

Overview

There was slightly more optimism, this week, but also increased nervousness as the indexes achieved further news highs, with trading even more overextended after the impressive gains from late August. If the markets can maintain their current lofty levels we should see even more bulls in the near term as the advisors rarely buck the market trend for too long. The latest modest increase for the bulls still leaves their number below the 58.8% reading from 17-Dec, even with the indexes up substantially from that time. That number may be exceeded before we finally see a correction.

The **bulls** were higher at **53.4%** from 52.7% last week. Last week showed their lowest level since 5-Nov when they counted 48.4%. The last week of Aug-10 saw the bulls at 29.4%, a very positive indication. That was a low risk time to accumulate equities. The markets have spent most of the last three months in the opposite situation. That is with the bulls mostly above 55% suggesting risk is high, even as stocks advanced. Still, none of the weekly readings have reached 60%. That was last shown in October 2007, with the all-time market high.

The **bears** were up to **23.3%** from 22.0% last time. That small move produced their highest reading since late October then they were 24.4%. Three weeks ago their number dropped to 19.1%, a low since the Apr-10 market highs. Counts for the bears below 20% are usually negative for further market gains.

The remaining advisors, classified as **correction**, were down to **23.3%** from 25.3% the week before. This is the same reading as the bears. Advisors often shift from bearish to correction before they are ready to make a bullish commitment and vice versa.

The **spread** between the bulls and bears was +30.1%, little changed from a week ago at +30.7%. The difference has contracted from readings above +35% a few weeks ago but they are not close to positive levels. That needs a difference close to '0' or negative, as it was last spring.

Bullish Themes

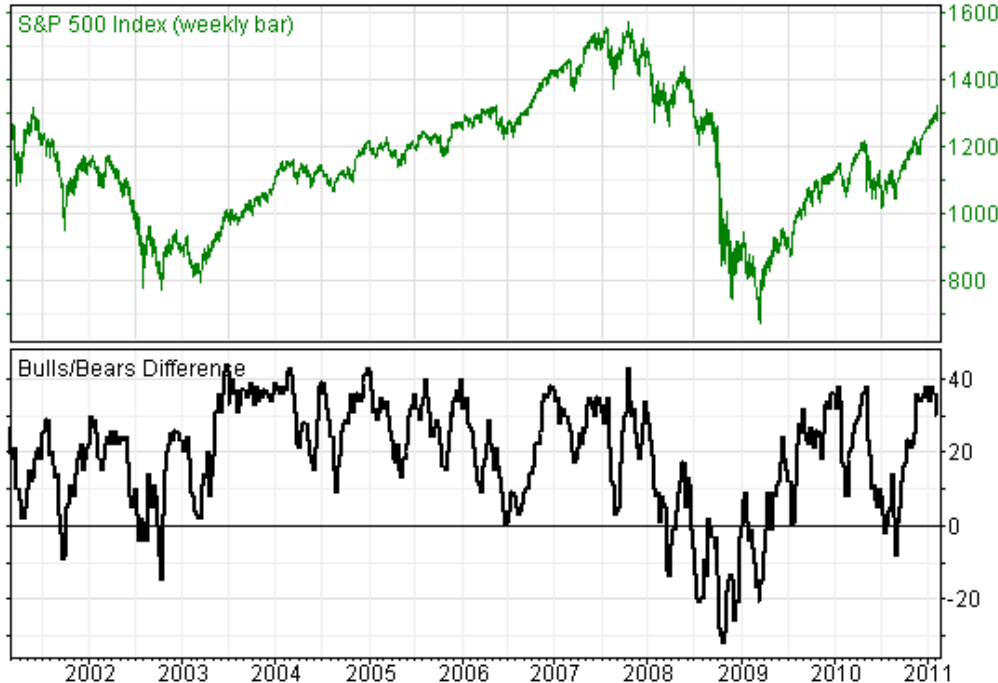
"We are raising our 2011 S&P 500 Index operating earnings estimate by \$1 to \$91. Our preliminary 2012 estimate remains at \$96. We continue to use a conservative price/earnings ratio range of 15 to 15.5 times earnings. This P/E multiple range is in line with the stock market's long-term average valuation level. Applying this P/E range to our \$91 operating earnings estimate support our 2011 S&P 500 Index target price range in the 1350 to 1400 zone. The potential for gains beyond this target range will remain a function of the sustainability of the economic recovery and the ability of the Federal Reserve to manage monetary policy.

