THE GARTMAN LETTER L.C.

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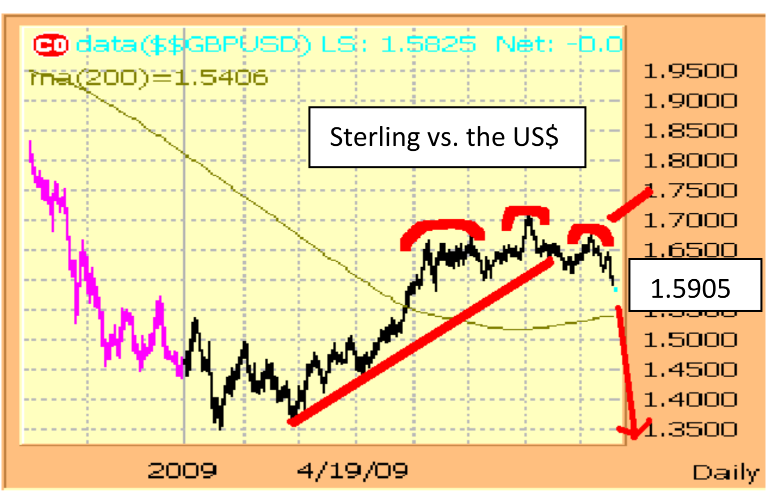
OVERNIGHT NEWS:

THE US$ IS STRONG; THE YEN, ON THE OTHER HAND, IS SOARING and the forex world has been turned upside down since Friday afternoon with the month and quarter end now upon us and the attitude toward the dollar and the Yen turn sharply against those who've grown accustomed everyday and every minute to selling those currencies and buying the others. The boat, as we have warned too many times of late, has indeed become too heavily laden with US dollar and Yen bears, and as the carry trades become too crowded, the rush to try to get through an ever smaller door to escape their losses before the month and quarter end is becoming maddening and difficult. The implications for the stock markets are not positive; the implications for the commodity markets are perhaps worse; the implications for the bond markets, on the other hand, are good and growing better.



Firstly, however, let us consider the plight of the British pound Sterling, for from a purely "technical" perspective it has fallen off the edge of a very large cliff and now seems poised to fall sharply and far. Rarely these days does a currency "gap" higher or lower given that the forex market is open 24/7; however, in the rare circumstances where news takes place over a weekend and a market closes on its very highs or lows on the previous Friday this is possible. This is what has happened to "The Cable" [Ed. Note: For the non-forex cognoscenti, Sterling vs. the US dollar is oft times referred to as "The Cable" for back in the days of trading yore Sterling/dollar trades were transacted via the trans-Atlantic coaxial cable on telex. In that same light, the Canadian dollar was, and probably still is amongst the "olde" crowd in the forex market referred to as "funds…." Idiosyncrasies of that market and a remembrance of things past."] as it closed Friday at or near 1.5980 and it opened today in early antipodean dealing at 1.5820... with a high of 1.5905… leaving a rather huge and ominous "gap" to the downside.

THE DJIA: If Volume Is To Follow The Trend, What Do We Make Of This?: *Last week, right on the autumnal solstice, the stock market here in the US traced out an "outside reversal" day, so that was ominous enough. But if volume and the trend are supposed to follow one another, clearly they have not… for months… and that is all the more bearishly ominous. Attention must be paid.*

Sterling has been under very real pressure for some while, but its weakness started to become serious when Mr. King, the Governor of the Bank of England, late last week said that Sterling's weakness was “helpful” to the process of restoring balance to the British economy. A currency can “take” a lot of things but it rarely can take comments such as this from the individual responsible for that currency’s relative health. Add to the “Cable’s” technical problems a comment such as this, and add to it the problems attendant to the poor leadership offered by the Prime Minister and one has the makings… and now the actually “doings”… of a fully fledged currency crisis.

