STRATEGIC INVESTING

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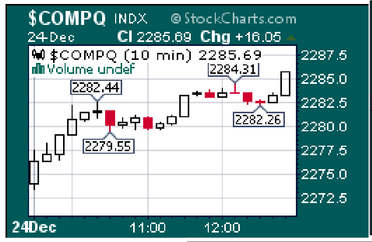
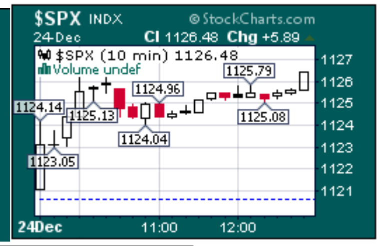
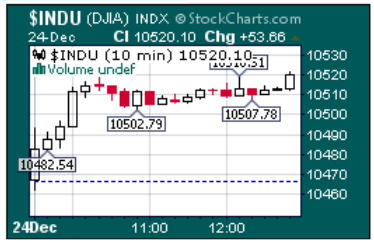
Market Musings

12/24/2009 After the Close







Santa's on his way ...

Markets Diary 1:11 p.m. EST 12/24/09

Issues	NYSE	Nasdaq	Amex
Advancing	2,174	1,616	256
Declining	749	968	143
Unchanged	136	154	73
Total	3,059	2,738	472
Issues at			
New 52 Week High	388	186	25
New 52 Week Low	0	13	2
Share Volume			
Total	319,291,144	627,673,359	6,133,937
Advancing	258,621,864	449,902,605	3,454,237
Declining	54,452,870	160,265,488	1,589,300
Unchanged	6,216,410	17,505,266	1,090,400

Here is hoping that you will have a great time unwrapping all those presents and enjoying the results of the Santa Claus rally. For the fifth straight day, Santa has delivered higher closing prices albeit on lower volume.

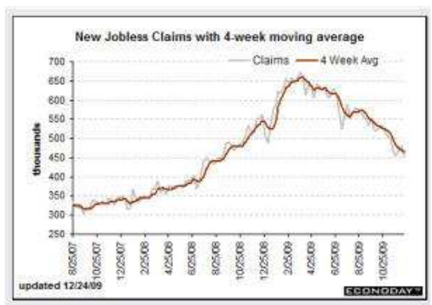
Here's wishing one and all ... a Merry Christmas, Happy Holiday and a Healthy, Prosperous New Year!

Economic data was overshadowed by the Senate vote on healthcare and a massive snowstorm that is bringing snow just in time for a White Christmas to much of the U.S. Other than aircraft, durable goods orders were positive but on a y/y basis off 7.8% through November 2009.

Released On:	Percent	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Released For:	of Total	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
New Orders	100.0%	-1.1%	4.8%	-2.7%	2.2%	-0.6%	0.2%
less transportation	75.5%	2.6%	0.9%	-0.5%	2.1%	-0.7%	2.0%
less defense	94.2%	0.8%	4.3%	-2.7%	2.0%	0.6%	0.0%
Industry Groups							
Primary metals	7.7%	12.2%	3.3%	1.2%	2.8%	4.0%	1.4%
Fabricated Metals	14.2%	0.5%	3.4%	0.1%	1.9%	1.1%	1.0%
Machinery	13.5%	4.6%	-7.7%	1.3%	8.5%	-7.0%	3.5%
Computers & electronic prod	15.2%	1.5%	1.6%	-1.6%	0.7%	-1.9%	3.7%
Electrical Equipment	5.1%	1.7%	4.1%	-1.7%	-0.9%	3.4%	3.2%
Transportation	24.5%	-11.9%	17.8%	-8.9%	2.7%	-0.2%	-5.5%
Unfilled Orders	NA	-0.8%	-0.1%	-0.4%	-0.4%	-0.6%	-0.7%

Data Source: Haver Analytics

New jobless claims fell 28,000 in the December 19th week to 452,000. Continuing claims also decreased in the latest week ending December 12th to 5.076 million.