The stock market has been strong since early July. We prefer a dollar-cost-averaging approach for new stock market investments at this time given the sizable gains of the past seven months. Dollar cost-averaging during periods of short-term market weakness is our preferred method of adding to equity positions in the current stock market environment. Since we expect the S&P 500 Index to trade into the 1250 to 1400 range later this year, all our stock market model portfolios remain fully invested." (3-Feb-11)

Bob Brinker's Marketimer, 10789 Bradford Rd, #210, Littleton, CO 80127 www.bobbrinker.com

"Our Long Term model for US Stocks remains on its BUY signal of March 2009. Our Intermediate Term model was also on a buy from February 2010 until two weeks ago when it slipped Negative. That January 19th SELL now appears to have been a False Negative, and we are looking for an opportunity to get back long gracefully. Our model for Global Bourses remains nominally Positive, but his is a highly heterogeneous cohort at present. Our Bond models are also widely divergent at present, with Floating Rates, Convertibles and Junk Bonds strongly Positive while virtually every other class of Bonds is Negative. Treasuries are so Negative that they may bounce. Our Debt/Equity Algorithms have dedicated accounts long equities, having switched out of treasury bonds and into 100% stocks in mid September. Our Short Term Gold model is positive, but the Intermediate and Long Term

Difference: Bullish Advisors % less Bearish Advisors %: 8 Feb 2011



iterations of the data remain slightly Negative for the moment. Our Commodity Index model remain Positive. Our models for the Dollar, which are largely trend following devices, are Negative, but very oversold." (7-Feb-11)

Paul Macrae Montgomery's Universal Economics, 753 Thimble Shoals Blvd, Suite B, Newport News, VA 23606
www.montgomerycap.com

Correction Themes

"After defying the bears for months, the stock market may finally give us another "correction" worth the name in February. Remember, the market is a pendulum that always, eventually, swings back to the middle, The longer prices stay in an extended (up or down), the more certain that we'll see a move in the other direction.

I'm not particular worried about the coming reaction, nor should you be. This bull market still has plenty of energy left to scale new highs later in the year.

Just make sure the stocks you offer real value. Fakes abound. They'll get their comeuppance soon." (Feb-2011)

Richard E. Band's Profitable Investing, 9201 Corporate Blvd, Rockville, MD 20850 **www.rband.com**

"Our recent Market Comments shared the opinion that the markets would have a slow start in 2011. We have not changed our view, despite, the powerful performance of the markets in January. The markets have been rising for 7 months since the 2010 lows, and the technical evidence still holds out the possibility of a first quarter pause or correction. But what all investors must bear in mind is that the larger price trend of the major market indices has been resolutely "up" for nearly two years. This rising trend – the friend of every bull – must be considered in force until such time as the price parameters of the bull market are changed conclusively.

The markets remain susceptible to a short-term pause or pullback during the February/March period. This would be a further buying opportunity for carefully selected stocks and sectors. The bull market still has plenty of fuel in its tank for the balance of 2011." (2-Feb-11)

Ron Meisels NA-Marketletter.com **www.namarketletter.com**

Newsletter Extracts

Bogle's Bike

The Granville Market Letter | Joseph E. Granville, Editor | PO Drawer 413006, Kansas City, MO 64141
www.granvilleletter.com

"John Bogle, founder of the Vanguard Fund, learned a very valuable lesson back in the depression of the 1930's. It is a simple lesson and if it was followed today we wouldn't be in the current pickle which finds our government caught between a rock and a hard place. I have told the story many times here but it is always worth repeating, especially now.

