



YieldSafe INVESTMENTS LLC

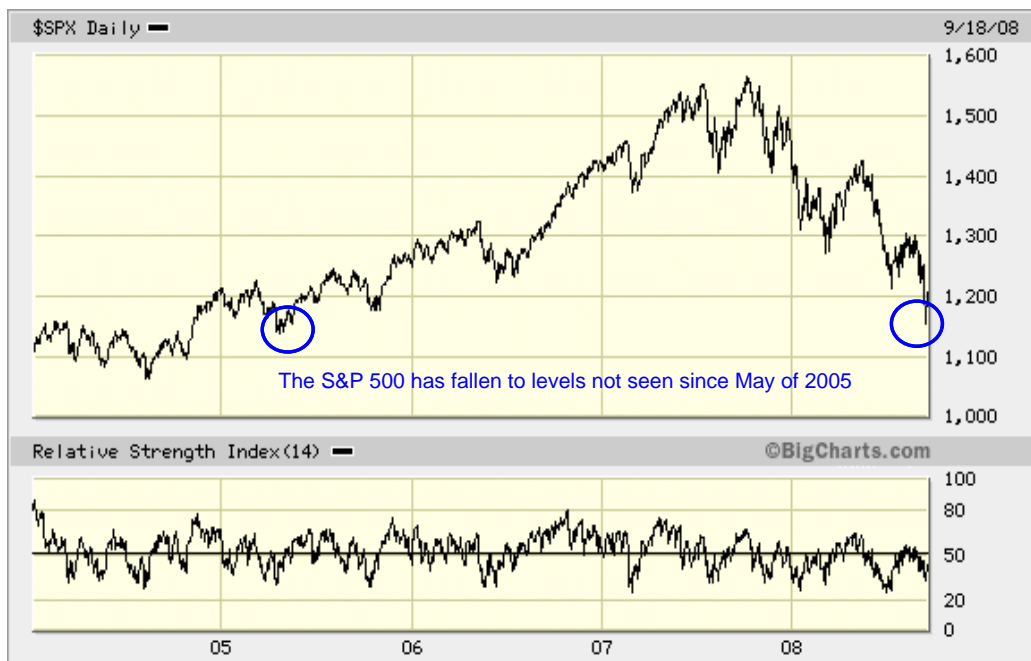
OUTLOOK

"Bullish on the S&P 500"

9/18/2008

We are currently witnessing the sum of all fears in Wall Street with the failure of Fannie Mae, Freddie Mac, Lehman Brothers, AIG, and Merrill Lynch. Consequently, the S&P 500 has fallen steeply to levels not seen since May of 2005. Sure, a cheap market can get cheaper but we see telltale signs of capitulation and a high probability of a short-term rally.

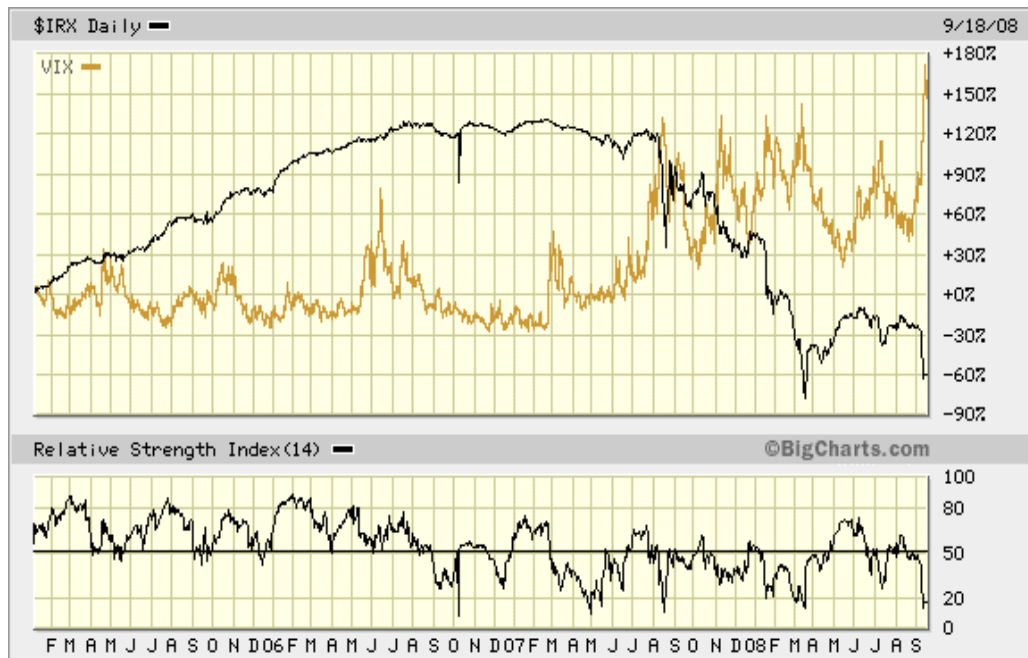
Graph 1



So while many indicators are used to detect capitulation, two things stood out the most to us. One, the yield on the 3-Month Treasury Bill. On 9/17/08, the 3-Month Treasury Bill Yield (IRX) sank to 0.02%, the lowest since 1954. This was a sign of extraordinary fear and massive flight to quality into treasury bills. Investors just wanted to get out of stocks at all costs and did not care whether they were receiving close to 0% on the Treasury Bills.

Two, the VIX spiked above 42 on 9/18/08, the highest level in nearly 6 years. For the past few years, the stock market has typically bottomed whenever the VIX has approached 30. With the VIX now surpassing 30 by a good margin, we think fear is high enough to say that the market is near a bottom. Chart 2 illustrates the dramatic flight to safety into Treasury Bills as yields fall steeply (shown in black) with a surging VIX (shown in gold).

Graph 2



We think the ingredients are in place for a rally in the S&P 500. With 3-Month Treasury Bills yielding close to nil and the VIX surging to 6 year highs, the risk/reward definitely favors stocks. We expect the S&P 500 to rally over 1250 by this November from its low of 1133.50 on 9/18/08.

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