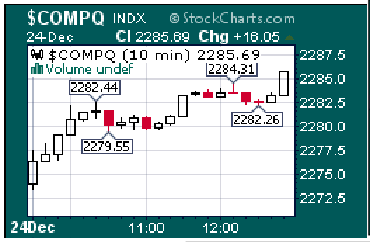
Data Source: Haver Analytics

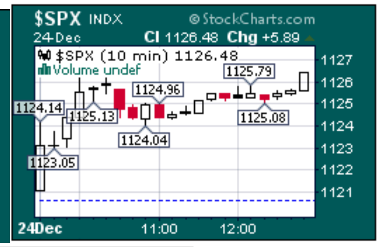
The U.S. dollar index was down today while the yield on the 10 year Treasury note climbed to over 3.8%.

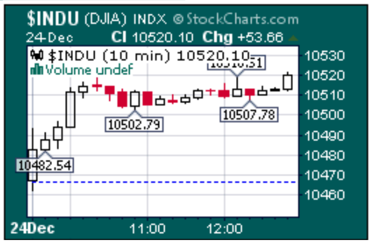
We await our grandchildren shortly who will be spending several days with us. Next week the Musings will be published erratically. We made no changes in the portfolios today.

Now it is off to celebrate the holidays ... although the good doctor has said "No eggnog for you." As I look out the window, snow is falling here in Dallas and the wind is blowing 35 knots so winter has definitely arrived. Good cheer, health and happiness to all of you.

12/23/2009 After the Close







Is Santa's bag full? ...

Markets Diary 1:11 p.m. EST 12/24/09

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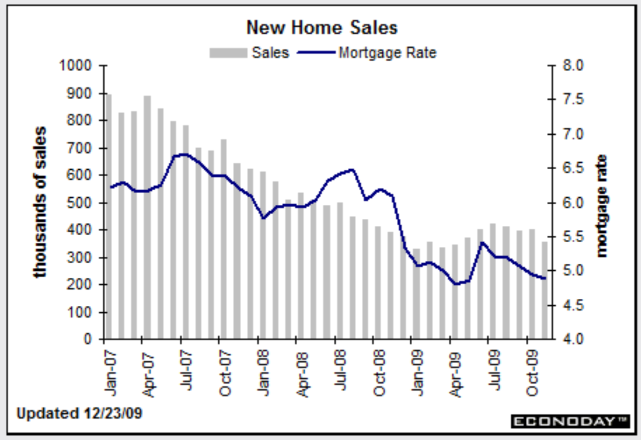
The elves are busy moving the indices higher despite low volume ... would not be nice to keep the Christmas rally going! Advancing shares and volume were definitely in charge today as was the number of new 52 week highs as the indices closed at or near their year's highs.

Today's economic news did not help move the market higher ... as the housing news was terrible and consumer sentiment was basically flat and below expectations ... yet the Santa Claus rally continued unabated.

New home sales in November fell 11.3% to 355,000 units on an annual basis, a seven month low. The consensus was that an increase was expected. Also, October was revised lower from 430,000 to 400,000. Year/year sales are down 9.0%. Inventory supply rose to 7.9 months as sales dropped. Now watch out for the increasing number of homes that will be added to the market in January after the foreclosure hiatus is over and many of the homes being held off the market in the shadow inventory begin showing up.



Data Source: Haver Analytics

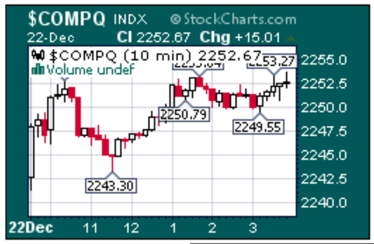
The Mortgage Bankers Application index fell 10.7% in the week of December 18th and is down 53.1% on a y/y basis. Refinancing also took a tumble falling 10.7% in the latest week. Refinancing is off 53.1% on a y/y basis. It would appear that housing is not on the road to an immediate recovery.

