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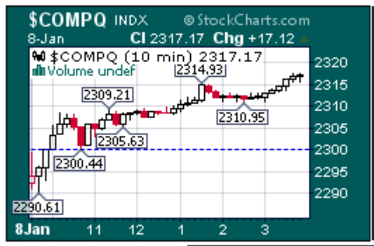
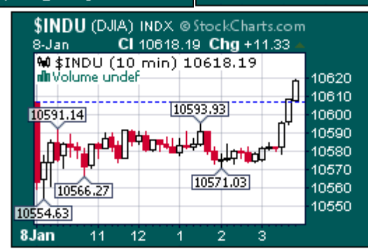
Market Musings

1/8/2010 After the Close





Another lift at the close.

Markets Diary 5:39 p.m. EST 01/08/10

Issues	NYSE	Nasdaq	Amex
Advancing	1,858	1,666	271
Declining	1,183	973	201
Unchanged	132	181	64
Total	3,173	2,820	536
Issues at			
New 52 Week High	382	163	24
New 52 Week Low	4	4	0
Share Volume			
Total	994,749,061	2,145,393,756	16,447,226
Advancing	511,977,341	1,517,069,795	11,111,900
Declining	474,519,120	556,538,153	4,827,926
Unchanged	8,252,600	71,785,808	507,400

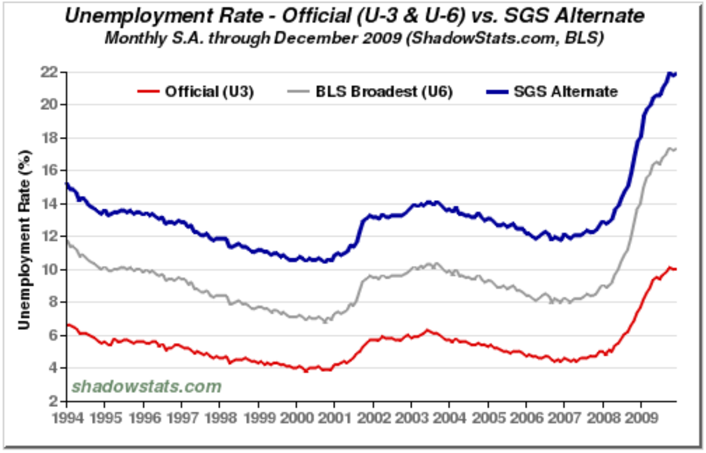
Another feel good weekend for investors as the invisible hand pushed the major indices into positive territory.

A brief picture from the Consumer Electronics show ... crowds were down from two years ago but up from last year. The buzz is 3D TV's from the majors and very thin integrated large screen TV's. One gadget I found interesting was a small hand-held radar device about the side of a small cell-phone. Another was the Peregine (?) glove which gamers are finding attractive but which has many additional uses as it basically replaces the keyboard.

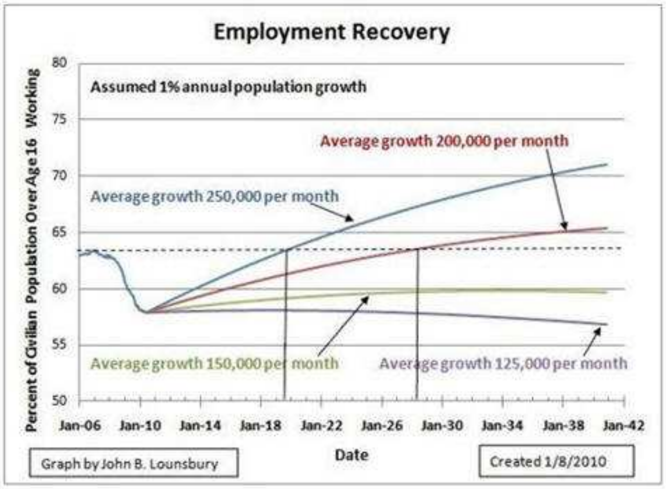
O**n the economic front -**

December's Jobs report from the Ministry of Truth kept the unemployment rate at 10%. The MOT reported that 85,000 jobs were lost in December 2009. **When you back out all the revisions and seasonal adjustments including the Birth/Death rate fudge**

factor, the economy probably shed something on the order of 500,000 jobs in December 2009 according to Shadow Government Statistics.