There is little support for Sterling until 1.5500 and even then we wonder if the support shall be temporary or merely from those who are fortunately short and wish to cover? The problem that Sterling faces is that money is leaving the UK and moving to other areas of the Commonwealth where it feels more comfortable. For example, the Aussie/Sterling cross has been moving relentlessly in favour of the Aussie dollar for months. Indeed, from a year ago when the cross was trading 2.7 Aussie/Sterling… that is, it took 2.7 A$ to “guy” one British Pound Sterling… it has fallen relentlessly to the point where it stands this morning at 1.8335 and the trend seems to be accelerating rather than waning. Too, the C$/Sterling cross, which a year ago stood at 2.05 C$/Sterling, stands this morning at 1.7340, and although the cross has been lower this year, the trend is clearly “from the upper left to the lower right” on the charts; that is, it takes fewer and fewer Canadian dollars to buy one British pound sterling as money flows to Toronto from London. And why should it not?:

	09/28	09/25			
Mkt	**Current**	**Prev**	**US$Change**		
Japan	89.45	90.50	**-**	**1.05**	Yen
EC	1.4626	1.4688	+	.62	Cents
Switz	1.0325	1.0285	+	.40	Centimes
UK	1.5905	1.6020	**+**	**1.15**	Pence
C$	1.0965	1.0920	+	.45	Cents
A $	.8645	.8680	+	.35	Cents
NZ$	.7145	.7190	+	.45	Cents
Mexico	13.55	13.51	+	.04	Centavos
Brazil	1.7905	1.8030	-	1.25	Centavos
Russia	30.16	30.06	+	.10	Rubles
China	6.8180	6.8165	+	.15	Renminbi
India	47.85	48.05	-	.20	Rupees

Prices "marked" at 09:00 GMT

As far as the strengthen in the Yen and US dollars, what are we to suppose is the driving force? Clearly it is the unwinding of “carry trades” as the month, quarter, and in Japan, the half year, come to an end. The “world,” it seems, has borrowed Yen and US dollars with which to speculate abroad, and for the moment at least there is a roving sense of discomfort in those positions. Reversals in the stock markets last week are not yet being viewed seriously by everyone, everywhere, but on the periphery and at the margin, there are many who are saying, “You know, I’ve had enough and I’m heading for the sidelines while the heading is still good.” If we see further weakness in the stock markets around the world as we head into seemingly always problematic October, then we may see even more and even greater sums of liquidation of old yen and dollar carry positions; indeed, as goes the global stock markets, so in opposition shall go the Yen and the Dollar; that is, as stocks falter, the Yen and the dollar shall rise.

Finally, there was a G-20 meeting late last week, before we forget. What a total and complete waste of time was that? The good people of Pittsburgh were put through a wringer just to give the venue to ill educated anarchists and idiots rioting in the streets. Yes, it is always good for nations to sit down and share their thoughts, but the hype always far exceeds the end results.

There was, however, one good thing to come from the meeting: quietly… and indeed very so… the G-20 put off taking any further action on global warming until sometime far into the future. Oh, to be certain, there was enough rhetoric spewed forth to assuage the hopes of the eco-radicals that something was being done about climate change, but the reality is, common sense prevailed and all actions to be taken were deferred, at least until the next climate change summit in Copenhagen in December. We’ll take delays over action any and every time.

COMMODITY PRICES ARE A BIT WEAKER and no one should be surprised given the strength of the US dollar this morning, for all things being equal of course a stronger US$ gives way to weaker commodity prices. This is almost axiomatic, and it certainly is axiomatic this morning. The grain markets are trading a bit weaker as the harvest is beginning in earnest for corn and soybeans but the weather has been anything other than cooperative. Rain is in the forecast for much of this week and into next, and that will both slow any harvest activity and will delay crop development in these final weeks of the crop growing season. The grain markets then are getting some support from that news, but even that is being over-whelmed today with the dollar's strength. Dollar strength is the trump card; the "Right Bower" for those who know the Midwestern card game of euchre; the ace of spades for everyone else.

