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07/24/2009 After the Close



NASDAQ broke its streak today.

Markets Diary 5:58 p.m. EDT 07/24/09

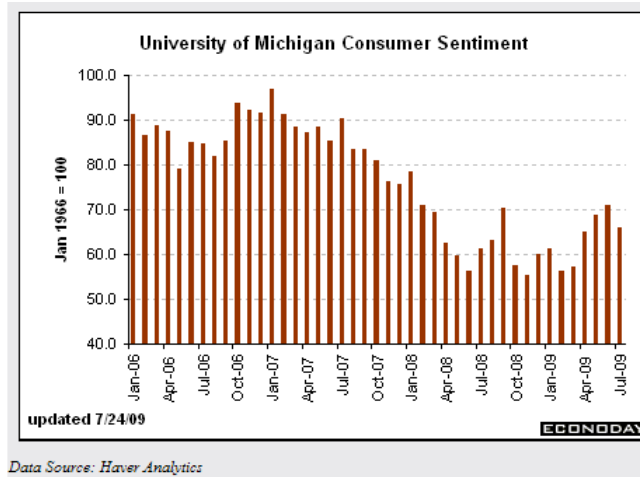
Issues	NYSE	Nasdaq	Alternext
Advancing	1,915	1,465	279
Declining	1,134	1,187	222
Unchanged	115	146	68
Total	3,164	2,798	569

Issues at	NYSE	Nasdaq	Alternext
New 52 Week High	63	69	9
New 52 Week Low	4	11	1

Share Volume	NYSE	Nasdaq	Alternext
Total	1,023,367,061	2,232,923,770	10,642,289
Advancing	640,509,371	1,162,562,095	5,708,500
Declining	357,313,490	999,596,405	3,396,989
Unchanged	25,544,200	70,765,270	1,536,800

The market was mixed today as NASDAQ failed to make it 13 days in a row. Microsoft's miss had a negative impact on the technology sector.

Consumer sentiment fell in the latest reading from the University of Michigan. Shrinking job prospects and lower real disposable income are cited as reasons consumers are anxious about their



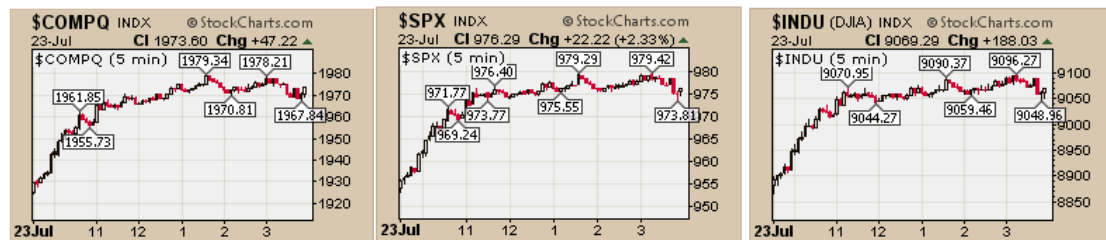
Take a look at the following video with Eliot Spitzer and have a couple of laughs.

<http://dealbreaker.com/2009/07/eliot-spitzer-the-federal-rese.php>. Next week, the U.S. Treasury is going to borrow \$203 billion ... wonder how much the FED will monetize?

The FDIC closed seven more banks, six in Georgia today. The Georgia banks will cost the FDIC about \$807 million.

In the Aggressive portfolio, we sold AMZN on a hard stop. We also repurchased FUQI. In the Conservative portfolio, we sold STAR as it violated its Action Point.

07/23/2009 After the Close

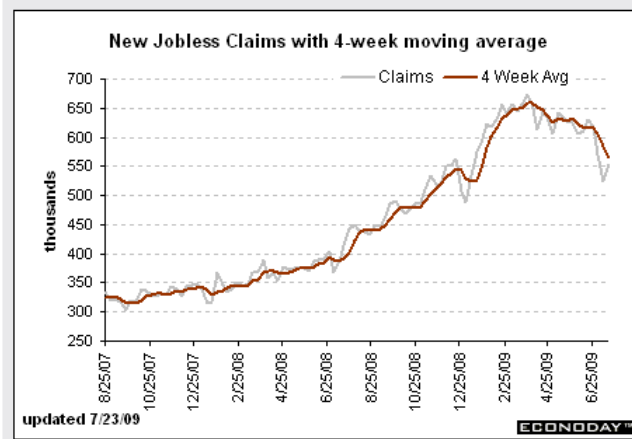


The upward momentum continues.