The real question is when will the economy regain the employment levels which existed in 2007 before 10 million jobs were lost. **It might be 2040 if the analysis by John Lounsbury is correct.**



Data: U.S. Dept. of Labor and St. Louis Fed

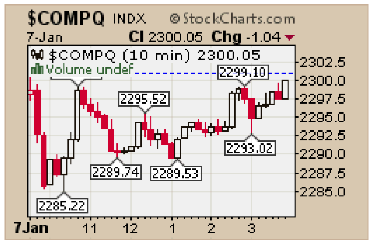
Consumer credit fell faster in November ($17.5 B) than in October 2009 ($4.2 B). The acceleration has to make economists that were looking for the consumer to jump back into the market consider the possibility that the game is changing.

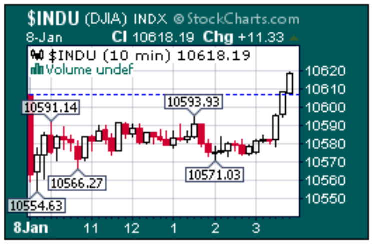
Fred's Comments

Take a look at the BIDU chart after reading again the Technical Note on the Power of 3. Using the 8, 20, and 50 SMA, it would appear to be a very interesting setup is occurring.

We made no changes in the portfolios today. There will not be a Musings published on Monday due to my schedule until late.

1/7/2010 After the Close





Another day going nowhere.

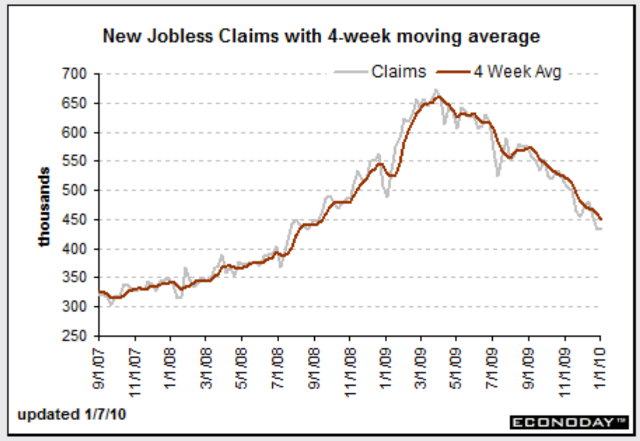
Markets Diary — 5:36 p.m. EST 01/07/10

Issues	NYSE	Nasdaq	Amex
Advancing	1,882	1,562	292
Declining	1,186	1,103	191
Unchanged	106	173	53
Total	3,174	2,838	536
Issues at			
New 52 Week High	342	118	30
New 52 Week Low	3	4	0
Share Volume			
Total	1,193,769,108	2,270,057,834	17,189,976
Advancing	811,935,428	1,218,747,421	9,398,420
Declining	375,209,610	1,032,121,576	6,254,656
Unchanged	6,624,070	19,188,837	1,536,900

Slightly higher volume helped the market close on another mixed day.

On the economic front: While the market awaits the **Non-Farm Payroll and Unemployment numbers tomorrow**, there seems to be a sense of assessment and caution going on. The consensus is for a positive number to be released. The expectations may be such that a positive number would foster a declaration that gloomy days are officially behind us. Interestingly, the consensus is for a slight rise in the unemployment rate, to 10.1% compared to 10% for the prior month.

With businesses replacing the season of reflection in December with a season of planning and action starting in the first quarter of 2010, the drama for December's job numbers released tomorrow at 8:30 a.m. EST could be a turning point to set the stage for some progress. If businesses believe sales will increase, especially the ability to inch up prices on top of unit sales, then better profits might see a good start. And a solid start is what we need. But keep in mind that we are in a period of mixed signals with more weight being given to positive signals without a tendency to place much weight on negative signs.