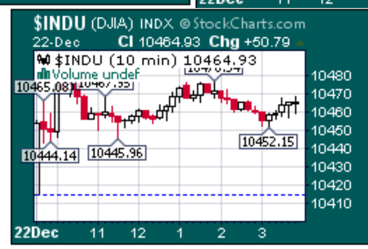
The only good news was that personal income and consumer spending showed a slight improvement but again was below the expectation of economists.

In case anyone had any doubts about the independence of the FED, a study by the University of Michigan School of Business has found what "everyone has known since the crisis began, if not centuries prior: that the biggest, crappiest banks were guaranteed to get more bailout funding the more political ties they had (and more kickbacks they had offered)."

In the Aggressive portfolio, we purchased, SNDK, BBG, and ATI. There were no other changes in the portfolios today.

12/22/2009 After the Close





HO HO HO ...

Markets Diary 5:56 p.m. EST 12/22/09

Issues	NYSE	Nasdaq	Amex
Advancing	1,911	1,581	252
Declining	1,128	1,084	231
Unchanged	138	165	57
Total	3,177	2,830	540
Issues at			
New 52 Week High	283	175	17
New 52 Week Low	6	19	3
Share Volume			
Total	956,199,801	1,724,202,823	12,390,288
Advancing	554,347,951	1,190,803,446	4,426,088
Declining	382,939,840	475,806,163	6,981,500
Unchanged	18,912,010	57,593,214	982,700

Santa Claus is helping put a year end smile on investors faces! Despite the heavy weekend storm in the midwest and the East Coast, retail sales data for the December 19th week had to be considered positive. Of course, on a year to year basis, the improvement was even better but that is more a reflection on how bad 2008 was. Still it was the result of higher discounts and many retailers are reducing their December outlooks.

The revised GDP for the 3rd quarter took another hit as it was revised down to 2.2% from the previous 2.7% growth. Moreover, the GDP price index was reduced to 0.4% from 0.5% but both suggest that the initial enthusiasm about 3rd quarter growth was somewhat overstated.

Likewise corporate profits in the 3rd quarter were revised downward to $1.174 trillion from $1.181 trillion on an annualized basis. Of course, some might say that it is simply a rounding error.

Low mortgage rates and homebuyer credits helped November existing home sales to show improvement by increasing 7.4%. Strong sales and slow construction are draining supply which is at 6.5 months for the lowest rate in 3-1/2 years. Prices are leveling as the median price ended a long run of monthly declines, up 0.2% to $172,600. The year-on-year rate continues to improve, at minus 4.3% in November.

		Data displayed as levels in thousands					
Released on:	Percent	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Released for:	of Total	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Existing Home Sales	100%	4890	5240	5090	5540	6090	6540
Northeast	17.3%	820	930	910	950	1060	1130
Midwest	22.9%	1100	1220	1140	1250	1430	1550
South	37.1%	1820	1950	1890	2040	2280	2390
West	22.6%	1150	1130	1150	1290	1320	1460

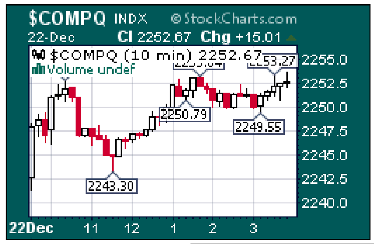
Data Source: Haver Analytics

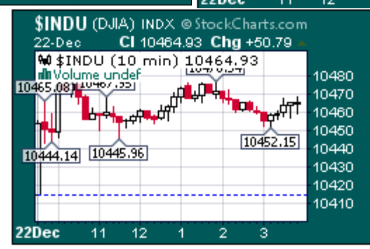
Distressed properties accounted for 33% of November sales. First-time buyers purchased 51% of homes in November. Don't expect the same going forward. And don't forget all the shadow inventory held by banks.

