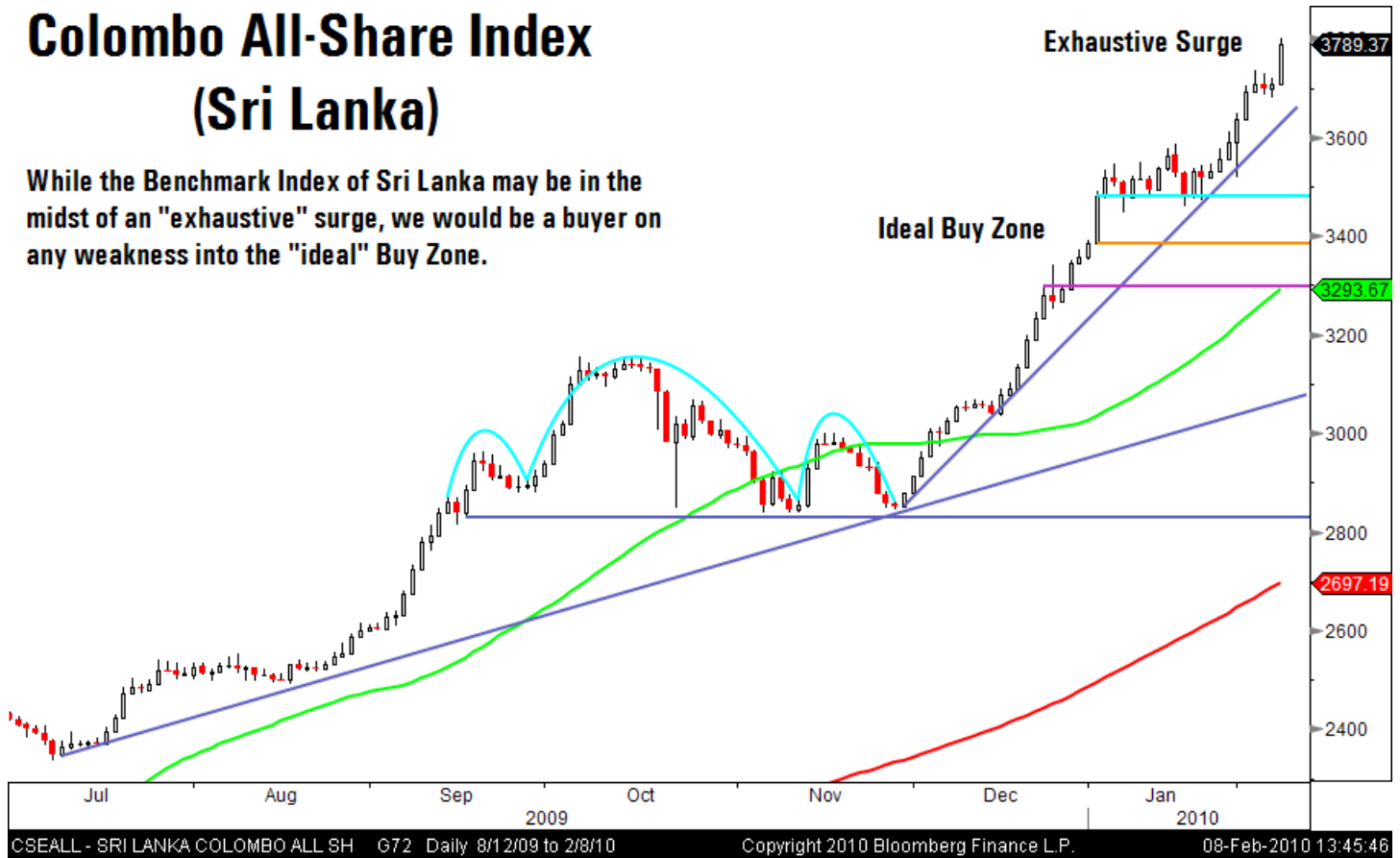
Palestine Stock Exchange Index



PALESTINE INDEX AL-QUDS G162 Daily 2/10/08 to 2/8/10 Copyright 2010 Bloomberg Finance L.P. 08-Feb-2010 13:38:19