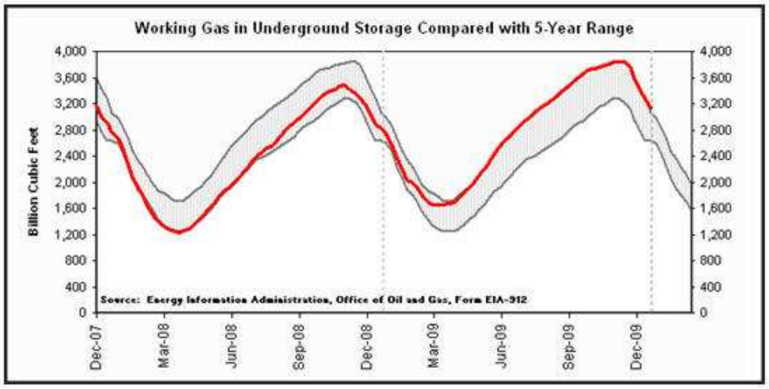
Data Source: Haver Analytics

New Jobless Claims paused on data released today instead of continuing the most recent improvements. The trend, however, is really unchanged and heading in the right direction. A neutral reading on this metric would be more than acceptable if there are more people getting back to work and spending money.

Company name	Category	Same-store sales change	Overall sales change	Overall sales (millions)
Abercrombie & Fitch	Apparel	-19.0%	-11%	$482.500
Aeropostale	Apparel	10.0%	17%	$460.800
BJ's	Discount	2.7%	9.40%	$1,160.000
Buckle	Apparel	6.6%	12%	$147.100
Costco	Discount	2.0%	11%	$8,260.000
Gap	Apparel	2.0%	5%	$2,020.000
J.C. Penney	Department	-3.8%	-2.40%	$2,889.000
Hot Topic	Apparel	-11.0%	-9.80%	$119.000
Kohl's	Discount	4.7%	8.80%	$3,014.000
Limited Brands	Apparel	-2.0%	1.00%	$1,660.000
Macy's	Department	0.7%	1%	$4,426.000
Neiman Marcus	Luxury	4.5%	6%	$556.000
Nordstrom	Luxury	7.4%	11%	$1,250.000
Ross Stores	Apparel	12.0%	16%	$934.000
Saks	Luxury	9.9%	11%	$393.600
Target	Department	1.8%	5.00%	$9,741.000
TJX	Discount	14.0%	21%	$2,900.000
Zumiez	Apparel	0.3%	7.70%	$77.600

And **Retail Spending** appears to have done just that for December. It is hard to ignore that the sampling in the table above is providing some encouragement. However, seasonal adjustments are hard to interpret and some might not see a story in these numbers that is more than a "neutral" picture. It will be a few days before we see some official Commerce Department numbers. Still, retail sales are stabilizing at a minimum. Until then, remember, mixed signals.

When we see the **retail numbers in Texas** for December, particularly the taxable sales, there will have to be a miracle turnaround. Statewide, the November 2009 sales taxes in Texas fell 11.7% compared to November 2008, and the most recent 12 months ending November is down 6.14% compared to the previous year. Some think that Texas was last into the recession and will be first out. That is not the case, it appears, as far as taxable sales goes in Texas.



Natural Gas Inventory dropped 153 billion cubic feet for the week ending 1/1/10. The chart above helps to put that number in perspective. There is an inventory of 3,123 BCF, compared to 2,837 BCF a year ago and a 5-year average of 2,807 BCF. The red line above shows how current inventory numbers are at the high end of the five-year inventory range. This, of course, means supplies are at historical highs as has been reflected in NatGas prices. However, the rise from the low of last September to the recent peaks are very impressive. The cup-with-handle chart below looks promising to the upside if this cold winter persists and NatGas can sustain the $6+ level. However, after a 6.47% rise yesterday, it appears to have done so today.

