METROPOLITAN CAPITAL STRATEGIES, LLC

A Different Approach to Investing

Market Update – August 2011

Due to the intense volatility the past few weeks, MCS would like to keep our clients informed with pertinent market information. What a summer...it's Ground Hog Day again. Last summer, the S&P 500 dropped from 1225 to 1040 and then recovered on QE2. This summer the high was 1369 and then dropped to a low of 1102, and QE3 is not on the table, at least not yet. We have low interest rates from the FED for the foreseeable future. The downgrade of the US debt is working through the system with additional fallout from municipalities and other government agency debt. There are possible downgrades of additional countries and banks as well.

Today the S&P 500 has been between 1170 - 1189. The MCS defensive position of protection of principal kicked in earlier this year when the warning signs were flashing. We were able to avoid the double digit drop that many investors experienced. MCS, like any good team, strives for both a good offense and defense. Few strategies have a goal of both protection and appreciation of assets. We are researching the next entry point for the second part of our strategy--appreciation. Some of the positive signs would include the market stabilizing by not experiencing 2-5% daily swings, and some interim resolution on the European bailout. France and Germany are meeting next Tuesday and any unexpected news could drive the market back down.

The good news is that earnings are still relatively strong which is holding the market at the current levels. If earnings begin to dissipate it may drive the market to lower levels. This market could be setting up for an opportunity for MCS to exploit.