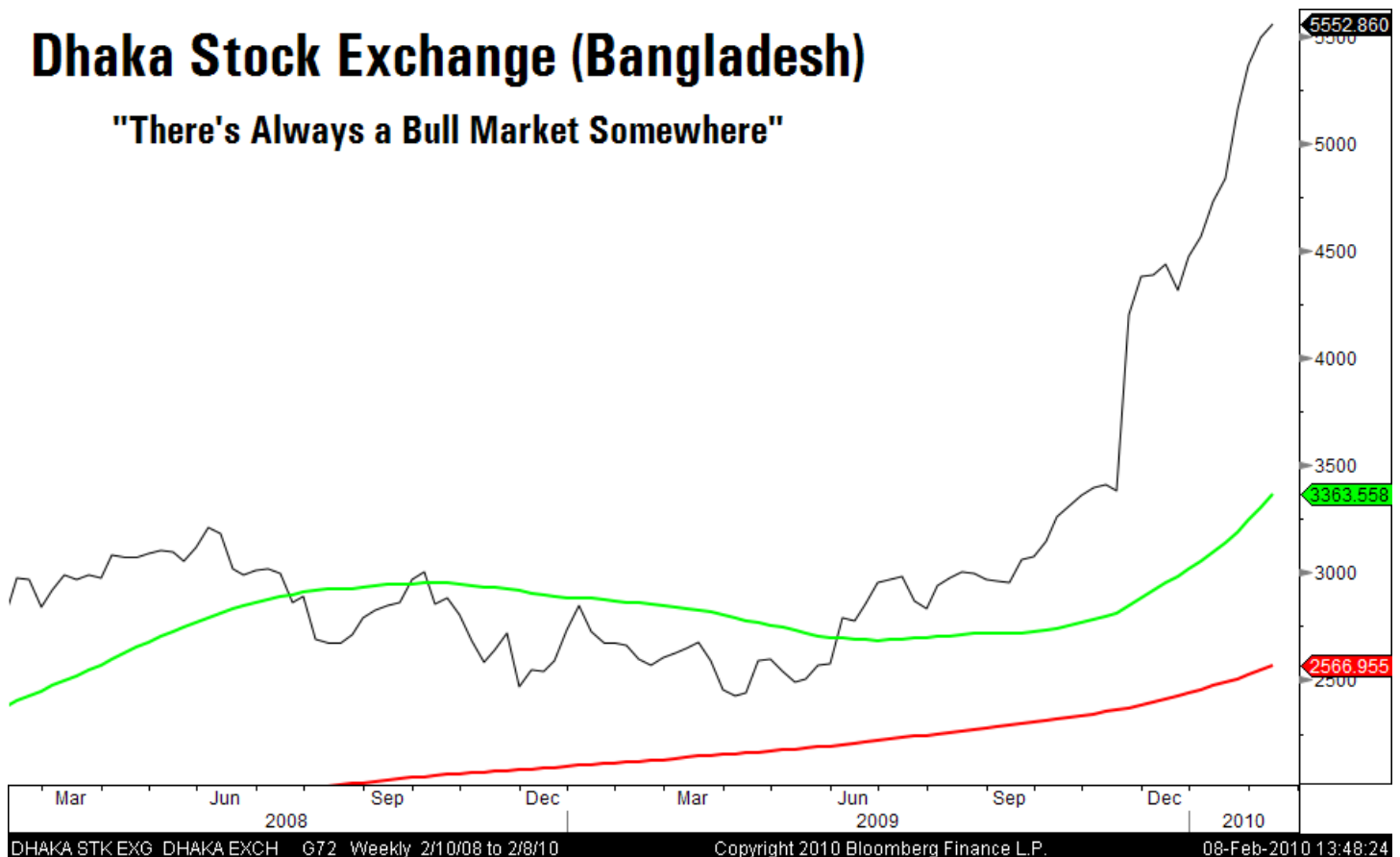
Colombo All-Share Index (Sri Lanka)

While the Benchmark Index of Sri Lanka may be in the midst of an "exhaustive" surge, we would be a buyer on any weakness into the "ideal" Buy Zone.



Dhaka Stock Exchange (Bangladesh)

"There's Always a Bull Market Somewhere"



Distribution of Ratings for Reports Issued by Auerbach Grayson & Company

Buy: 0.0% Neutral: 0.0% Sell: 0.0%

Definitions of Ratings Revised November 1, 2009

Buy: The security is expected to outperform its relevant benchmark on a risk adjusted basis.
Neutral: The security is expected to perform in-line with its relevant benchmark on a risk adjusted basis
Sell: The security is expected to under-perform its relevant benchmark on a risk-adjusted basis
NR: The security is not rated at this time

Technical Analysis: This research report contains technical analysis which only takes into account historical price performance and it is not an analysis of fundamental factors or other price/risk indicators. When making an investment decision technical analysis alone should not be the only factor to take into consideration. Any price target or recommendation contained in this report is valid as of the date of this publication only and the analyst's coverage of the securities referenced ends the same day. The research analyst welcomes and encourages any comments or questions with regard to this research report.

