

STRATEGIC INVESTING

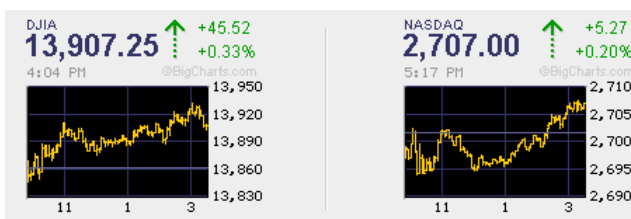
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7/13/2007 After the Close

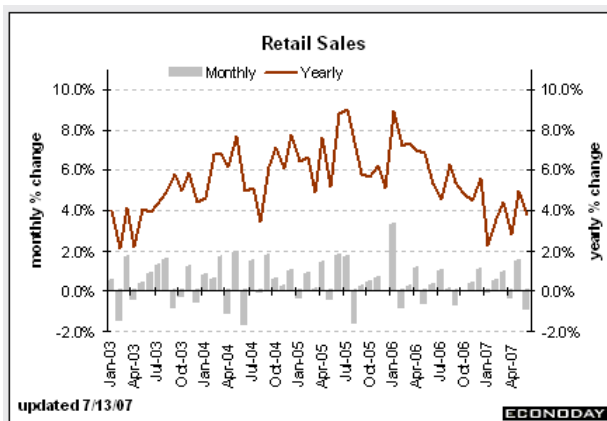


Despite reduced volume, the DJIA continued to march towards 14,000

ADVANCES & DECLINES				
	NYSE	AMEX	NASDAQ	BB
Advancing Issues	1,667 (50%)	762 (56%)	1,408 (45%)	699 (36%)
Declining Issues	1,544 (46%)	493 (36%)	1,625 (51%)	707 (36%)
Unchanged Issues	125 (4%)	96 (7%)	130 (4%)	533 (27%)
Total Issues	3,336	1,351	3,163	1,939
New Highs	350	245	219	209
New Lows	90	50	77	216
Up Volume	1,613,682,011 (58%)	362,192,050 (77%)	946,140,210 (53%)	322,236,752 (21%)
Down Volume	1,084,560,262 (39%)	104,401,767 (22%)	835,074,930 (46%)	456,664,542 (29%)
Unchanged Volume	66,072,715 (2%)	3,957,388 (1%)	15,063,577 (1%)	773,690,411 (50%)
Total Volume	2.764.314.988¹	470.551.205¹	1.796.278.717¹	1.552.591.705¹

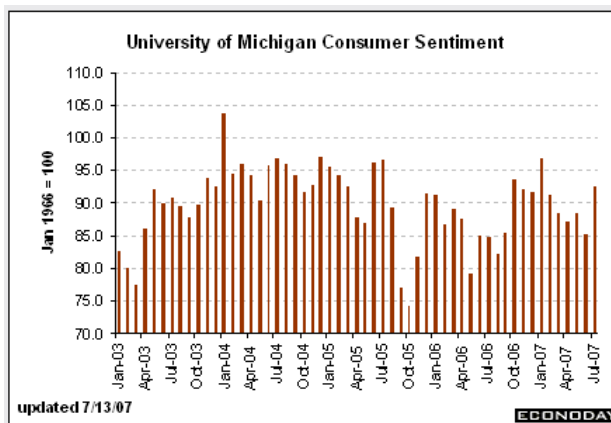
The Big Board and the NASDAQ ended in higher ground again today despite reduced volume. Up volume was in favor while on the NASDAQ more issues declined than went up. In particular, the stocks in our Aggressive and Conservative portfolios as well as those on the Stock Watch List also saw more going down than went up in today's trading.

Unlike the press that sounded yesterday about retail sales beating expectation (of course, those expectations had been reduced earlier in the month), there was little joy when June retail sales unexpectedly fell 0.9% following a 1.5% increase in May. Today's retail sales numbers were below the consensus forecast and the largest drop since August 2005. Auto sales, furniture and building materials all declined during the month.



Despite the decline in retail sales, the University of Michigan preliminary Consumer Sentiment survey for July showed a substantial increase

from June as shown in the following chart: Traders used the better than expected sentiment numbers as fuel to keep pushing the market higher. Of course, the preliminary data is often revised in about 10 days and generally, the revisions have been on the down side.



