

# High Desert Investment Advisors

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*Serving Your Personal Investment Needs Since 2003*

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## THIS IS AN INVESTMENT ADVISORY:

WE HAVE COMPLETED - MOSTLY - SELLING STOCK MARKET POSITIONS AS RECOMMENDED JUNE 29, AND THERE IS A LOT OF CASH WAITING TO BE INVESTED. AFTER CONSIDERING MANY POTENTIAL ALTERNATIVES, I RECOMMEND THAT WE PLACE THAT MONEY INTO THE VANGUARD GNMA FUND.

1. THERE IS A COST - TO BUY AND SELL, \$25 FOR EACH TRADE. (THIS IS A VANGUARD CHARGE AND NOT A TD AMERITRADE CHARGE)
2. IF THERE IS LESS THAN \$10,000 TO INVEST, IT DOES NOT MAKE MUCH SENSE TO REINVEST THIS MONEY INTO THE VANGUARD GNMA FUND.
3. FOR ACCOUNTS WITH LESS THAN \$10,000, I RECOMMEND THE FRANKLIN ADJUSTABLE U.S. GOVERNMENT SECURITIES FUND (FISAX).
4. THE CURRENT YIELD ON THE VANGUARD FUND IS 3.2%. THE VANGUARD GNMA FUND OWNS GOVERNMENT GUARANTEED INVESTMENTS, AND HAS A VERY LOW EXPENSE RATIO - 10 bps (.01%) - AND AN AVERAGE MATURITY OF 3.6 YRS.
5. THE CURRENT YIELD ON THE FRANKLIN FUND IS 2.8%. THE FRANKLIN FUND OWNS ADJUSTABLE RATE MORTGAGE BACKED, GOVERNMENT GUARANTEED, SECURITIES. EXPENSES FOR THIS FUND - 79 bps (.79%). THIS FUND HAS NO TRANSACTION COSTS.

I will presume that those of you, who have gotten out of the market, will agree to this recommendation unless you email or phone Iris or me to the contrary. I will begin moving cash over to this account on Wednesday.

Below you will find an outline of my forward market outlook, including what I anticipate - in terms of future recommendations for structuring your portfolios - as the U.S. and Global economies evolve during the next 2-3 years. You can read the "Executive Summary" and get the overview. For those of you who want the details, I will follow up this advisory with a detailed analysis of my forward look.

## EXECUTIVE SUMMARY:

In general terms:

1. The Financial Model is indicating small but positive growth to the U.S. economy.
2. The Technical Model is negative and recommending exiting the stock market
  - When the Technical Model is negative, even with a positive Financial Model, the Technical Model controls the recommended course of action.
  - It is very possible that the recommended action will cause a "whipsawing" trade as the market goes sideways.
3. Be prepared to accept a recommendation to buy and sell more than once, should the stock market not settle into a long term trend direction for several months.
4. Preservation of capital is more important today than investment growth. Our portfolio recommendations are designed to do both - to grow and to protect capital. To do this, however, we must be ready to liquidate our stock market equity investments when the long term market trend turns negative. A "buy and hold" strategy will not protect your capital when there is so much potential for catastrophic moves in market prices and in the global economy.

In a day or so, I will follow this Investment Advisory with a more detailed analysis of what I think the future holds. Hopefully, that analysis will be "readable" and not too obtuse. If you find it tedious, just file it in the waste basket. It probably will belong there!

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