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Monthly Update

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World growing, US wants to!

The world economy is still growing. One only has to taste rises in basic materials, energy, transportation, emerging market equity prices, Latin America equity prices, and US 30 and 10-year bond rates. The US wants to grow again and (weak) strength can be smelled in banks, mid-cap, small cap, and lower bond prices. Many equity prices are on sale at this time.

There is widespread discussion that the US is already in a mild recession. Since the stock market leads the US business cycle by 6 to 9 months, it is possible for the stock market to begin to recover before the end of a mild recession. Our analysis herein illustrates that the US stock market is recovering at this time. Yet we are off to a negative performance start for the year.

The Fed is offering to provide cheap money if only the banks will step up and loan. The real problem here is bank integrity. The creation of “funny” investments by financial engineering “wizards” are weighing down the bank “funny” balance sheets. The biggest and brightest banks and brokerage houses booked imaginary and/or very highly leveraged gains. Wall Street can hardly tell us anymore, that off shore balance sheets are not as transparent as on shore.

Some of our hypothetical trading results are illustrated on page 2. The same trading strategy is employed for: bonds, S&P500, NDX, and gold. The long and short results are noteworthy. Over 10 years, both bond and S&P500 gains roughly a factor of 70, NDX gains about 4,000 and precious metal gains about 17,000. These results are not yet obtainable for a variety of reasons, but do show the potential of optimal timing. Research is ongoing.

**Because the markets can turn quickly, be ready. May the market be with you!
(February 22, 2008)**