Investment Banking Disclosures Do Not Apply as the Firm is not engaged in any Investment Banking whatsoever. Therefore the number and percentage of companies which the firm currently rates, and has had an investment banking relationship with in the past 12 months does not apply.

Important Disclosures

Analyst Certification: I, Richard Ross, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and its securities. I also certify that I have not, will not, nor am I presently receiving direct and/or indirect compensation in exchange for any specific recommendation in this report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

Financial Interests: An analyst or a member of its household may not purchase the securities of a subject company 30 days before or 5 days after the issuance of the research analyst's report or a change in ratings or price targets, trade inconsistent with the views expressed by the research analyst, and all transactions in a research analyst's personal trading account must be pre-approved. The research analyst nor a member of its household does not own 1% or more any of the securities of the subject company based upon the same standards used to compute beneficial ownership for the purpose of reporting requirements under 13(d) of the Securities Act of 1934, as amended. The research analyst nor a member of its household does not own any of the securities of the subject company including any options, rights, warrants, futures or long or short positions. The research analyst or household member is not an officer, director, or advisory board member of the subject company. The research analyst has not made a public appearance in front of more than 15 persons to discuss the subject company and does not know or have reason to know at the time of this publication of any other material conflict of interest. The firm has no knowledge of any material conflict of interest involving the company mentioned in this report.

Receipt of Compensation: The firm does not engage in investment banking activities. The research analysts at the firm do not receive any compensation based on investment banking revenues and may be paid a bonus based upon the overall profitability of the firm.

Investment Banking Relationships: The firm has not managed or co-managed a public offering or received investment banking compensation in the past 12 months regarding the subject company (ies). The firm does not expect to receive or intend to seek investment banking compensation in the next 3 months from the subject company (ies). The subject company (ies) has not been a client in the past 12 months preceding the date of distribution of this research report and is not currently a client. The firm has not received non-investment banking compensation for products or services or other non-securities services from the subject company or any affiliated company.

Other Additional Disclosures: The firm does not make markets in any securities whatsoever. The firm does not buy or sell the subject company (ies) securities for its own account. The firm does not buy or sell subject company (ies) securities on a principal basis with customers. The firm's employees may buy or sell the subject company (ies) securities. Although the statements of fact in this report have been obtained from and are based upon outside sources that the firm believes to be reliable, the firm does not guarantee the accuracy or completeness of material contained in this report. Any such estimates or forecasts contained in this report may not be met. Past performance is not an indication of futures results. Calculations of price targets are based on a combination of one or more methodologies generally accepted among financial analysts, including but not limited to, analysis of multiples and/or discounted cash flows (whether whole or in part), or any other method which may be applied. Rating, target price and price history information on the subject company (ies) in this report is available upon request. To receive any additional information upon which this report is based this information please contact 212-453-3516, or write to Research Production Department, Auerbach Grayson & Company, 25 West 45 St., New York, New York 10036.

Auerbach Grayson & Company is a U.S. registered broker-dealer and member of FINRA and SIPC. This report is prepared for general circulation. The information herein does not constitute a solicitation of an offer to buy or an offer to sell any security nor is it intended to be a complete summary or statement of all available data. This report is not produced based on any individual persons or entities investment objectives or financial situation and opinions expressed by the analyst are subject to change without notice. This report is not provided to any particular individual with a view toward their individual circumstances. Investors should consider this report as only a single factor in making an investment decision. As with any transaction having tax implications, investors should consult with their tax advisor before making investment decisions designed to generate tax benefits. As a matter of policy the firm does not offer tax advice and nothing herein should be construed as offering such advice. The securities mentioned in this report are highly speculative and involve a high degree of risk. Securities prices fluctuate and investors may receive back less than originally invested and are not guaranteed. International securities involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. Small-cap stocks generally involve greater risks. Dividends are not guaranteed and will fluctuate. The securities recommended, offered, or sold by the firm, are not insured by the Federal Deposit Insurance Corporation, are not deposits or other obligations of any insured depository institution, and are subject to risks, including the possible loss of principal amount invested. Any opinions, estimates or projections expressed in this report may assume some economic industry and political considerations and constitute current opinions, at the time of issuance, and are subject to change. No part of this document may be copied, photocopied, or duplicated in any form or other means redistributed or quoted without the prior written consent of the firm. This report and its contents are the property Auerbach Grayson & Company and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec.501 et seq, provides for civil and criminal penalties for copyright infringement.