Hi Dick and Iris,

Long time no talk. I've been watching and waiting. Things are much like you predicted. It might be time for a short visit. I'll call to schedule an appointment.

I read the attached article and it sounded a lot like some of the things you are saying already, I think. What do you think?

Let me know when it's time to try plan A.

ANSWER:

Below is a copy of the letter I recently sent to clients on July 14th. “Option A” may happen if the market moves a little lower.

The analysis you attached is interesting and consistent with what I think is likely.

As you will see from the information below, my sense is that there are so many unknowns in the economy - U.S. and global - that we just do not know if there is sustainability in the economy. Thus, technical analysis is all we have for short term market direction. Even my projection of another sharp drop in the fall of 2009, is a result of cycle analysis and a larger Elliott Wave analysis (I did not do the analysis. It was done by McHugh).

There is a reasonable probability that we may not get this upcoming sharp break in the market, and this will be due to fundamental economic changes, for the better - meaning that the numbers are showing some potential sustainability to economic growth.

Iris will give you a call and you two can decide when to get together.

dick

On April 9, 2009, I wrote: (For those who are not familiar with “Option A”)

Investment Alternative Options:

A. It is time to begin investing in equities on a short term basis. From the Market action during the past 3-4 weeks it is pretty clear that we likely have seen the near term bottom of the market - at the 660 level in the S&P Index. Because of the fundamental deterioration in the global economy, there will probably be a sideways trending stock market trading range – between the levels of 650 and 900 in the S&P Index. It may be that this current rally goes as high as the 950 level (at the time of this writing, it is at about 850). At some point it is also likely that the stock market will retest its low prices of last March. During this retest, we plan to begin a tactical strategy of short term trading using technical models and the S&P Index ETF (exchanged traded fund) symbol SPY. Our thinking is to use between 10% and 20% of the money that is set aside for later reinvestment, as a target commitment to this strategy. We will invest only after the market has retraced to lower price levels. We do not recommend buying at the current price of the market.

The “Option B” strategy:

B. The longer term outlook for reinvestment into the stock market has brightened somewhat, with a lot of change indicators beginning to show signs of potential for economic growth returning. At this time, the risk is high and our Financial Model is very negative. When the Model turns positive, it will be time to dollar-cost-average back into the market using a mutual fund strategy that includes a balanced and correlated portfolio of stocks managed by some of the best managers available.