

High Desert Investment Advisors

Albuquerque New Mexico
Voice - 505-797-2644 Fax - 505-797-1901

Serving Your Personal Investment Needs Since 2003

September 21, 2009

It is time to begin reinvesting in the stock market. Although most professionals are very skeptical of the current stock market price action, and generally believe that the stock market is ahead of economic fundamentals, when the market acts in the way it has acted during the last few months, we cannot ignore the sign posts it is telling us about.

This does not mean that we can blindly invest! We must establish clear criteria for loss prevention.

For the first round of reinvesting, I recommend that we invest 20% (1/5th) of the total amount of money now being readied for equities investments.

At this time, the market is very "over-bought" and technically should have a setback in price. That being said, it can easily continue up for another 100 points on the S&P Index before it sets back. The questions are, "do we want to wait longer to begin investing in the stock market?" "Can we invest in the stock market safely, even at a time when the market is very over-bought?"

Buy and Hold is not a strategy for investing. We must keep relatively close stop-loss points so that if the market does collapse, we will be getting out before it causes serious losses.

Preservation of capital must be the "First Law of Investing".

I propose a two-step loss-limiting strategy.

1. Using the 34 day moving average (34 MA) of the daily closing price of the S&P Index, after the daily price fluctuation and the closing price settles under the 34 MA for 5 days in succession, on the 6th day liquidate 50% of the investment.
2. Hold the balance of the investment until the S&P Index daily price fluctuation and the closing price settles under the 10 month end-day moving average (10 MA) for 5 days in succession. On the 6th day, liquidate the remaining investment balance.

There are two S&P Index targets on the up-side: Elliot Wave III = 1278; Elliot Wave V = 1347. If we get a decent set back in market prices, we can expand the increase amount of money. The reason for investing only 20% is that the market is very over-bought. This makes entering the market at current price levels rather problematic. It seems pretty certain that there will be similar follow-up recommendations over the next several weeks. Read the Investment Letter that will be posted, with an email advisory to you in the next day or two, to better understand the underlying dynamics of this forecast.

ANNUITY REINVESTMENT STRATEGY

For those who own one of the guaranteed annuities - ING, Destinations, Hancock, Prudential, or Jackson National annuities - we recommend that the money currently held in a fixed income fund be reallocated to the former equity mutual fund allocations. This money should be dollar cost averaged back into the market over the next 2-3 months.

Because of the step-up features and the guaranteed increase in annuitizable value, we propose that the entire amount be reinvested. More risk can be taken in these assets because of the insurance guarantees supporting their value and growth. We can begin this investment process for you when you contact either Iris or me, telling us you want to follow this plan.

Call Iris at: 505-220-0571

Call me at: 505-797-2644

Dick Brackett
High Desert Investment Advisors LLC

**** This analysis is provided to you for informational purposes only. Actual investment results may be materially different from the projected performance results portrayed. This report uses information that is considered reliable, but it does not represent that the information is accurate or complete, and the report may not be relied upon as such. The report is not intended to be either an expressed or implied guaranty of performance. It is not intended to supply tax or legal advice. There is no solicitation to buy or sell securities.