Markets Diary				5:43 p.m. EDT 07/23/09
Issues	NYSE	Nasdaq	Alternext	
Advancing	2,592	2,080	339	
Declining	510	628	174	
Unchanged	66	117	69	
Total	3,168	2,825	582	
Issues at				
New 52 Week High	108	119	10	
New 52 Week Low	2	9	0	
Share Volume				
Total	1,390,384,799	3,021,439,924	12,928,518	
Advancing	1,155,279,489	2,439,125,064	7,094,760	
Declining	225,133,100	541,512,149	4,018,458	
Unchanged	9,972,210	40,802,711	1,815,300	

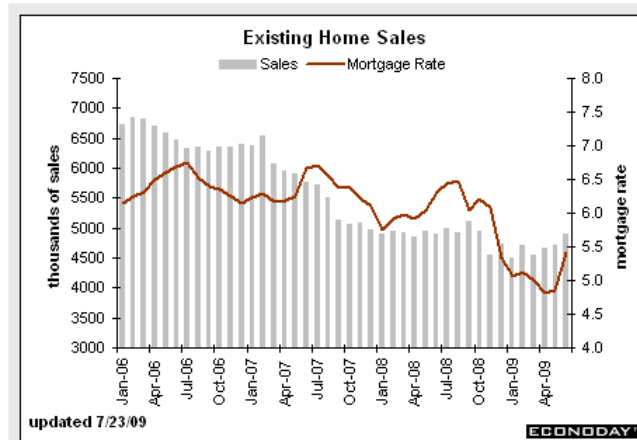
NASDAQ was up for the 12th straight day. How long will it last?

As expected, new jobless claims moved higher by 30,000 to 554,000 in the latest week. Continuing claims really plunged, dropping by 642,000 to 6.273 million. Of course, the drop in continuing claims is not because they have found jobs. Rather it is because their benefits are exhausted and the Labor Department not longer counts them.



Data Source: Haver Analytics

Existing home sales showed a slight uptick in the month of June as prices continued to lose ground. Foreclosed and distressed home sales accounted for a significant portion of the sales.



Data Source: Haver Analytics

A hard stop sold FUQI from the Conservative portfolio but we will probably rebuy it tomorrow on a market order at the open. There were no other changes in the portfolios today.

Today's Musings will be extremely short as we head to the AAI Peoria talk. Tomorrow's will be posted over the weekend as we travel back to Dallas and have the longest leg of the trip to drive. Our sabbatical is coming to an end and we thoroughly enjoyed every day. Thank you for allowing me the time to see some of the world that I had missed.

07/22/2009 After the Close



Another mixed market today.

Markets Diary			
	5:47 p.m. EDT 07/22/09		
Issues	NYSE	Nasdaq	Alternext
Advancing	1,735	1,628	287
Declining	1,304	1,024	206
Unchanged	112	141	73
Total	3,151	2,793	566
Issues at			
New 52 Week High	59	61	9
New 52 Week Low	2	15	2
Share Volume			
Total	1,077,148,526	2,306,345,245	14,773,922
Advancing	616,468,576	1,542,373,231	6,201,622
Declining	452,465,050	733,883,972	7,180,900
Unchanged	8,214,900	30,088,042	1,391,400

Perhaps, Chairman Bernanke should not testify again before Congress. Investors are unsure as to what he really is saying and as a result, the market indices were mixed once again. New 52 week highs continued to dominate but based upon the previous correction, that is not difficult to understand.

Earnings results appear to be slightly better than expected, yet the market is not reacting as you might anticipate with the mixed results of the past two days. While Bernanke continues to claim that unemployment is the FED's major concern, he appears to be unconcerned about the increase in currency swaps during the latest quarter which in effect gave 14 central banks over \$500 billion of our dollars. He professed that he did not know which overseas banks received the funds. When asked who made the decision to lend, he responded that the FOMC did. I found it interesting that he failed to mention that he was the head of the FOMC.

Some analysts remain concerned that credit-card losses and commercial real estate loans are poised to threaten banks financial positions. **The U.S. credit card charge-off rate rose to a record high in June as more Americans lost their jobs, Moody's Investors Service said on Wednesday. The Moody's credit card charge-off index -- which measures credit card loans that banks do not expect to be repaid -- rose to 10.76 percent in June from 10.62 percent in May.**

Prices of U.S. single-family homes rose by a seasonally adjusted 0.9 percent in May from April but were down 5.6 percent from a year earlier and 10.7 percent below their April 2007 peak, the Federal Housing Finance Agency said on Wednesday.