TREASURY AUCTIONS ANNOUNCED TODAY		
JAN 11	3-MO T-BILLS	$24.0 BILLION
JAN 11	6-MO T-BILLS	$25.0 BILLION
JAN 12	52-WK T-BILLS	$26.0 BILLION
JAN 12	3-YR NOTES	$40.0 BILLION
JAN 13	10-YR NOTES	$21.0 BILLION
JAN 11	10-YR TIPS	$10.0 BILLION
JAN 14	13-YR T-BONDS	$13.0 BILLION

The **Treasury** announced some busy plans for issuing debt over the next few days with $159 billion on the board over a four-day period. LFM

Fred comments from Las Vegas: We made no changes in the portfolios today and my feet are tired after only walking about 1/3 of the show space. But it has been a blast so far.

1/6/2010 After the Close

Markets Diary			5:36 p.m. EST 01/07/10
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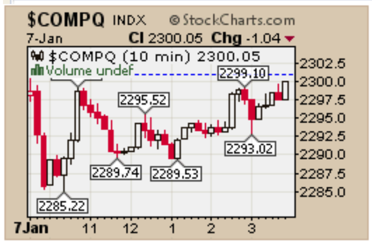


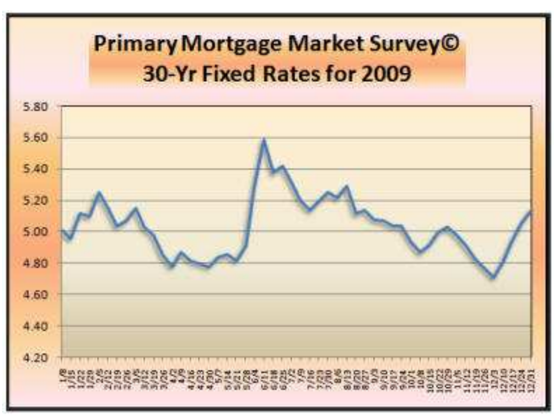
Taking a breather.

Markets Diary			5:51 p.m. EST 01/06/10
Issues	**NYSE**	**Nasdaq**	**Amex**
Advancing	1,826	1,192	306
Declining	1,219	1,469	189
Unchanged	136	173	53
Total	3,181	2,834	548
Issues at			
New 52 Week High	451	185	34
New 52 Week Low	1	7	1
Share Volume			
Total	1,113,811,976	2,253,342,098	20,458,274
Advancing	728,821,896	1,041,653,165	15,265,264
Declining	368,212,250	1,193,349,483	3,699,600
Unchanged	16,777,830	18,339,450	1,493,410

Declining volume suggests consolidation.

On the economic front:

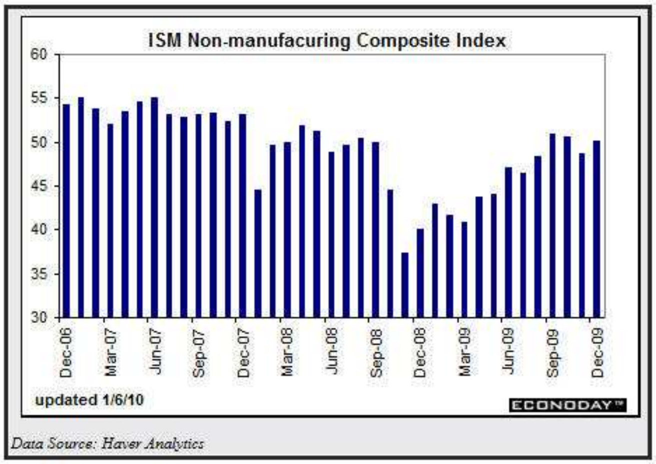
The **average 30-year mortgage** rose to 5.14% this week, up from 5.05% last week, according to Freddie Mac as shown in the chart below for all of 2009.



