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Monthly Update

2007, volume 12, Year 14, December 2007

To bear or not to bear!

From 1 November till last week the stock market has been in a sell off mode. To bear or not to bear, that is the question many investors are asking themselves.

The U.S. economy appears to be at a tipping point either into recession or not.

On the not recession side, the central bankers worldwide have been providing liquidity (money) at sub listed rates to commercial banks to keep the world financial markets out of cardiac arrest. The markets have turned up according to our research as documented here in pages 4 and 5. We think that now is the time to be fully invested again.

On the yes recession side, the subprime mortgage problems have hurt confidence in the worldwide financial system. Financials have been beaten down a lot and may have significant investment value. This is one reason to buy financials and banks now as they are on sale. Even China is buying Wall Street, instead of our bonds, now that prices are low.

Our models are on buys for S&P500, NDX, 10-year bonds (bond prices going lower), and we have a sell on gold. Gold has decoupled from energy now, possibly because the sovereign funds have moved their desires to Wall Street banks and their hedge funds, and away from the illustrious metal.

Yes, Alice, there really is a Santa Claus rally in 2007.

**Because the markets can turn quickly, be ready. May the market be with you!
(December 21, 2007)**