There was little change in the US dollar index, oil, interest yields and many commodities in today's trading.

We made no changes in the portfolios today. The update on the gold market will be published tomorrow as will the update on the ETF's.

Our schedule this week has been seriously disrupted by travel, doctor's appointments, and family meetings. At least, our Georgia grandchildren have now returned home and both of us have a few days to recuperate before the next group of grandchildren from Redmond arrive next weekend.

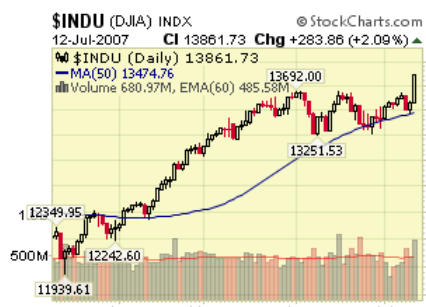
7/12/2007 After the Close



Record all-time highs for the DJIA, S&P 500 and Russell 2000 as the dollar continues to fall!

ADVANCES & DECLINES				
	NYSE	AMEX	NASDAQ	BB
Advancing Issues	2,371 (71%)	876 (64%)	2,186 (68%)	731 (37%)
Declining Issues	880 (26%)	414 (30%)	877 (27%)	750 (38%)
Unchanged Issues	108 (3%)	89 (6%)	132 (4%)	499 (25%)
Total Issues	3,359	1,379	3,195	1,980
New Highs	323	224	254	225
New Lows	86	49	76	223
Up Volume	3,013,585,418 (86%)	537,818,177 (86%)	1,915,339,104 (84%)	852,923,126 (34%)
Down Volume	450,645,772 (13%)	83,024,457 (13%)	318,395,070 (14%)	1,177,404,417 (47%)
Unchanged Volume	25,569,174 (1%)	3,463,100 (1%)	40,962,859 (2%)	493,860,547 (20%)
Total Volume	3,489,800,364¹	624,305,734¹	2,274,697,033¹	2,524,188,090¹

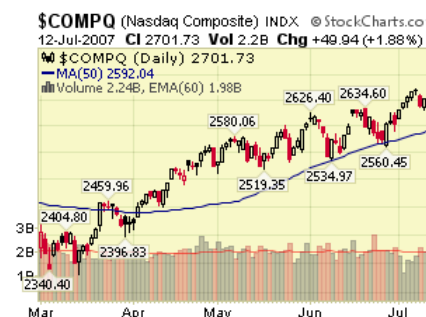
The tech-heavy NASDAQ also made another 6-1/2 year high today as most indices moved higher on strong volume at the open and continued throughout the day powering to the close. It was the largest one day gain for the DJIA since October 1, 2003. Up volume swamped down volume as June retail sales and merger activity drove investors into stocks.



Dow Jones Industrial Average



S&P 500



NASDAQ Composite



Russell 2000

The US dollar index continued weak closing at 80.13 and the yield on the 10 year Treasury note rose to close at 5.12%. The dollar fell to a new record low against the euro and a 26-year trough against the British pound early Thursday, continuing its recent slide on fears over the U.S. subprime mortgage market and potential economic weakness.

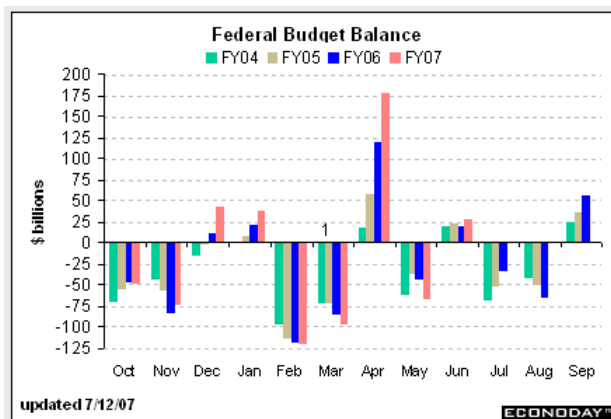


Crude oil was blamed for helping to increase the May 2007 trade deficit from \$57 billion to \$69 billion. New jobless claims were slightly less than expected at 308K but still within the range of the past two years.