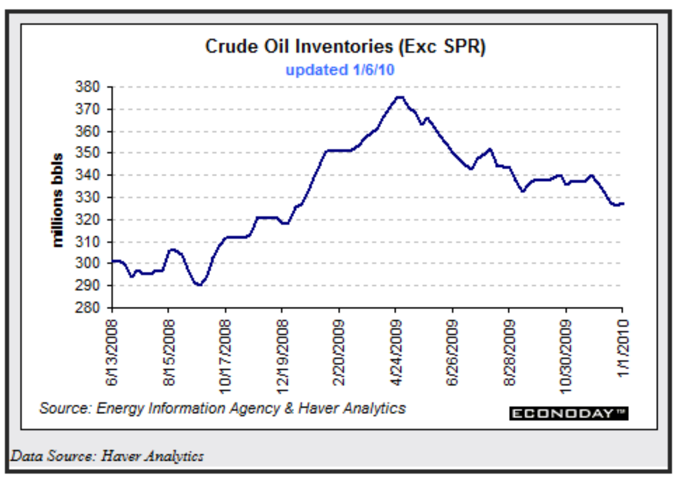
Mortgage applications over the holidays are distorted, even when adjusting for the season. The critical things to watch here include the continuation of interest rate increases if economic activity improves significantly and as the Federal Reserve winds down its purchases of mortgage-back securities.

But most of us have to possess a job to service a mortgage, so how goes the job market? As long as there are layoffs, and the trend has not reversed, this is going to be a problem. **Job Cuts** and **New Jobless** Claims are not getting worse, which is good news. But when there are no cuts, but adds, then we can expect people to afford mortgages.

If the theory is true that **the stock market generally leads the economy**, since the market is forward looking, then it would have to hold true that the economic metrics would have to *look bad* as the market peered down the road with *optimism*. That is the case for the last half of 2009. Let's just hope that the market has got it right as we breathe the fresh air of 2010.



But the **ISM Non-Manufacturing Index** released today reminds us of the virtue of patience and how we must deal with mixed signals. In fact, isn't it symbolic of our optimism and impatience when an indicator such as shown above goes from 48.7 to 50.1, which is a great improvement, but the consensus was 50.4? Given that this index rate saw better than 55 even in 2007, anything above 50 appears to be good. Patience, patience!



Crude oil inventories jumped up this week by 1.3 million barrels compared to a decline of 1.5 million barrels in the prior week. Crude oil closed at $83.18 today, up $1.41. Natural gas closed at $6.01, up $0.37. Gold was up to $1,136.50, up $17.80.

And the U.S. stock markets yawned.

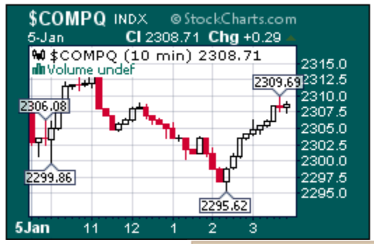
But the USD slipped after the FOMC minutes were released. The minutes show that a unanimous policy vote may not represent true cohesiveness. To no surprise, they don't all agree. Written minutes and written speeches are quite interesting. I wrote an article two years ago this month about watching Bernanke at a Congressional hearing when the TV cameras were focused on close ups of his face. I watched intently for two solid hours. It was clear to me that the words coming across his lips were in conflict with his eyes and facial expressions. Ben didn't have quite the air of the British monarchy, but he was poised and statesman-like in every respect. Even when they asked what the Congress could do to help, he droned with the enthusiasm of Queen Elizabeth that he would just appreciate it if Congress would just obey the laws of arithmetic.

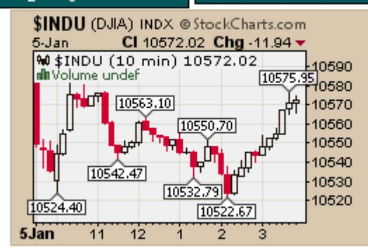
I'd give anything to hear Ben alone in his limo with his best friend after a few drinks giving the same public responses from the gut.

But I've given this a lot of thought and realized it probably has to be this way. What would the world markets do if Ben Bernanke talked in a language we could understand like Jeff Foxworthy does? LFM

From Fred in Kingman, Arizona after a long drive of driving. At today's market open, we bought BUCY in the Aggressive portfolio. We bought AEM and GSS in the Precious Metals portfolio. Today, it is a short trip to Las Vegas and the Consumer Electronics Show to get a look at a lot of new toys.

1/5/2010 After the Close





Was the market up or down?

