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Monthly Update

2007, volume 1, Year 14 January 2007

China power!

This U.S. market is opening the New Year with .... volatility. The Nasdaq surged higher this year, only to sell off last week. Oil markets are volatile having tumbled 8% since the high on 12/14/06, and are due for a recovery.

Many investors seem to have forgotten about the 2000 bear market. From the high on March 10, 2000 the NASDAQ index is still down 51.%, and the SP500 index is down only 6.% from its high on March 24, 2000. Did we mention the bear word? No we don't think we are in a bear market because too many sectors are going higher. These include real estate, pharmaceuticals, consumer services, health care, and even the NASDAQ. Weak sectors to avoid include utilities, semiconductor, and precious metals.

Our market timing indicators are: S&P500 is still on a buy, Nasdaq 100 has changed to a buy, Gold is still on a sell, and US 10 year bond yields is still on a buy. As our readers know we go beyond these global buy/sell indicators, and rate each fund and index with a buy or a sell each month.

Our indicators for the style box indicate that large is beating small, and large growth beats large value. Is it possibly that the very large insurance companies are finally up to bat? The U.S. dollar has strengthened with a decrease in ten-year bond prices and corresponding increase in ten-year bond yield.

The Chinese destroyed one of their own satellites in space last week with an earth launched missile and are working on more than exporting toys through Wal-Mart. Their stock market is also in orbit.

Because the markets can turn quickly, be ready. May the market be with you! (January 19, 2007)