The Rio Tinto offer for Alcan at \$38.1 billion along with Wal-Mart's June sales helped ignite the rally. Of course, it was just last month that Wal-Mart reduced its sales forecast so now that it slightly exceeded a reduced forecast, investors began buying the shares. The short-term memory of investors is simply amazing. However, JC Penney, Dillard's and Macy's all reported that same-store sales in June fell over a year ago. Oops!

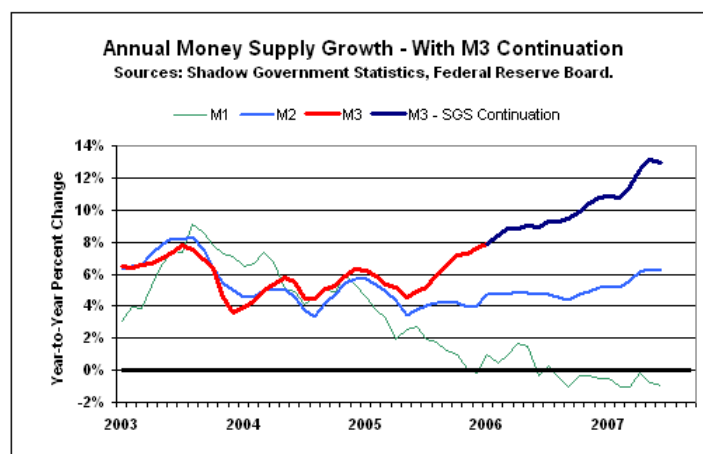


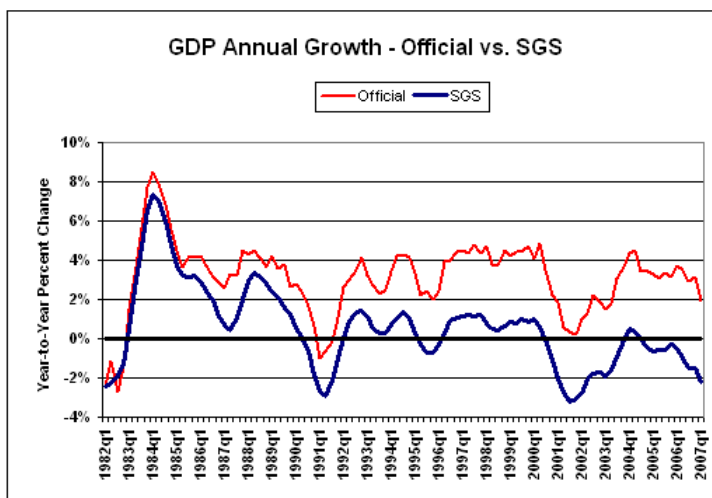
The Federal Budget had a surplus in June that brought the Treasury's deficit to a negative \$121.0 billion through June versus \$206.5 Billion last year. As of 9-20-2006 (the end of FY 2006), the federal debt was 8.504 Trillion. As of June 30th, it stood at \$8.867 Trillion. Now that is a difference of 363 Billion, not \$121 Billion, so I guess we are back using Enron accounting for the Federal book-keepers.



Shortly after the open, we closed all our short positions in the financial stocks and went long those same stocks in the Aggressive Portfolio. We also closed our short position in CTX in the Aggressive portfolio. In the Conservative portfolio, we added TBSI, HDNG, CYNO, and GES. There were no other changes in the portfolios today.

So what is wrong with this picture? The market indices are headed higher with the Big Board indices making new record highs while the dollar is flirting with record lows. M3 is increasing at over 13% according to John Williams of Shadow Government Statistics while the nation's GDP is actually running at a minus 2% whereas the official Ministry of Truth's data is plus 2%.



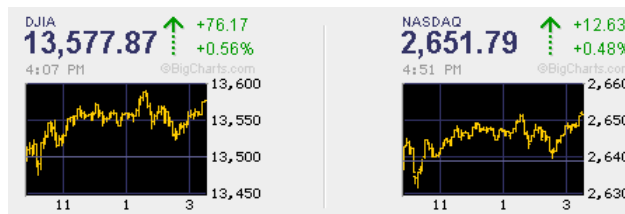


According to Adam Smith, the difference between 13% and minus 2% is the true rate of inflation. For those of you who might have forgotten who Adam Smith was ... He was the great Scottish philosopher and economist who is best known for his book "The Wealth of Nations." and the father of modern economics (1723-1790).