The 10 year US Treasury rose to a four month high at 3.75% and that should indicate that mortgage rates will be moving higher in the near future.

We made no changes in the portfolios today.

12/21/2009 After the Close





Here's Santa Claus!

Markets Diary 1:11 p.m. EST 12/24/09

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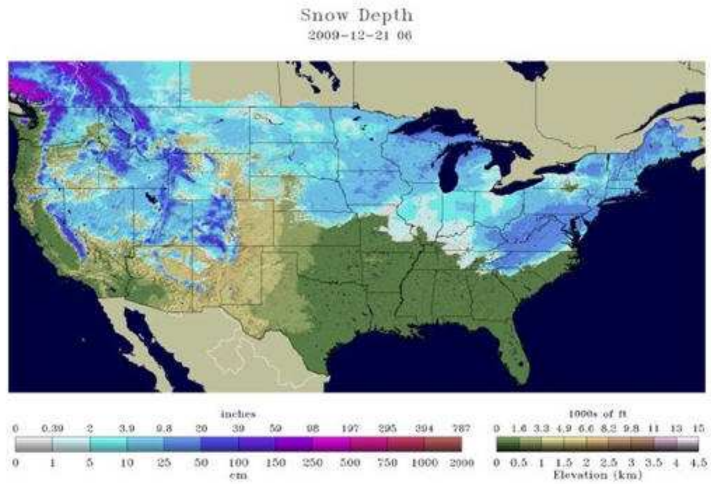
Santa Claus is coming ... and the rally is underway! Apparently, the Senate believes in Santa Claus and passed the health care reform bill and mergers in the healthcare sector helped the S&P to move higher. The Senate version supposedly does not include a provision for a government-run insurance plan but no one has been able to really read and parse the bill as of today.

Advancing issues and volume were dominant in today's trading although after the initial upward move, the indices drifted lower all day.

The bond market continue to take yields higher as interest rates rose to six month highs. Guess no one told the bond market that Santa Claus was coming.

Retail sales were hurt by a massive snow storm in the Midwest and Northeast on Super Saturday. The result of the storm is that 51% of the U.S is currently snow-covered.



The housing market is still having problems. U.S. mortgage delinquencies on prime mortgages continue to increase rising 20% in the latest quarter according to the Treasury Department. The success of the loan modification program is less than anticipated and less than 1% have been converted to permanent modifications. People without jobs and/or income cannot afford to make mortgage payments .... a fact that many politicians have failed to learn apparently.

The real number of homes which have to be sold, normally contained in the housing inventory data, is suspect. The LA Times reported today that "A variety of measures to keep discounted bank-owned properties off the market -- including moratoriums on foreclosures by major lenders and federal initiatives aimed at keeping people in their homes with mortgage payments they can afford -- has helped increase a backlog of so-called shadow inventory 55% in the year ended Sept. 30, according to a report released Thursday by First American CoreLogic, a Santa Ana-based real estate research firm."

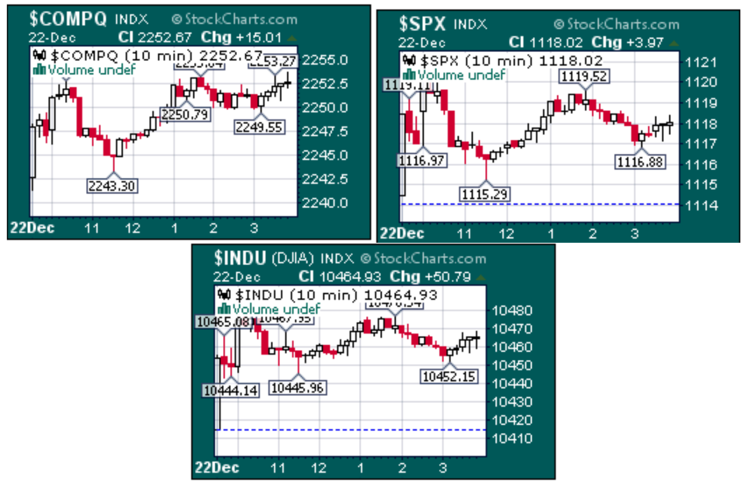
As if that is really news ... how about the admission by the Treasury that commercial real estate loans are being refinanced with "extend and pretend" terms. Bloomberg carried this today .... "Commercial property values in the U.S. declined in October to the lowest level in more than seven years as unemployment reduced demand for apartments, offices and retail space. The Moody's/REAL Commercial Property Price Indices fell 1.5 percent in October from September to the lowest since August 2002. Prices were down 36 percent from a year earlier and are 44 percent below the peak in October 2007, Moody's Investors Service Inc. said in a statement."