Gold and silver moved to new recovery highs in today's trading.

We saw FUQI sold on a hard stop today as it announced a share offering as we were once again on the road towards Chicago. If it recovers, we will probably repurchase the stock. There were no other transactions in the portfolios today.

07/21/2009 After the Close



A mixed market today.

Markets Diary			
5:40 p.m. EDT 07/21/09			
Issues	NYSE	Nasdaq	Alternext
Advancing	1,625	1,152	234
Declining	1,432	1,489	274
Unchanged	105	162	71
Total	3,162	2,803	579
Issues at			
New 52 Week High	77	58	10
New 52 Week Low	3	15	3
Share Volume			
Total	1,205,934,584	2,205,232,596	13,238,047
Advancing	467,177,214	1,248,945,114	6,039,900
Declining	686,625,700	871,460,862	6,329,047
Unchanged	52,131,670	84,826,620	869,100

Bernanke testified today and the markets were not impressed. However, by the end of the day, the major indices had managed to close higher while the smaller indices remained in negative territory. The Fed chairman said that they have an exit strategy from all the additions to the punchbowl but that it might not be needed for a period of time. Does that mean that the economy will continue to see low-interest rates for some time?

Redbook and the Goldman Sachs retail reports today seemed to be at odds. Redbook reported deteriorating sales while the GS report was slightly upbeat. Consumer savings rose to 6.9% in May according to a Federal Reserve report. An increased savings rate does not help an economy grow that depends upon consumer spending for over 70% of GDP.

According to Bloomberg,

"Consumer credit fell at an annual 1.6 percent rate in May to \$2.52 trillion, according to the Federal Reserve. Reduced spending may slow the recovery from the first **global recession** since World War II because U.S. **households** generate 17 percent of global gross domestic product, according to **Sara Johnson**, a managing director at IHS Global Insight in Lexington, Massachusetts.

At the same time, rising unemployment helped lift the U.S. **savings rate** to 6.9 percent in May, the highest since December 1993. That's keeping Treasury yields in check because banks are pumping deposits into the bond market instead of making new **loans**."

Bill King in yesterday's King Report has come to the same conclusion as I have about the nature and strength of this rally.

"The most troubling aspect of this rally is: it is a summer rally on low volume that is running far ahead of economic fundamentals. When this has occurred in the past, the late summer or early autumn becomes very eventful.

We keep harping that little has been done to remedy structural US economic and financial problems. US solons have just intensified the policies, profligate spending and promiscuous credit creation, which created the structural problems in the first place.

One of the biggest problems, toxic assets, was swept under the carpet. And even though it still sits like Mt. Everest thanks to market to fantasy accounting, the vast majority of investors and traders choose to ignore because it is still too horrible to contemplate."

The Financial Times quoted Chinese Premier Wen Jiabao today in **an article today about China using some of its huge foreign reserves** to buy assets located outside of China and to solidify its export growth. The U.S. dollar's role as the world's reserve currency is under serious attack by those with the gold. The implications of the China yuan replacing the U.S. dollar do not augur well for the U.S. Treasury and the FED to continue to finance increasing debt at the current low levels of interest.

To me, Jiabao's comments were much more important than Bernanke's testimony before Congress today. In fact, about all the Chairman could really say about the financial situation on commercial lending and commercial real estate problems facing the country was that "it was a problem." **Really, what we need to know is what are you going to do to solve the problem? And without increasing the likelihood of another financial crisis.**

We made no changes in the portfolios today.

07/20/2009 After the Close



Getting Aggressive on the Tide!

Markets Diary		5:43 p.m. EDT 07/20/09		
Issues	NYSE	Nasdaq	Alternext	
Advancing	2,362	1,834	342	
Declining	724	858	173	
Unchanged	84	129	60	
Total	3,170	2,821	575	
Issues at				
New 52 Week High	67	80	11	
New 52 Week Low	2	10	4	
Share Volume				
Total	1,125,253,456	2,046,356,638	11,743,893	
Advancing	857,735,126	1,675,518,003	9,360,543	
Declining	261,616,830	348,881,268	1,607,150	
Unchanged	5,901,500	21,957,367	776,200	

Over the weekend, we took a look at some charts and decided to make some trades in the portfolios while paying close attention to closer Action Points than normal. To see the trades, click on the portfolio links.

Today's economic news was sparse and the negotiations that have bought CIT another day helped the markets continue their advance. Advancing issues, advancing volume and new 52 week highs were dominant in today's trading. However, despite the upward movement in the market during the past six trading days, we have only had one new stock added to the stock watch list. To me, that is a definite sign of caution for the prudent investor. Still to be successful, you have to take what the market will give you.