So I repeat ... what is wrong with this picture?

The answer is simply this ... **if the dollar continues to fall and the markets keep rising, does the consumer find his purchasing power up or down? If it is down, are you really better off?**

7/11/2007 After the Close



Today's bounce was about 50% of yesterday's loss!

ADVANCES & DECLINES				
	NYSE	AMEX	NASDAQ	BB
Advancing Issues	1,748 (52%)	660 (49%)	1,626 (51%)	689 (35%)
Declining Issues	1,495 (45%)	576 (43%)	1,403 (44%)	786 (40%)
Unchanged Issues	109 (3%)	107 (8%)	146 (5%)	510 (26%)
Total Issues	3,352	1,343	3,175	1,985
New Highs	107	47	130	220
New Lows	106	28	128	226
Up Volume	1,880,876,188 (62%)	482,315,996 (78%)	1,270,243,408 (63%)	669,418,346 (36%)
Down Volume	1,089,203,678 (36%)	118,967,425 (19%)	711,856,596 (35%)	289,197,227 (16%)
Unchanged Volume	61,797,028 (2%)	16,306,160 (3%)	32,352,184 (2%)	894,471,197 (48%)
Total Volume	3,031,876,894¹	617,589,581¹	2,014,452,188¹	1,853,086,770¹

The market bounced higher at the open and then managed to hold the gains to the close with a small rally occurring at the close. Advancing issues and volume held the edge today as bargain hunters bought the dips.

However, when we redid the Stock Watch List table after the close, we noted a serious deterioration in the number of A rated stocks on the list today. In the past when that has occurred, it has been a sign of either sector rotation and/or a market top.

The subprime mess continues to pickup more visibility. The following from Bloomberg today suggests that the problem is not over.

Subprime Losses Drub Securities as Ratings Drop.

July 11 (Bloomberg) -- On Wall Street, where the \$800 billion market for mortgage securities backed by subprime loans is

coming unhinged, traders are belatedly acknowledging what they see isn't what they get.

As delinquencies on home loans to people with poor or meager credit surged to a 10-year high this year, no one buying, selling or rating the bonds collateralized by these bad debts bothered to quantify the losses. Now the bubble is bursting and there is no agreement on how much money has vanished: \$52 billion, according to an estimate from Zurich-based Credit Suisse Group earlier this week that followed a \$90 billion assessment from Frankfurt-based Deutsche Bank AG.

A total of 11 percent of the loan collateral for all subprime mortgage bonds had payments at least 90 days late, were in foreclosure or had the underlying property seized, according to a June 1 report by Friedman, Billings, Ramsey Group Inc., a securities firm in Arlington, Virginia. In May 2005, that amount was 5.4 percent.

The Bank index today went against the market and could be about to either bounce off the 3087 support level or break through it. The financial stocks led this advance up the last two years and now may be signaling the future direction.



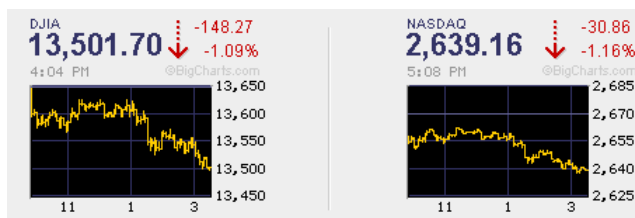
Applications for new mortgages were touted as another sign of strength in the housing market. Of course, the real reason applications rose is that potential buyers are submitting more than one application trying to find a loan as credit standards have risen. The refinancing index continues to move lower suggesting that consumers are not going to the equity ATM at the same rate as last year.

The housing index has now broken through the minor trend line to the downside suggesting that the index may fall further.



In today's trade, we sold FTK from the Conservative Portfolio as it violated its Action Point. There were no other transactions in the portfolios today.

7/10/2007 After the Close



Broke the string with a distribution day!