Again, there is talk of very low temperatures in some parts of the upper Midwest. Our friends at World Weather Inc. note that

> *The coolest weather of the next ten days is expected early this week with frost and freezes likely in the northern Plains and possibly reaching into the far northwestern Corn Belt. Lows Tuesday morning will be in the 30s Fahrenheit with a few upper 20s possible. Most of the readings below 30 Tuesday will occur in eastern North Dakota and a few northeastern and north-central South Dakota locations. Several areas in Minnesota will drop below freezing Wednesday morning, but mostly to the north of crop areas. Frost during the two mornings will occur as far south as Nebraska and Iowa possibly northwestern Illinois*.

In other words, there is some concern about the corn crop in particular, but it is not serious... yet.

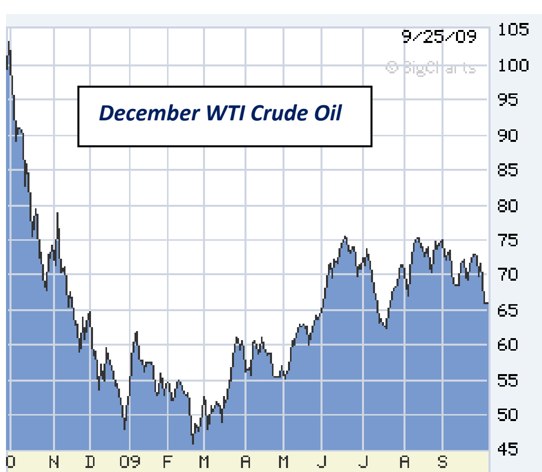
	09/28	09/25		
Gold	989.00	996.45	-	7.45
Silver	15.85	16.18	-	.33
Pallad	289.00	291.00	-	2.00
Plat	1274.0	1290.0	-	16.00
GSR	62.40	61.55	+	.85
DJUBS	123.37	123.68	-	0.2%
Reuters	250.50	251.25	-	0.3%

Regarding gold, again we wish to reiterate that we are bullish of gold, but we are bullish of gold only in terms of the British pound sterling and in terms of the EUR; we've no position in gold in US$ terms, nor do we wish any at the moment. We reserve the right to become bullish of gold in dollar terms again shortly, and may in fact do so should spot gold falter toward $977-982 later this week; but at the moment we are ambivalent. Certainly, however, with spot gold trading £623 compared to £622 on Friday when we marked prices to the market, we are far more comfortable than are the gold/dollar bulls. We have hedged out the seemingly inherent dollar exposure to gold and we are fortunate to have done so. There is really not much more that one can say than that, and so we won't.

CRUDE OIL IS WEAKER; NAT-GAS IS STEADY

and perhaps the most important facet of energy trading is that crude oil has responded to the growing US/Iran belligerence with a bearish yawn rather than with a bullish flourish. Under more normal circumstances, the news of Iran's newly exposed nuclear facility just south of Qum would have sent crude oil prices soaring. Instead, crude traded materially lower and it is trading lower again still. Markets that can't go up on bullish news…. We'll, you know that story! We needn't rehash it here today.

What is important here is that nothing can nor anything shall be done to dissuade the Iranians from their intentions of establishing their own nuclear capabilities, and until such time as the Russians AND the Chinese are brought into the group that now includes the US, the UK and France, nothing will ever be done. Iran will produce as much oil as it can to keep its revenues stable, and the Chinese will do what they can to dissuade the West from taking action against the Iranians, for China needs Iranian crude oil… or at least it needs others to receive Iranian crude so that China can take oil at the margin from other oil suppliers around the world. Russia simply wants to avoid any further political tensions in its former sphere of



influence until such time as it is strong enough, militarily, to manifest power in the region again:

Nov WTI	down	46	65.58-63
Dec WTI	down	58	65.98-03
Jan WTI	down	62	66.46-51
Feb WTI	down	68	66.96-01
Mar WTI	down	72	67.55-60
Apr WTI	down	74	68.18-23
OPEC Basket		$65.12	9/24
Henry Hub Nat-gas			$3.80

Finally, nat-gas futures have rallied smartly in the past several days despite the huge contango extant there. There are huge supplies of nat-gas available to the market and that keeps us from turning bullish; however, we do note that the nat-gas market is rallying on bullish news and that shall always grab our attention. As we've said here before, if one wishes to be bullish of nat-gas please do so by owning the nat-gas trusts, not by paying the contango to own the nat-gas futures. At least by owning the trusts one is "paid" to hold the position; by owning the futures, one "pays" for that privilege by paying nearly 20% more for January delivery natty than one pays for November. Prices may rise, and they may rise a great deal, but paying 20% for the privilege of owning a commodity for a mere two months seems to us to be the path to eventual ruin. It may work once; it may work twice, but over time it will lead to ruin.

Thus, if you wish to be long of nat-gas and short of crude because you believe… perhaps quite rightly now… that nat-gas is "cheap" relative to crude in BTU terms, one would do well to construct the trade by being long of the nat-gas trusts (SJT and PGH come most swiftly to mind) while selling crude futures, or selling the large, multi-national oil companies. 'tis just a suggestion, not a recommendation.

SHARE PRICES ARE AGAIN RATHER WEAK, and it now appears that the highs made Thursday, September 17th when our proprietary Int'l Index finished at 7,573, shall be inviolate for some while into the future. We must remember that the rally globally took this index from its low of 5,602 in March to 7,573 two weeks ago, an increase of 35.2% in the course of only six months. This may not be unprecedented global equity market strength, but certainly it is historic, and clearly the markets have become egregiously over-extended to the upside and are long over-due for material correction.

Further, we should remember that rarely do markets collapse right from their tops. They may forge technical signals such as "reversal" days and even "reversal" weeks [Ed. Note: For those who still do not know the definition of a "reversal," it is, in the case of a "bearish reversal" one where the market has been running bullishly higher and then on the "reversal" day a new high is made… usually quite early in the day… with the market then selling off and with the major averages and major individual stocks closing lower on the day, and below the previous day's lows. We had that in the Dow Industrials, and in most other major indices, with the NASDAQ's "reversal" last Wednesday perhaps being the most clear. Indeed, the NASDAQ traced a weekly reversal to the downside, an even rarer circumstance and one we view rather ominously:

Dow Indus	down	42	9,665
CanSP/TSX	down	74	11,212
FTSE	up	3	5,082
CAC	down	19	3,739
DAX	down	24	5,581
NIKKEI	**down**	**259**	10,010
HangSeng	**down**	**314**	20,618
AusSP/AX	down	43	4,677
Shanghai	**down**	**94**	2,764
Brazil	up	309	60,355
TGL INDEX	**down**	**0.5%**	**7,350**

ON THE POLITICAL FRONT, and to be filed under the column "Bad Things Happen To Bad People Too" we note from the folks at DEBKA that Iran has lost is only AWACS aircraft to a mid-air collision with one of its own fighter jets. Were it not for the tragedy of those lost in the mid-air collision, this would be high comedy of the very first order. According to reports from the middle-East, on the 22nd, President Ahmadinejad was in New York telling the world that his military was prepared and capable of "chopping off the hands" of any world power intent upon attacking his country, his military was hosting an air show for the people of Iran. It was there that the AWACS plane collided with one of her escorts. The AWACS (Airborne Warning and Control System) was Iran's only one, and with it now destroyed the ability of the Israeli Air Force to move into Iranian airspace has been greatly enhanced given that when the AWACS (a Russian Ilyushin 76) was put into operation Iran's Air Force Commander at the time, Brigadier General Ahmad Miquani, said that the plane would be able to spot and therefore destroy any aircraft or missiles 1000 kilometres from Iran's border. That, obviously is no longer true.