Markets Diary 5:52 p.m. EST 01/05/10

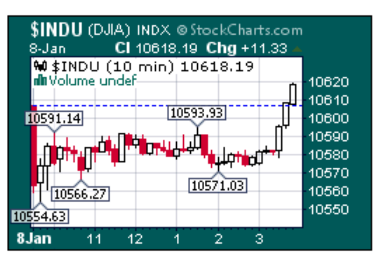
Issues	NYSE	Nasdaq	Amex
Advancing	1,860	1,188	285
Declining	1,210	1,495	213
Unchanged	108	161	47
Total	3,178	2,844	545
Issues at			
New 52 Week High	401	206	30
New 52 Week Low	0	7	1
Share Volume			
Total	1,192,541,785	2,367,862,960	16,504,285
Advancing	824,073,895	1,266,813,446	11,415,100
Declining	361,557,470	1,022,629,226	3,949,385
Unchanged	6,910,420	78,420,288	1,139,800

It would have been a completely different day if the market had ended at 2:15!

On the economic front:

When things get tight, the postponement of a vehicle purchase may be a necessity. Eventually, however, vehicles get older and must be replaced. Perhaps that explains why **domestic vehicle sales** were estimated to be 8.4 million in December and turned out to be 8.5 million, up from 8.2 million in November and 7.9 million in October. Ford posted a 33% rise in December, its first full-year market share gain since 1995. However, the *Wall Street Journal* reports that Chrysler had a 3.7% decline in December, ending with their worst results in 47 years. GM declined 5.7% while Toyota jumped 32%, Honda 24% and Nissan 18% in December. Santa was good to some.

Retail sales were up 1.5% for the week, compared to 0.4% for the previous week, which resulted in a 2.5% YoY compared to 2.3% last week. This data is from the **International Council of Shopping Centers.** However, before that news reached the deep psyche of the market, the **Redbook** measure for chain stores, discounters and department stores came in at a 1.6% increase YoY compared to 1.9% last week. The consumer seemed to be doing a lot of bargain hunting over the holiday season. Respectable, but nowhere can you find the word, "robust."



New Manufacturing Orders and Shipments aren't quite robust yet, but the uptrend is becoming quite convincing in a healthy, steady manner. The MoM change for December was 1.1% compared to an expected 0.4%. Much of this gain was from price increases rather than units. Again, the positive here is that the climb is slow and unwavering. It will still be several months of continued growth before we can begin to celebrate.

The **Pending Homes Sales Index** was up 3.7% in October but plunged (most favorite descriptive word used today by the media) to a negative 16.0% in November in data released today. Pending sales is a pipeline number for signed contracts that won't close for 4-6 weeks. This has left the National Association of Realtors in a quandary about previously optimistic existing home sales for this spring. The data gives us a good idea of how surges from stimulus measures can be followed by a big slump (plunge) when the stimulus ceases.

4-Wk Treasury Bill
Averages & Recent Auction Results

	Total Amount ($ blns)	Bid/ Cover Ratio	High Discount Rate
2006	$15.4	2.68	4.675
2007	$16.9	2.98	4.444
2008	$25.1	3.15	1.408
2009	$29.0	3.85	0.101
Q1:2009	$29.9	3.13	0.135
Q2:2009	$28.9	3.58	0.110
Q3:2009	$29.8	4.31	0.120
Q4:2009	$27.5	4.37	0.037
5-Jan-10	$16.0	5.50	0.025

Data Source: Haver Analytics

$16 billion of **4-Week T-Bills** were auctioned today at a rate of 0.025%. This is a huge increase over the rates of zero percent for the December 8th and 15th auctions as well as 0.005% for December 22nd and 0.010% for December 29th.

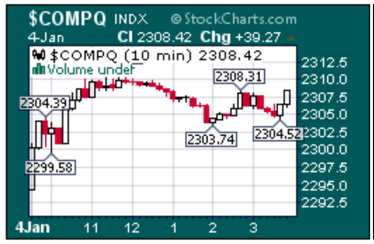
There are numerous stories about the **state and local pensions** around the country popping up in newspapers everywhere. It seems like the buzz from the holiday eggnog has been replaced with a sobering up of the media. I guess post-holiday personal debt has everybody sensitized. Perhaps it is also an awareness of credit card rate increases that take place this month. Debt is a weary subject that is likely to be pushed to the very top of our agenda from the federal level down to the personal level this entire decade. The focus on the state and local government level is not new, but it has sharpened for the new year. Adding to the weariness is that we are at the beginning of the new election season, which will demand a large share of our attention in 2010.