ADVANCES & DECLINES				
	NYSE	AMEX	NASDAQ	BB
Advancing Issues	769 (23%)	409 (30%)	804 (25%)	693 (35%)
Declining Issues	2,484 (74%)	853 (63%)	2,237 (71%)	832 (42%)
Unchanged Issues	95 (3%)	89 (7%)	125 (4%)	471 (24%)
Total Issues	3,348	1,351	3,166	1,996
New Highs	116	65	144	207
New Lows	92	29	128	240
Up Volume	502,672,523 (16%)	62,871,817 (9%)	551,963,553 (25%)	399,174,052 (14%)
Down Volume	2,652,898,188 (83%)	607,168,689 (90%)	1,644,553,938 (74%)	2,278,914,823 (77%)
Unchanged Volume	42,252,626 (1%)	3,560,400 (1%)	32,890,005 (1%)	277,636,901 (9%)
Total Volume	3,197,823,337¹	673,600,906¹	2,229,407,496¹	2,955,725,776¹

Canada raised its discount rates today and the markets with earnings not robust and lowered expectations from Home Depot and Sears decided to move lower to close at the lows for the day. Standard & Poor's as well as Moody's indicated that they might cut ratings on some sub-prime mortgage bonds which might require institutions to sell them.

The US dollar index managed to set a new 3 year low today closing below 81 at 80.85. If it falls another 50 cents, it will take out a major support level and then the next support level is 78.43 dating back to 1992.



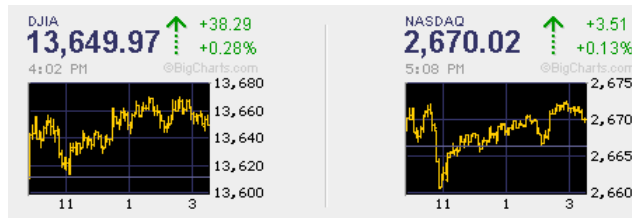
The following graph going back to 1993 shows the historical performance of the US dollar index. How far down will it go is sheer conjecture ... but a currency that is inflating at over 10% per year with its national debt rising at the the fastest rate in history could be in for a sharp decline.



With the FED caught in a trap of its own making, it would appear that a soft landing would be a miracle at this stage.

In today's trading, we went short right after the open a few homebuilders in the Aggressive Portfolio as well as shorted the Swing stocks. Long positions in the Aggressive portfolio were reduced based upon the lack of profit in individual stocks. In the Conservative portfolio, we also sold stocks that had not performed well recently. There were no other changes in the portfolios. Click on the links on the left panel to see the changes.

7/9/2007 After the Close



The NASDAQ has made six new 6 1/2 year highs in a row!

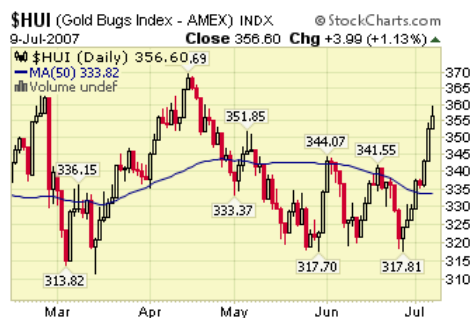
ADVANCES & DECLINES				
	NYSE	AMEX	NASDAQ	BB
Advancing Issues	1,696 (51%)	733 (53%)	1,496 (47%)	663 (34%)
Declining Issues	1,529 (46%)	547 (40%)	1,549 (49%)	828 (42%)
Unchanged Issues	132 (4%)	95 (7%)	132 (4%)	485 (25%)
Total Issues	3,357	1,375	3,177	1,976
New Highs	318	177	246	228
New Lows	46	38	64	233
Up Volume	1,314,456,082 (49%)	316,441,958 (72%)	985,751,321 (52%)	368,278,701 (14%)
Down Volume	1,337,357,253 (50%)	103,969,094 (23%)	868,753,396 (46%)	749,820,481 (29%)
Unchanged Volume	32,333,175 (1%)	22,119,195 (5%)	40,701,651 (2%)	1,485,352,925 (57%)
Total Volume	2.684.146.510¹	442.530.247¹	1.895.206.368¹	2.603.452.107¹

The DJIA inched closer to a new all-time high as did the S&P 500 but not cigar. After the close, Alcoa reported a 4% decline in earnings and a decline in sales attributed to problems with two smelters which may have an impact on the market tomorrow.

