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Monthly Update

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Broad advancing market!

This U.S. market is quite strong now with equities highly correlated to each other as the market advances in unison. Commodities is a leading sector. Other strong sectors include: transportation, electronics, utilities, technology, oil, and financial.

Real estate seems to be peaking now.

Our market timing indicators for S&P500 and Nasdaq 100 are still on buys, Gold has changed to a buy, and our signal for US 10-year bond yields also changed to a sell.

Strong overseas markets include: Frankfurt (DAC), emerging markets (MGEMX), and the London market (FTSE).

Our indicators for the style box indicate that small cap equities are beating large cap equities; the opposite of last month, and growth is about the same as value. The U.S. dollar has weakened, and 10-year bond yields are going lower and bond prices going higher. The U.S. dollar's positively correlation with the 10-year bond yield indicates that international currency valuation is important to setting the 10-year bond rates.

Our newsletter hypothetical portfolios this month include basic materials (BMPIX), transportation (RYPIX), mid-cap (UMPIX and RYMDX), mid-cap value (RYAVX), small cap (RYMKX), and wireless (WCPIX).

Some Rydex funds are now charging redemption fees for short-term trades. This practice is widespread among many "buy-and-hold" fund families.

**Because the markets can turn quickly, be ready. May the market be with you!
(February 23, 2007)**