As told here back in December 2008, "John Bogle of the Vanguard Fund a week ago related a story of his youth when he wanted to buy a \$40.00 bike but didn't have that much money. He then saved \$5.00 a week for eight weeks and then bought the bike. Right there is the key to sound economics." The lesson the story passes on is that not only did he get the bike but there was no debt, the overriding importance of pay as you go. Think of the joy Bogle had riding that brand new bike which he had earned. There is the simple lesson and what young John Bogle learned.

The market has started to echo the gravity of the current economic situation. We have to pay the debts for having avoided them for so long. Now the big bill comes due and it has to be paid now. That is the message I am getting from the market. No easy way out this time. The market always signals the bad news first. And, as always, Wall Street misses the signals. Not seeing this one coming, it always blames it on the news. Egypt took the blame this time.

So it's payback time. BS won't be tolerated. Higher taxes lie ahead. The serious global implications of the Egyptian riots quickly got to the stock market here and abroad. The stock decline is signaled to be in its earliest stage and its message is simply that the free ride is over. It is payback time and everybody will be affected. Yes our economy is picking up but the gains will have to be spent to reduce debt. An example is seen in the 79% fall in Ford's fourth quarter profits relating to debt related costs.

So thank you John Bogle for reminding up that if you want something you have to pay for it. If you don't have the money you have to earn it." (3-Feb-11)

Market Musing

The Risk factor Method of Investing | William J. Kuhn/ M. Leigh Cruden, Editors | POB 5996, Bend OR 57708
www.riskfactor.com

"It appears frugality fatigue may well be with us for a few more years. One of my canary-in-a-mineshaft indicators is the Baltic Dry Ship index. (BDIY, a measure of rates changed for charting large bulk carrier ships). The BDIY is dropping fast and stocks markets have a tendency to follow.

Some of us seem to be willing to change our financial lifestyle for the good.

The National Foundation for Credit Counseling (NFCC) reports that we are doing a better job of tracking our spending, that we are willing to take the responsibility of spending less than what we bring in. One in five said they had implemented financial lifestyle changes that they found to be positive and intended to keep them in place. As I have been saying for a long time, our consumer economy has been based on smoke and mirrors. The old consumer economy of the past several decades needs to stop. The old house of cards economy cannot and should not be restarted. We need to stop spending money on frivolous junk.

In order to have a financially sustainable stable economy we all need to have a financially stable household. We need to save for retirement. We need to have emergency funds.

I realize there is a downside to spending less, but a financially stable household is critical to a financially stable America.

Since 2007 each passing year has been a record breaking year for FCPA (Foreign Corrupt Practices Act) enforcement. 2010 continued the trend - there was an explosion in the number of cases brought by the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC). Corporate fines and prison terms for individual defendants have also risen. 2010 was unquestionably a watershed year for FCPA enforcement. Internationally regulators ushered in a "new era" of enforcement through aggressive and expansive prosecutions.

According to the Department of Justice [<http://www.justice.gov/criminal/fraud/fcpa/>] 2010 was the first year that:

The SEC charged a company that is not a US issuer with FCPA violations.

The DOJ successfully used money-laundering conspiracy charges to reach the conduct of foreign government officials accepting bribes.

US and UK law enforcement cooperated in a massive corruption undercover sting operation.

US Congress enacted a new law providing a bounty program for FCPA whistleblowers.

The UK passed the UK Bribery Act 2010 criminalizing a company's failure to prevent bribery and commercial bribery between private parties.