Conoco Philips tripled its stock buyback program to \$15 Billion. Guess drilling for oil or building new refineries are not a good investment. Crude oil closed down at \$72.19 for the WTIC.

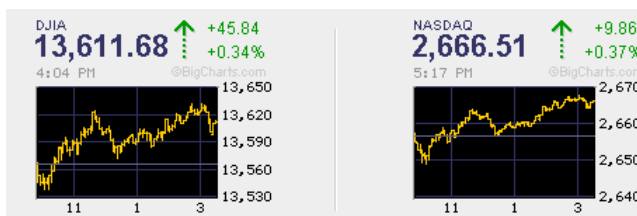
The yield on the 10 year Treasury note fell to 5.16% while the U.S. dollar index managed to squeak out a two cent gain to close at 81.46. Copper continued to hold its high ground and closed at 359.45.

The Gold Bugs index (\$HUI) continued to move higher as shown in the chart. We were unable to place our new orders to buy stocks this morning due to a problem with the internet and after the problem was fixed, we decided to wait until we got back on either Wednesday or Thursday to move forward.



We sold BTJ from the Conservative portfolio today as it went through its Action Point. We will not be in the loop for the next two days so there will not be any Musings published.

7/6/2007 After the Close



Earnings season starts in earnest next week!

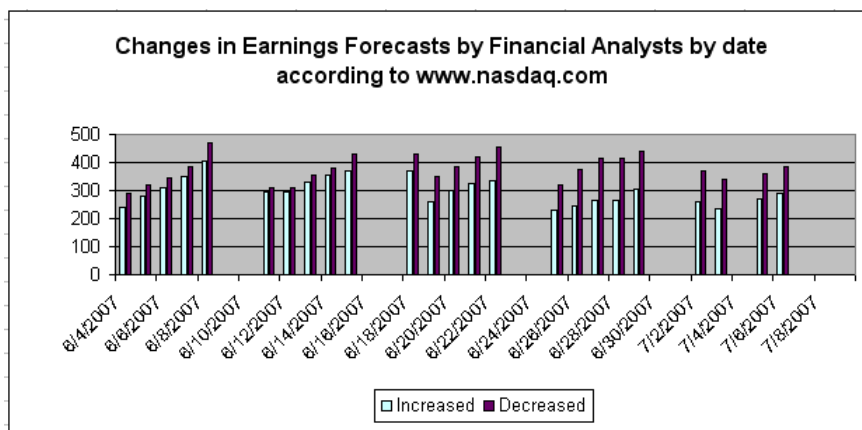
ADVANCES & DECLINES				
	NYSE	AMEX	NASDAQ	BB
Advancing Issues	1,944 (58%)	776 (59%)	1,739 (55%)	744 (38%)
Declining Issues	1,275 (38%)	429 (33%)	1,258 (40%)	689 (35%)
Unchanged Issues	123 (4%)	101 (8%)	138 (4%)	517 (27%)
Total Issues	3,342	1,306	3,135	1,950
New Highs	259	164	200	223
New Lows	53	29	59	210
Up Volume	1,724,504,042 (72%)	320,379,490 (79%)	1,041,496,098 (61%)	463,159,365 (20%)
Down Volume	650,829,883 (27%)	79,102,082 (19%)	622,080,167 (37%)	315,239,607 (14%)
Unchanged Volume	25,400,826 (1%)	6,547,700 (2%)	37,782,411 (2%)	1,516,860,257 (66%)
Total Volume	2,400,734,751¹	406,029,272¹	1,701,358,676¹	2,295,259,229¹

Today's move was higher for all the indices but the volume is suspect. NASDAQ continued to close at another 6-after today's market action. Advancing issues and up volume on both the NYSE & NASDAQ were definitely in favor of buyers. Still the overall market gains were not something to get too excited over.

The June jobs report suggested that non-farm payrolls rose by 132K last month on a seasonal basis. Still on a non-seasonal basis, non-farm payrolls rose 197K of which over half or 120K were provided by the fudge factor, the Birth/Death rate adjustment. Manipulation of the labor force population and the number of workers not seeking jobs helped keep the unemployment rate at 4.5% on a seasonal basis.

