

No-Load Mutual Fund Selections & Timing Newsletter

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Emailed Hotline Report

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Dear Investor,

There are some changes to be made in the model portfolios today.

With the Fed's announcement of quantitative easing II (QE II) back on 11/4/10, in which they buy bonds, I was thinking this would be bullish for bonds. Instead, bonds dropped in price and yields rose over the last two weeks. Bonds have rallied back a bit now. However, my Bond Timing Model changed from bullish to bearish.

The Income Portfolio is already about 45% in cash and 55% invested, so I won't make any changes there for now. In the Balanced Portfolio, sell all of LKFIX back to cash. This raises the cash position to about 20%.

The second issue is the stock market. All sorts of bullish behavior is showing up in numerous places. The Bank of America (Merrill Lynch) survey amongst global advisors records very low, even negative, cash holdings and the most bullishness. Investor's Intelligence also records the most bulls since 10/07 (market peak). AAIL also records the % bullish in line to 10/07. The VIX index shows complacency, trading below 19. As contrarian indicators, these suggest at least a short-term peak.

So, in the Aggressive Growth, Growth, and Balanced, I will sell all of CHTTX back to cash. This was roughly 15% of each portfolio. I will look to redeploy as the percentage of bulls drops.

So, for the timing models,

BONDS---bearish from bullish

GOLD---neutral still

STOCKS---long-term still bullish, intermediate-term neutral from bullish.

Thank you,