After we placed our market orders at the opening, we headed from Mitchell, SD to the Iowa farms and saw the result of the supply demand equation working in the real world. The corn and soybean crops in the western corn-belt that I saw look like the potential for a huge harvest exists. As a result, corn prices for October delivery have fallen on a cash basis at North Central Iowa elevators to under \$3.00/bushel. At that price, many farmers will lose money on their corn production this year.

The CIT negotiations with their bondholders appear to have an interest rate of 10% above LIBOR on the 2.5 year bonds. You have to wonder how their clients will be able to pay the interest which CIT will have to charge to them. Just off the back of the envelope calculation, this will increase interest rates to the neighborhood of 20% for many of their loans. If you are a CIT client, look for another funding source or close up shop.

Leading indicators rose 0.7% in June vs. a 0.5% consensus expectation. Some analysts were saying that the 4th quarter was going to surprise many investors. Of course, they failed to say up or down.

From Bloomberg today:

Some numbers are so large they simply become incomprehensible. Remember when costs of the bailout were projected to be \$0.5 Trillion, then \$1 Trillion, then \$3 Trillion.

Now, Neil Barofsky, special inspector general for the Treasury's Troubled Asset Relief Program says U.S. Rescue May Reach \$23.7 Trillion.

Don't worry, the dollar won't wilt. The FED will just keep monetizing the funny, fiat U.S. dollar. It will suddenly crash.

Trying to push through the cap and trade legislation, the Obama Administration is probably going to have problems. The leading solar scientists in the world have suggested that the lack of sunspots is evidence that the UN group and Al Gore are wrong about global warming and man's impact. **The sunspot cycle would appear to be suggesting that we are entering a normal period of global cooling rather than a continuation of global warming.**

The federal mid-year budget review is being delayed by the Obama Administration as the data will probably

prove that the country can ill-afford to pass either the cap and trade bill or health care reform if the data were released prior to being voted upon by Congress.

Details of the changes in the health-care bill and the possible limitations on many procedures under the Obama plan to older insured citizens will probably find AARP having to change its position as the limitations become known. For example, if you are over 80, no treatment for cancer. If you have a heart problem and are over 80, you can not have a stent and one reading of the bill suggests that bypass surgery is also limited. Shades of Orwell's 1984 are appearing everywhere.

The FDIC closed four banks on Friday bringing the total for the year to 57. **Friday's failures will cost the FDIC fund nearly \$1.1 billion, bringing the total cost for failed banks to \$13.4 billion this year. That compares with \$17.6 billion in all of 2008.**

Gold moved higher today closing above \$940/oz. WTIC also closed higher at 65.29/bbl.

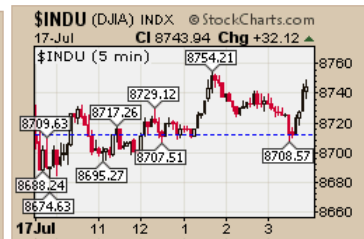


The U.S. dollar index took a hit today closing below \$79. Silver also moved higher for the sixth straight day closing at 13.65.



We have finally arrived in Grimes, Iowa, a suburb of Des Moines and as it is late, we will close today's Musings by reiterating that we made changes in the portfolios which we will be watching closely. The initial Action Points were set at a 3% loss.

07/17/2009 After the Close



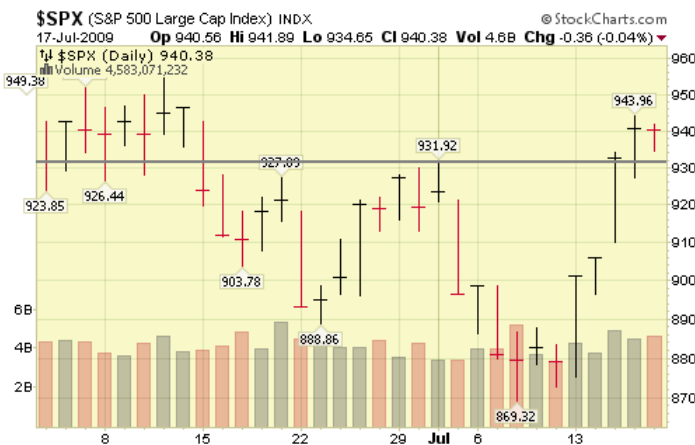
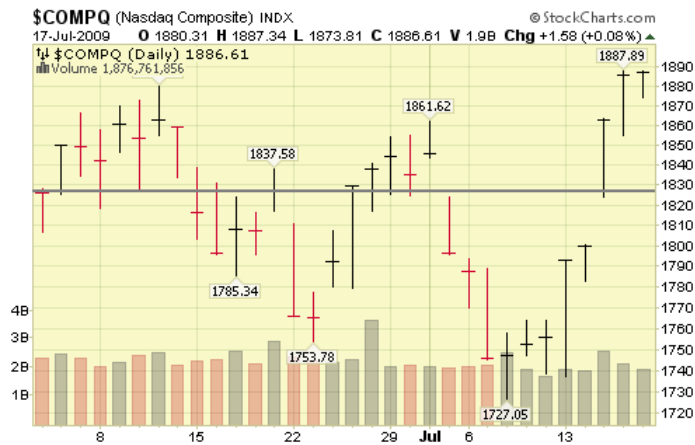
Low volatility on options expiration