Finally, to absolutely no one's surprise, Ms. Merkel and the CDU won the federal elections in Germany yesterday. The only real surprise was that the Social Democrats fares as poorly as they did and that the Free Democrats did far better. The results are still a bit preliminary, but it appears that the Christian Democrats won 239 seats in the Parliament this time compared to 226 last time. The Free Democrats won 93 seats compared to 61 last time, and the Social Democrats were rather humiliated in winning only 146 seats compared to 221 before! Thus, the CDU can form a huge majority government in alliance with the Free Democrats… the most pro-capitalist of the German political parties and the one we would have supported were we German and could we have voted. The winner then is not really Ms. Merkel, but is instead Mr. Guido Westerwelle, the leader of the Free Democrats.

Interestingly, the Free Democrats saw their public support rise to 14.6% of the total votes cast, up 4.8% from their previous total, while the CDU saw its support fall a stunning 11.2% to 23.0% of the votes. Ms. Merkel's CDU got 33.8% of the votes cast, down 1.4% from what they got in the last election.

The only sad circumstance is that the votes lost by the Social Democrats went not to the Free Democrats nor to the Christian Democrats but to the Greens and the Left Party whose share of the votes cast rose, in aggregate, 5.8% to 22.6%. Thus, Germany's Parliament will be more dichotomous than in the past; the Grand Coalition will give way to a Gross Argumentative parliament instead. It will make for great debates and great anger. Indeed, it may even be fun.

GENERAL COMMENTS ON THE CAPITAL MARKETS

BIG BOYS DON'T CRY… USUALLY:

Now let's see: this is supposed to be a land of capitalism where people stand by their decisions and accept the consequences thereof, right? In a capitalist world, good decisions are paid with profits, and bad decisions are expected to costs one losses. Have we got that right? Isn't that what is supposed to happen? Further, isn't this supposed to be especially true in the upper levels of the money management business? Do we not, metaphorically, "Eat what we kill?" and are we not supposed to suffer when our clients suffer? Are we not supposed to do our "homework" to the best of our abilities and profit when we learn good lessons and apply those lessons correctly, and lose when we do not learn or when we apply what we've learned improperly? Isn't that how the game's supposed to function? Are we too naïve?

We bring this up in light of the law suit being brought by Mr. Bruce Sherman, the founder of Price Capital Management LP, against what remains of Bear Stearns and of Bear Stearns' senior management, including the former CEO, Mr. James Cayne. Mr. Sherman's firm managed several billion dollars at one time, and was, we suppose, sufficiently large enough for we and others to consider Mr. Sherman "A Big Boy." By the time one has several billion under management, this seems like a reasonable assumption. In Mr. Sherman's case, however, we are to believe that he was an idiot incapable of thinking for himself, for his lawsuit demands us to believe that he listened to the comments made by Mr. Cayne and others about the relative health of Bear Stearns and that because he listened to them he was forced to live with his 5.9% near-controlling interest in Bear Stearns' stock all the way to bankruptcy. The losses on his position were huge and rising, and yet Mr. Sherman "listened" to what Mr. Cayne, Mr. Warren Spector… Bear's COO… and Deloitte & Touche LLP… Bear's auditors… and sat tight as those losses grew ever larger.

Mr. Sherman embarrasses us all as we make our lives in the capital markets and as he brings this lawsuit against Bear et al. Certainly Mr. Cayne, Mr. Spector, et al erred in their management of Bear Stearns, but they are hardly responsible for Mr. Sherman's decision to hold onto his losing position in the company's shares. He got too large. His position was untenable. His decision making deplorable, and now he wants Cayne, Spector, Deloitte & Company to pay for his poor decision making? Gimme'a break! Shame on Mr. Sherman. Big Boys Don't Cry... usually.