On Friday, the FDIC closed seven banks and could not find anyone to buy two of them. I guess the FDIC is going to be having problems going forward and will have to tap the U.S. Taxpayer for more funding as the banks have already prepaid three years of assessments.

The state of California is almost in default. The only reason it is not in default is that a few banks still honor the IOUs that the state has issued. Many banks in California do not and therein lies the reason for emergency talks between the Obama administration and the Golden State politicians. It will be interesting to see if California is able to legalize the growing of marijuana so that they can tax it and raise revenues.

In the Aggressive portfolios today, we sold WIT on an Action Point violation. In the Conservative portfolio, we purchased PCLN and NEU. There were no trades in the Precious Metals portfolio.

12/18/2009 After the Close



Closed higher today.

Markets Diary		5:56 p.m. EST 12/22/09	
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Iran's forces made a foray into Iraq overnight and the dollar and crude oil were higher. The oil well where Iranian forces congregated is on the border between the two countries and been a source of dispute before. Do not get too excited over this incursion unless it escalates. According to the reports, the well field is not in production.

The markets ended higher after a lot of churning on options expiration day. The NYSE trading volume was the highest of the year and over 3.1 billion shares. Perhaps, it was just year end window dressing trying to keep all those bonus dollars from disappearing.

Both Martin Feldstein, a Harvard economist, and Bill Gross of Pimco commented negatively on the outlook for the economy during 2010. Feldstein basically said that the housing mess still has not been solved and the mortgage refunding and the first-time buyers program did little to change the fundamental problem that housing prices had risen faster than personal income. In the past month, Pimco's Total Return Fund has increased it cash holdings and cut U.S. Treasuries back to 51% from 63% and holdings of mortgage securities to 12%, its lowest percentage in history. Apparently, Pimco is expecting bond rates to increase.

Although today's volume was tilted to the upside and advancing issues dominated, the swings in the market were boosted by a late 30 minute rally that looked like a PPT effort.

The Euro with problems surfacing in Greece/Spain/Portugal and Austria is nearly at its 200 day moving average. If it breaks that level expect further deterioration in its value. One German analyst wrote today that he could foresee the Euro back at the 1.25 handle in the first quarter of next year. Oops!

This weekend is a critical period for holiday sales and several analysts are suggesting that all is not well in retail land.

THE FDIC closed only the Rock Bridge Bank in Georgia today, the 124th to fail this year. Total Assets were about $294 million and it what might be the first of many future bank closing, the FDIC could find no other bank to take over the failed institution.

In a last minute vote, Congress voted to raise the debt ceiling by $290 billion which at the current rate is about six weeks spending. I guess that they will try to raise it another $2 trillion when Congress reconvenes in January 2010.

In the Aggressive portfolio, we sold CTRP as it violated its Action Price. There were no other changes in the portfolios. Have a great weekend ... we are trying to decide whether we will brave the stores this weekend or not or just loaf around the house following our trip last week to Arizona.

- **Fred Richards**
  Strategic Investing

Last updated - November 17, 2009