Markets Diary			
5:47 p.m. EDT 07/17/09			
Issues	NYSE	Nasdaq	Alternext
Advancing	1,507	1,106	249
Declining	1,515	1,548	253
Unchanged	115	142	70
Total	3,137	2,796	572
Issues at			
New 52 Week High	48	60	7
New 52 Week Low	3	12	6
Share Volume			
Total	1,288,237,918	1,876,761,848	9,906,155
Advancing	543,127,298	1,010,205,173	4,873,220
Declining	729,230,920	835,963,445	4,027,235
Unchanged	15,879,700	30,593,230	1,005,700

First, I want to thank Lewis McLain and Hank Mulvihill for their work in preparing the charts and their comments on the markets since June 3rd. If they had not volunteered to do the detail work and take time from their busy schedules, I could have not taken the trip of a lifetime. It was a great trip and I had an opportunity to get away and just relax. Thank you both.

The market managed to close mixed as options expired on Friday. Investors were encouraged by earnings reports and hopes that the recovery is near. Remember that the first rule of successful investing is never to quarrel with the market if you are a trader.

Today was the first day since June 4th that I have read a paper from cover to cover and find that based upon fundamentals little has changed. A blip here, a blip there are touted as evidence that a recovery is at hand. Still the indices are slightly higher than when I left on June 4th as shown in the following charts.



Since June 3rd, there has been no significant change in the NASDAQ and the S&P 500 ... basically, we have had a lot of churning and manipulation of the markets which has generated significant trading profits for GS and JPM.

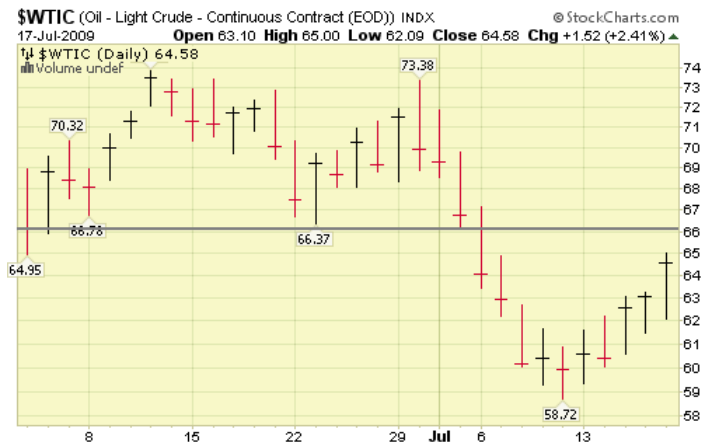
The financials are showing profits for three reasons, fewer competitors, changed accounting rules and low cost of funds. Tech stocks led today's rally but shipments are way down from last year.

Interest rates on the 10 year Treasury notes are basically unchanged during the period. The U.S. dollar index is unchanged.



Gold is slightly lower but remains above \$900/oz. Crude oil is slightly lower but appears to be moving back to the June 3rd level.





In my opinion, my sabbatical could not have come at a time with less effect upon the portfolios. Now that we are back in the U.S, the question will be should we stay in cash or move into the markets. Stay tuned as we are running a new series of scans using DGO and StockCharts.com to find potential longs and shorts. While it appears that the market has moved through the consolidation levels of recent months, it may just be a false breakout engineered by the funny money people using POMO's and TARP funds.

Written Saturday evening in Sheridan, Wyoming as we are headed east to Iowa and Illinois and the AAI Peoria chapter meeting on Thursday evening. Then on to Chicago and finally, back to Dallas.

• **Fred Richards**
Strategic Investing

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