

No-Load Mutual Fund Selections & Timing Newsletter

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Emailed Hotline Report

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Dear Subscriber,

Our prayers, thoughts, and hopes go out to the people of Japan as their situation changes daily.

The stock market seemed slow to digest the news, but it has now corrected back to about where it was at the start of the year. I've been expecting a correction of 5-15% for some time. I wouldn't expect the market to go much below 11,000 on the Dow Industrials, but after that, the next downside target is at about 9,600. The Dow closed today at 11,613.

Once this correction is over, however, I continue to expect the market to move back to recovery highs. It was "in gear" to the upside before the correction. It is on the next rally that we will have to see whether any negative divergences and other things form that would suggest a final top to this bull market that began in March 2009. But, clearly there has been much devastation and the assessment is still ongoing with the nuclear situation in Japan. The markets do not like uncertainty. At some point, however, in the next few quarters, there will be rebuilding and expansion again. This may push out the recovery even further.

The portfolios are at about 30% cash. I am not yet inclined to put that to work. I am also not inclined to make any other moves, except for the Heartland Value Fund (HRVIX), which has dropped into the middle comet category. We are past the short-term redemption holding period. Nothing wrong with getting defensive with the unknowable staring you in the face. So, in the Aggressive Growth, Growth, and Balanced, sell HRVIX back to cash, which raises the cash levels by 10%, 6%, 5% respectively.

TIMING MODELS.

Stocks long-term still bullish. Stocks intermediate-term still neutral.
Gold neutral.
Bonds bullish. (They're moving up as a safety trade.)

Thank you,
Steve McKee