2007	Jan	Feb	Mar	Apr	May	Jun
Household Data						
Employment, S.A.	145957	145919	146254	145786	145943	146140
Change from Previous Month	31	-38	335	-468	157	197
Birth/Death Adjustment	-175	118	128	317	203	120
Source: BLS Employment Reports						
Table A-1. Employment status of the civilian population by sex and age.						
Note: January 2005 had a major revision in the population controls.						

Next week we begin to see a rash of earnings reports. The markets may be influenced by those reports. Nasdaq tracks the number of earnings forecasts that are increased and decreased and the trend is definitely towards the downside for the future as show in the following graph since the beginning of June 2006.



Data source: www.nasdaq.com

The overall outlook for the economy to be growing would seem to me to require that earnings forecasts should be greater than earnings decreases.

Yield on the 10 year Treasury note gapped up and closed at 5.195%. Interest rates have risen in the Eurozone, Great Britain, Japan, India and China as administered by the central banks. However, the FED remains unable to increase rates for fear of crashing the housing market and slowing what little economic momentum that exists. Prices of residential real estate are falling. This week's MBA report on new mortgage applications indicated an increase ... but as Bonds Online explains ...

"Prior to three months ago, most potential buyers only had to submit one loan application. With the demise of loan brokers and increasing credit standards, home buyers are now submitting multiple applications to finance a mortgage. The usefulness of new mortgage applications to judge the housing market is no longer valid."

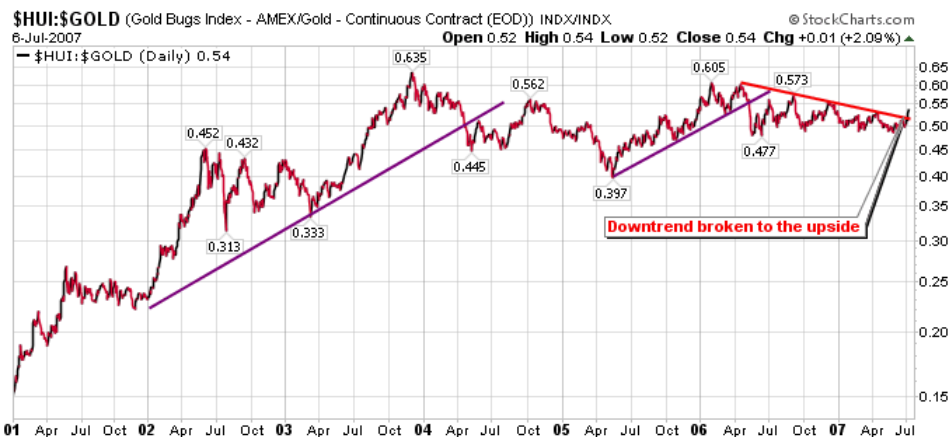
The U.S. dollar ended down today erasing yesterday's gains at 81.44. A break through 81 could set off some interesting fireworks.



Crude oil continued to move higher and closed at 72.32 while copper eased back slightly in today's trading to close at 359.00. Copper miners are now on strike in Chile, Peru and Mexico. LME stocks are near record low-levels amounting to about two days of global consumption. Moreover, one large holder has warrants on up to 90% of the copper in the LME warehouses.



With the lifting of Newmont's gold hedges and increased sales from various central banks, gold appears about ready to move higher. The HUI/Gold price ratio has also broken a downtrend line from March of 2006 as shown below.



Price action in the HUI index has been moving higher in the past two weeks and the 8x20 MA is now positive. Perhaps, we will see the HUI index make an upside breakout out of the channel in which it has traded since January 2006.



With interest rates increasing world-wide, the dollar starting at 80 and possibly lower, we are reviewing our Precious Metals portfolio and the unhedged gold stocks to determine if we should increase our positions in the next few days. Over the weekend, we will hopefully have time to update the Technical Note on Gold Stocks.

We made no changes in the portfolios today.

Fred Richards
Strategic Investing

This issue of Market Musings is a feature of the Strategic Investing website. It is for the education of our subscribers and does not constitute a recommendation to buy or sell any particular security.

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Keep it Safe, Simple and Stay Focused!
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