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Monthly Update

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Market Turn Up is Real

This market has turned up recently and volatility has dropped back to normal levels. The entire world market is moving up together. This is the opposite of the synchronous move down beginning May 12, 2006. Our view is that the short selling hedge fund cabal has lost their control of the market movement, possibly due to exhausting their shorting capital (for now). Apparently other investors are back at their desks, back from extended vacations to the Hamptons.

However, the press attributes the turn around to the Fed being convincingly on hold from future short-term interest rate hikes, inflation and earnings growth decreasing, and the cease fire between Israel and Lebanon.

Our models for the S&P500 and NDX recently moved to the buy side, although we still have a sell on both the XAU gold index and the 10-year bond yields (bond yields going lower).

We quantitatively measure upward price strength in international markets including: Japan, Latin America, emerging markets, and Europe. In the U.S. we measure upward price strength in semiconductors, technology, computers, electronics, and Internet. The market turn up looks real and lasting.

Our indicator shows that large company value funds are better for investing than large company growth funds, while small companies value funds are better than small company growth. The U.S. dollar is weak and fiat dollars are being printed.

**Because the markets can turn quickly, be ready. May the market be with you!
(August 18, 2006)**