LET'S KEEP THIS IN PERSPECTIVE, PLEASE: Yes, there was yet another bank closing in Georgia over the weekend, and yes, Georgia does seem to be ground zero for bank closings this year as The Georgian Bank, the 2nd largest bank in Atlanta, was closed Friday evening and its branches taken over by First Citizens Bank & Trust of Columbia. S. Carolina under the auspices of the FDIC. This is the 95th bank closed this year by the FDIC and at first blush this seems like a rather large number. It is not.

Firstly, this brings to 19 the number of banks closed in Georgia this year. Only Illinois is close with 15. California has closed 9 banks and Florida has closed 6, and after that the numbers dwindle down to low single digit losses in the remaining states, with only Montana, N. Dakota, New Mexico, Louisiana, Mississippi, Arkansas, Tennessee, Kentucky, Indiana, S. Carolina, W. Virginia and our homes state, the Commonwealth of Virginia, now having suffered a bank closing. However, do please remember that back in the 80's and early 90's it was really quite normal for the FDIC to close 100+ banks every year, and indeed in the late 80's and early 90's, the government was closing 300-550 banks every year for several years. Note the chart this page, courtesy of our friend, Dr. Mark Perry of the University of Michigan's Flint campus graduate business school, of bank closures going back into the 1930's. The 80's and 90's are an "Everest" of closures, thus putting the 95 closed this year into a more proper perspective. Each closing is problematic; each one causes undue and collateral damage to the surrounding geography; each one probably could have been avoided; but 95 is not 550, and that is the lesson for today.

DIANA OLICK PUTS HOUSING IN PERSPECTIVE: Diana Olick is CNBC's Housing reporter and she is one of our favorites. When she is on the television, we turn up the volume and we listen for she knows what she's talking about when she talks about real estate. Thus, when others were applauding the housing sales numbers last week, we paid heed when Ms. Olick "saw" them as something other than truly positive. She noted the following breakdown of sales prices and sales volumes, and it is clear that the low end was and is selling well, but the high end is not selling at all:

- House Prices $0-$100,000 - Sales **rose** by 20.9%
- House Prices $100,000-$250,000 - Sales **rose** by 4.9%
- House Prices $250,000-$ 500,000 - Sales **fell** by 9.6%
- House Prices $750,000-$1 million - Sales **fell** by 22.5%

We'll take what progress we can find in any area of the housing market, but until we see the "high end" of the market begin to strengthen, and do so consistently, any real protracted hope for the home builders et al is illusory, or at best, very, very early.

RECOMMENDATIONS

1. Long of Five Units of "Prosaic, Old-Guard, and dividend paying" equities/ Short of Five Units of the Broad Market to hedge the trade:

We are long of prosaic, old–guard stocks while we are short of the broad market **and we should be shorter**.

2. Long of Four Units of the Canadian dollar against the US dollar:

We bought the C$ six weeks ago at or near to 1.1485 several months ago. Since then we've added a 2nd unit at or near 1.0800 and a third at or near that same level, leaving our average price at or near 1.1015. **Our stop has been 1.1125 and we brought that that down today to 1.1025 on a closing basis two days ago.** We may bring it down farther sooner rather than later.

3. Long of One Unit of Gold in EUR terms and One Unit in Sterling Terms:

We bought gold August 5th, but we did it EUR terms rather than in US$ terms and we shall not wish to see €645 taken out on the downside. Given that the market is trading €684.00 at the moment, we see little likelihood of that stop being elected.

Further, we bought gold two weeks ago in Sterling terms, at or near £582. We bought another unit, Sept. 7th with gold trading approximately £605.70, bringing our average up to £593.85 and then we cut the trade in half two weeks on the Barrick news and confusion. As we write, gold is trading £621.90

4. Short of Two Units of Sterling:

We sold Sterling last Monday for it is the most technically vulnerable as it moved into "The Box" marking the 50-62% retracement of the previous major move. We were willing to risk the trade only to the highs made the previous Friday.