The DOJ also promises that 2011 will be another record-breaking year." (31-Jan-11)

Market Briefing

Ford Equity Research | Richard Segarra, Editor | 11722 Sorrento Valley Rd #1, San Diego, CA 92121 www.fordequity.com

"Stocks got out of the gate with a fast start in January and held in positive territory to finish the month with gains in the major equity indexes. The economic news during the month had 'some positive signs including a notable improvement in auto sales in December and holiday retail sales that were better than in recent years. However, home price declines in the fourth quarter, continuing debt concerns in Europe, and political unrest in the Middle East moderated the upward equity market bias. Commodity prices continued to rise with oil floating above the \$90 a barrel level. The Fed recommitted to their program to purchase \$600 billion in government bonds. As Q4 earnings reporting season began, many of the larger companies posted strong results. Investors favored stocks exhibiting good value characteristics as measured by ratios such as price/book value, pie based on Ford's normal earnings, peg ratio, and Ford's price/value ratio. In contrast, stocks that have had relatively higher historical price gains, were, on average, among the weaker performers for the past month. High energy prices translated into strong performance of that sector in January with oil related industries and coal ranking among the highest average percentage gains. Semiconductors and electronics & instruments also had a good month. Metals and retailers were among the notable weak performers in January." (Feb-11)

Advisors Sentiment Table

Date	DJIA	S&P 500	Bullish Advisors %	Bearish Advisors %	Correction Advisors %
Tue Feb 8, 2011	12,161.63	1,319.05	53.40	23.30	23.30
Tue Feb 1, 2011	12,040.20	1,307.59	52.70	22.00	25.30
Tue Jan 25, 2011	11,977.20	1,291.18	55.10	19.10	25.80
Tue Jan 18, 2011	11,837.90	1,295.02	56.00	20.90	23.10
Tue Jan 11, 2011	11,671.88	1,274.48	57.30	19.10	23.60
Tue Jan 4, 2011	11,691.18	1,270.20	54.50	20.50	25.00
Tue Dec 28, 2010	11,575.54	1,258.51	55.60	20.00	24.40
Tue Dec 21, 2010	11,533.16	1,254.60	58.80	20.60	20.60
Tue Dec 14, 2010	11,476.54	1,241.59	56.80	20.50	22.70
Tue Dec 7, 2010	11,359.16	1,223.75	56.20	21.30	22.50
Tue Nov 30, 2010	11,006.02	1,180.55	55.40	21.80	22.80
Tue Nov 23, 2010	11,036.37	1,180.73	55.70	21.60	22.70

Tue Nov 16, 2010	11,023.50	1,178.34	56.20	20.20	23.60
Tue Nov 9, 2010	11,346.75	1,213.40	48.40	23.10	28.50
Tue Nov 2, 2010	11,188.72	1,193.57	46.70	24.40	28.90
Tue Oct 26, 2010	11,169.46	1,185.64	45.60	24.40	30.00
Tue Oct 19, 2010	10,978.62	1,165.90	45.10	22.00	32.90
Tue Oct 12, 2010	11,020.40	1,169.77	47.20	24.70	28.10
Tue Oct 5, 2010	10,944.72	1,160.75	45.60	28.30	26.10
Tue Sep 28, 2010	10,858.14	1,147.70	43.30	27.80	28.90
Tue Sep 21, 2010	10,761.03	1,139.78	41.40	29.30	29.30
Tue Sep 14, 2010	10,526.49	1,121.10	36.70	31.10	32.20
Tue Sep 7, 2010	10,340.69	1,091.84	33.30	32.20	34.50
Tue Aug 31, 2010	10,014.72	1,049.33	29.40	37.70	32.90
Tue Aug 24, 2010	10,040.45	1,051.87	33.30	31.20	35.50
Tue Aug 17, 2010	10,405.85	1,092.54	36.70	31.10	32.20
Tue Aug 10, 2010	10,644.25	1,121.06	41.70	27.50	30.80
Tue Aug 3, 2010	10,636.38	1,120.46	38.90	33.30	27.80
Tue Jul 27, 2010	10,537.69	1,113.84	38.20	34.90	26.90
Tue Jul 20, 2010	10,229.96	1,083.48	35.60	35.60	28.80

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