

Bert Dohmen's Fearless ET'S & Index Trader™

Issue 136- 08, September 10, 2008

(Last Fearless Fund & Index Trader sent: 9/9/08)

MY VIEW:

The Lehman story ruled the markets today. As we said last night, the CEO would have to make an announcement this morning, instilling at least some hope on the part of the gullible. He presented some vague solutions, such as selling \$30 billion of real estate next year, and selling 55% of the money management subsidiary, none of which is finalized. The stock rallied initially, but then sank another 11%.

The firm reported a third quarter loss of \$5.92 per share, or \$3.9 billion, which missed the consensus estimate that called for a loss of \$3.35 per share. That's a huge miss. Just imagine, the stock is around \$7 and has a loss in just three months of almost \$6.

It's obvious that he didn't start trying to raise capital this week. The best guess is that it's been a project since early this year. But no one is stepping up to the plate. Now that the wolves are at the door, why would anyone want to pay a decent price, even if they wanted the firm? All they have to do is wait till the stock goes to \$1.

I have said since early this year, that Wall Street's money making centers are disappearing. Today, the "on-air editor" of CNBC, Charlie Gasparino, said that "**business on Wall Street now is practically zero.**" So, how much would you pay for a business that has no profit center?

My view is that this thing is going the same way as Bear Stearns, except that in the end, they won't get rescued by Washington. Wall Street will have to do it. It's their problem. And they can, if they know that Washington won't jump in.

Symbol	Last	Change
Dow	11,268.92	↑38.19 (0.34%)
Nasdaq	2,228.70	↑18.89 (0.85%)
S&P 500	1,232.04	↑7.53 (0.61%)
10-Yr Bond	3.6410%	↑0.0450
NYSE Volume		6,612,880,500
Nasdaq Volume		2,324,768,500
	NYSE	NASDAQ
Advances	1,846 (53%)	1,627 (54%)
Declines	1,551 (44%)	1,246 (42%)
Unchanged	107 (3%)	116 (4%)

Dohmen Research, Inc.

P. O. BOX 49-2433, Los Angeles CA 90049

Telephone (310) 476-6933 Fax (310) 440-2919 www.dohmencapital.com client@dohmencapital.com

Page

	NYSE	NASDAQ
Up Volume		1,415 (61%)
Down Volume		894 (38%)
Unch. Volume		16 (1%)
New Hi's	25	41
New Lo's	312	233

The yo-yo market continues. One day big down, the next day up, and vice versa. Except today's gain was so much less than yesterday 290 point loss.

Volume today was still very heavy. The small gains in the indices are not bullish after yesterday's sharp decline. It appears the LEH is now setting the tone for the market. After that issue is resolved, the markets will focus on the next problems.

Our technical indicators are nowhere near levels which would indicate that a worthwhile rally is ahead. Therefore, the major trend is down. And that means you should sell short, or buy the bear funds, to make any profits. But don't go overboard, and always be prepared for a sharp bounce out of the blue. That's the characteristic of a serious bear market.

If you look at several hundred stock shorts, you will see that those which had sharp, 1-2 day upmoves, saw those gains erased over the next 5 days. In many cases, the stocks then went to new lows. This means that the brief spurts were manipulated, and consisted of short covering. That's bear market action.

Today oil had all the bullish news you could imagine: hurricane Ike is heading for the oil drilling platforms in the Gulf, OPEC decided to cut production, and the latest inventory figures released today for crude oil, gasoline, and distillates were all shockingly lower. In a bull market all of this would have produced a big gain in the price of oil. Instead, crude futures actually declined slightly.

Yes, we are in a period of a significant credit contraction, which produces economic contraction, which in turn causes a diminishing demand for commodities, especially energy. It's what bear markets are made of. But this is the most important contraction since the early 1930's or possibly in 200 years. Amazingly there are only a few analysts who recognize this.

Commodity related investments are in bear markets now. Shipping companies look very poor on the charts. In fact, its difficult to borrow shares to short them. It seems that all the big trading operations have already borrowed them. The same is true of solar energy firms, casinos and most bank stocks.