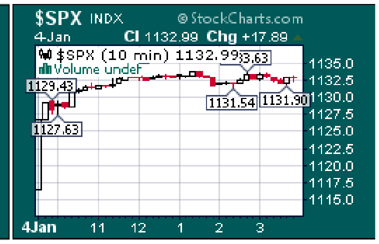
Will the Tea Parties, the Manhattan Declaration, the Concord Coalition and other grass roots efforts make a difference during this election year? The same problems we've had for decades are still here and everybody in Congress and the Presidency for all these years came through the ballot box, didn't they?

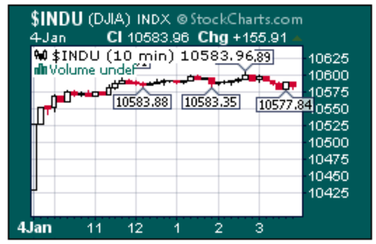
But does the market care? Today ended mixed, with the DJ Industrials down while the NASDAQ and S&P 500 had a slight rise. The NYSE was up in price, issues and volume. The NASDAQ on the other hand was up in price, up in volume but down in the number of issues. Is the market absolutely, positively*, not sure*? Watch for these last minute run-up's that may not reflect the real market sentiment. LFM

Today's Musings was written by Lewis McLain as I was in meetings and/or traveling to El Paso arriving late at night. LFM will provide the commentary today and tomorrow due to my hectic schedule. I really appreciated his offer to help once again. We bought HMIN in the Aggressive portfolio Tuesday morning. There were no other changes.

1/4/2010 After the Close







Opened at a 15 month high!

Today found the major indices at a 15 month high as new money and the New Year moved the market higher at the opening. However, after that the fireworks were done.

The market was ready to resume its upward trend as the ISM Manufacturing index was above expectations. Investors ignored the data on construction spending for November which showed that the situation was getting worse. The dollar was down while crude oil was higher. Precious metals were also higher.

We have published the Outlook 2010 this afternoon. **It can be accessed as a PDF file by clicking here.**

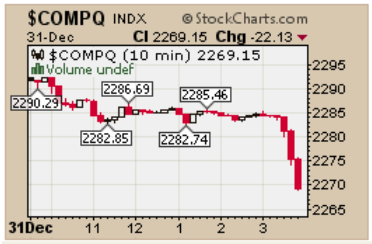
Tomorrow morning, we are headed to Las Vegas for the Consumer Electronics Show and the Musings may be late. Next week, we will be in Southern California Monday to Wednesday and then on Friday and Saturday in the San Francisco area where we will be talking to the AAII Chapter.

We made no changes in the portfolios today except as stated below.

If you desire to retain a copy of the 2009 complete portfolios, you should download them by clicking here - **Aggressive**, **Conservative**, and **Precious Metals**.

We wish all of you a prosperous, healthy and Happy New Year!

12/31/2009 After the Close



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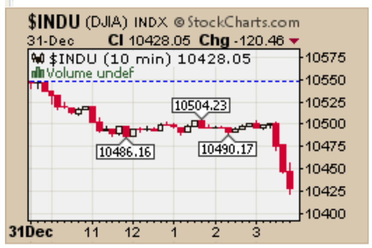


Closed on a down note.

