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Monthly Update

2009, volume 12, Year 16, December 2009

Rotation out of bonds and commodities

Our last buy signal for both the S&P500 and NDX100 was on March 20, 2009; a good call. Our HVI indicators show us that the bull is weak. For the year, the S&P500 and NDX indexes are up 22.06 and 49.17% respectively. The average of our three portfolios is up 54.5% YTD.

We continue to have buys on S&P500 and NDX. However, we have a new sell on gold/precious metals and issued a buy on bond yields (sell bonds) on 12-11-09; see this page.

Our HCM resistance and support chart of the S&P500 index on page 2 illustrates that the market is leveling off.

Our analysis indicates that: technology (including semiconductor, electronics), utility, transportation, and real estate are strong. The market is different than last month in that basic materials are weak and we have sells on precious metals, commodities, Latin America, China, and emerging markets. These changes are related to the US dollar increasing in value, and a move out of bonds. The long awaited rotation out of bonds is occurring due to anticipation of a FED rate hike in the first quarter of 2010.

Promising region/country funds are Germany and the US. We have a sell on the London FTSE.

Our absolute momentum (HVI) comparison for the style box on page 2 indicates that small cap beats large cap stocks. This too is different from last month when this order was reversed. Our sector line up this month is technology, utilities and financial.

**Because the markets can turn quickly, be ready. May the market be with you!
(December 18, 2009)**