On Friday of last week we added a 2nd unit to the trade, selling Sterling on the rally toward 1.6350-1.6375, and we were given that opportunity for several hours following TGL being sent to our clients around the world. Now we have a solid position. We shall sit tight.

5. Long of One Unit of the US Ten Year Note:,

We bought the long end of the US bond market on Friday, for there are few, if any, other than our old friend Dr. A. Gary Shilling, who is bullish of debt, and so we are. We bought the ten year note at or near 117 ¾'s, noting further that should the Dec ten year note close above 118 ¼ we'll not hesitate but to add to the position. We'll hold to the latter, for as we write, Dec notes are trading 108.05.

Our risk? To 116 ¾'s on a closing basis, and if the recent consolidation at or near 117 ½ proves to be what we think it shall be… a mid-point consolidation… a move to 121-122 is reasonable and perhaps even likely.

As for our cotton trade, how sad was that? How embarrassing was that? How swift was that?! We looked quite foolish buying the highs, but the trade was set up for that, and at least we had our stops in place. Those who were not stopped out should get out this morning! We trust we are clear.

Please note that the following positions are "indications" only of what we hold in our closed end fund in Canada, the Horizon's AlphaPro Gartman Fund, at the end of trading yesterday. **We reserve the absolute right to change our opinions at any time and at a moment's notice.** Presently, we hold the following:

Long: We remain bullish of simple manufacturers, simple businesses, the premier banking and/or broking firms, newspapers and Canadian beer stocks, but we've hedged all of these positions, as we always do and always shall.

Short: We are short of energy and defense related stocks, as we are of specialty retailers, fertilisers, and most notably, auto parts… with auto parts and fertiliser share doing well on this side of the ledger recently. We find the fertiliser stocks all the more tempting from the short side following POT's "earnings' report on Friday a week ago and the gap lower Monday, and we added to our shorts in the auto parts several times last week as they "gapped" lower early and remained lower through the week, closing on their lows.

The following is not a recommendation, a solicitation or an offer to sell the securities and reflects publicly available pricing information provided for informational purposes only.

CIBC Gartman Global Allocation Deposit Notes Series 1-4;
The Gartman Index: 110.18 vs. 111.69 previously; and
The Gartman Index II: 88.79 vs. 89.99 previously.

Horizons AlphaPro Gartman Fund (TSX: HAG.UN):
Yesterday's Closing Price: $8.93 vs. $9.00
Yesterday's NAV per Class A Unit: $9.1409 vs. 9.1392
Yesterday's NAV per Class F Unit: $9.4261 vs. $9.4242

The Gartman Letter L.C. serves as a sub adviser to the above mentioned products. Investors in the CIBC Gartman Global Allocation Deposit Notes should go to http://www.cibcppn.com/ScreensCA/canproductsearch.aspx?QS=gartman&PC=0&NN=&MDRS=&MDRE=&IDRS=&IDRE=&ADP=&FC=&ADV=False for more information. Existing investors in HAG.UN should go to http://www.hapetfs.com/gartman_cf.asp for more information.

For the remainder of the month, our Canadian notes hold the following, but they will change in the next two days and we shall report those changes later this week once they are made. Some positions actually will be reversed.

Long: *10% copper; 10% gold; 10% silver; 20% Canadian dollars; 20% Australian dollars.*

Short: *5% US 10 Year Treasuries; 15% Japanese Yen and 10% the EUR.*

Now that HAG.UN is trading at or below its NAV on the Toronto Stock Exchange, this closed-end fund shall eventually become an ETF and thus end its discount to NAV, according to the mandates set forth in our offering agreement to insure that these discounts are short term in nature. Class A and F Units convert to ETF Class E Units if the Class A Unit daily weighted average trading price drops below a 2% discount to NAV per Class A Unit, for 10 consecutive trading days… but not until the 4th quarter of this year… or Class A and F Units convert automatically to Fund ETF Class E Units on March 31, 2010 (if conversion is not triggered prior thereto).

Good Luck and Good Trading, Dennis Gartman