Gold looks very poor on the charts and is now trading at 757. The next minor support level is in the 730 area. But I wouldn't be surprised to see gold go to \$666, which is a Fibonacci projection, not the devil's number. Silver of course would suffer more on a percentage basis.

CURRENT POSITIONS—BEARISH

We would hold all positions. We expect the next move downward.

FAILSAFE: if the DJI rallies more than 212 from the intraday low anytime during the day, we would close out the positions.

INDEX TRUST TRADERS (ETF'S)

We would have 10% of the portfolio in each of the funds below, except for EEV, which has a 20% position.

All would be purchases, **except for the RKH, which should be sold short.**

REGIONAL BANK HOLDRS (RKH)—**We would have short with 10% of the portfolio.**

PROSHARES ULTRA-SHORT REAL ESTATE (SRS)—

PROSHARES ULTRA-SHORT CONSUMER SERVICES (SCC)—

PROSHARES ULTRA-EMERGING MARKETS (EEV) — 20%

CONCLUSION:

Although we always say that the market can do anything, the charts and technicals look very poor. Today we had the rally attempt, but it was a flop. This week we will find out that LEH may not be able to get any capital infusions on terms that it wants to accept. If someone were to offer \$2 per share, the CEO would probably refuse it. Therefore, the specter of something very bad lurks.

Who knows how much many firms have counterparty risk with Lehman? That's what caused the Fed to bailout Bear Stearns: they were afraid of a domino effect. And that's what the smart investors are acting on.

Greetings,

Bert Dohmen

NOTE FOR NEW SUBSCRIBERS: This service is divided into 2 sections:
1., PROFUND TRADERS, 2. INDEX TRUST (ETF) TRADERS. You should chose only one of these two areas and then only trade those positions. You should NOT trade all positions mentioned in the service for the two sections.

NOW THERE IS AN EASIER WAY TO RENEW YOUR SUBSCRIPTION:

If you have encountered problems renewing your subscription on the subscribers web page, NOW you can renew your subscription by going to our website's HOME PAGE: www.dohmencapital.com and clicking on the "RENEW NOW" button, located at the bottom of the left side navigation menu.

IMPORTANT:

We have created a new page in the "subscribers only" section of our website for recent "Charts". Just click on the "CHARTS" button to access them. We will be updating and posting new charts periodically. We hope you take advantage of this new feature!

IMPORTANT NOTE: After you have read or printed the service from our website, BE SURE TO CLICK ON THE 'LOG OUT' BUTTON. If you do not, then you may have difficulty getting back in, and may receive error messages, such as 'your subscription has expired.'

WHAT "AREA" MEANS IN FEARLESS FUND & INDEX TRADER:

When I give advice to buy or sell in certain price area, I do it so that not all of our orders are sitting at exactly the same price. By "area", I mean a range. Our rules of thumb are as follows:
[< than \$15] = ± 0.25; [< than \$30] = ± 0.50; [< than \$50] = ± 0.75; [< than \$100] = ± \$1.00; [> than \$100] = ± \$1.50.

CONFIDENTIAL AND PROPRIETARY

The unauthorized disclosure or interception of email is a federal crime. This email is intended only for the use of those to whom it is addressed and may contain information that is privileged, confidential and exempt from disclosure under the law. Do not distribute or copy it.

Note: Bert Dohmen's FEARLESS FUND AND INDEX TRADER and the computer file which contains it, are protected by US copyright laws and international copyright agreements. All rights are reserved. The service and its content are for personal use of the subscriber only. Copying or retransmission of this report, except with written permission, are strictly prohibited. You may not, under any conditions, retransmit or send this report or any portion thereof, by any means, to any other location within or outside your company. Financial planners or investment professionals who wish to use the service for their clients' portfolios should inquire about a site license or multiple subscription discounts. All commentary is provided for educational purposes only. Information contained in this service is NOT a solicitation to buy

any security. This material is based upon information we consider reliable. However, we do not represent that it is accurate or complete, and that it should be relied upon.