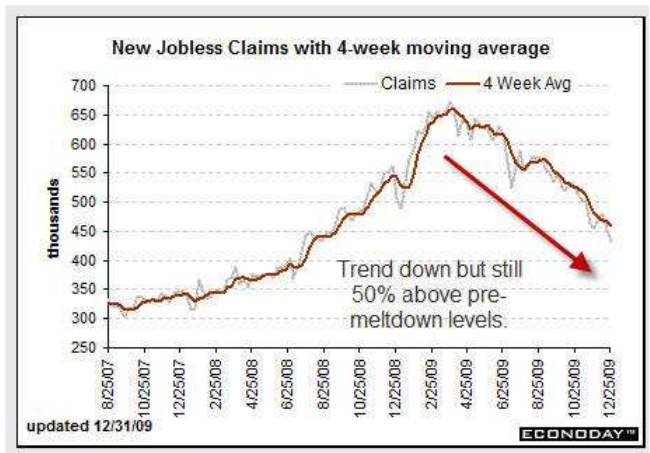
Markets Diary			4:34 p.m. EST 12/31/09
Issues	**NYSE**	**Nasdaq**	**Amex**
Advancing	994	1,026	287
Declining	2,018	1,730	191
Unchanged	114	103	58
Total	3,126	2,859	536
Issues at			
New 52 Week High	177	108	7
New 52 Week Low	2	13	6
Share Volume			
Total	679,920,743	1,271,794,892	13,458,520
Advancing	124,340,623	278,010,510	6,033,960
Declining	546,456,720	977,578,927	5,612,460
Unchanged	9,123,400	16,205,455	1,812,100

The market closed the year higher than it began but still significantly below the peak levels of just a year ago. It was a market where gamblers, speculators and traders outperformed investors looking for high quality CAN SLIM® stocks. JOB stocks (junk off the bottom) were winners in 2009 and many of those still look overvalued to me. Prudent investors should not be concerned that they did not meet meet or exceed the performance of various indices. **Safety of principal is the most important aspect of investing.**

The NASDAQ Composite Index wrapped up 2009 with a 43.9% gain, while the Russell 2000 index gained 25.2% and the Standard & Poor's 500-stock index added 23.5%. The following table shows the results of various indices in 2009. The DJIA is still 26.4% below its all-time high set in October 2007.

Market Summary				
	12/31/08	12/31/09	Change	%
AMEX Comp	1397.53	1,824.95	427.4	30.6%
DJIA	8776.39	10,428.05	1651.7	18.8%
HUI	302.41	429.91	127.5	42.2%
Nasdaq 100	1211.65	1,860.31	648.7	53.5%
Nasdaq Comp	1577.03	2,269.15	692.1	43.9%
NYSE Comp	5757.05	7,184.96	1427.9	24.8%
Russell 2000	499.45	625.39	125.9	25.2%
S&P 400	538.28	726.67	188.4	35.0%
S&P 500	903.25	1,115.10	211.8	23.5%
S&P 600	268.73	332.63	63.9	23.8%

In today's economic news, new jobless claims continued to show a decline but still remain about 50% above the level before the financial meltdown began almost two years ago. Continuing claims were also down and finally below 5 million but whether that is due to benefits expiring or an improving job market is a question still to be answered.



Data Source: Haver Analytics

The U.S. dollar index closed the year at 77.95 right at a resistance level. West Texas crude oil managed to close higher for eight consecutive trading days at $79.59/bbl.

The yield on the 10 year U.S. Treasury note closed at 3.84% as inflation fears rose as well as the realization of the huge funding needs of the U.S. in 2010 as well as possible further sovereign debt defaults impacted bond investors. Although gold has fallen from its high or

$1,226.40/oz in November, it still managed to close 2009 at the highest level in history at $1,075.00/oz.

We sold BBG from the Aggressive portfolio today as it violated its Action Point. We made no further changes in the portfolios today. We will The performance of the three Strategic Investing portfolios prior to accounting for dividends and interest on cash balances for 2009 is shown below:

	2008	Since 1-1-2009
Aggressive	+85.4%	19.8%
Conservative	+28.0%	10.2%
Precious Metals	+2.2%	21.2%

We will start the 2010 portfolios with $150,000 in the Conservative, $300,000 in the Precious Metals and $600,000 in the Aggressive. We will use the closing price of today's stocks as the purchase price for those stocks in the 2010 portfolios.

The Outlook 2010 will be published over the weekend. We wish each and everyone a Great, Healthy and Happy New Year.

- **Strategic Investing**

Last updated - November 17, 2009