

2010 Forecast — Rally Should Resume Mid-December

By Jeffrey A. Hirsch

As Congress and the White House wrestle with pushing through an overhaul of the healthcare industry before yearend, and other policy initiatives in the coming year, we share a few New Year's wishes for President Obama and the country.

What happens in Washington is inextricably linked to Wall Street and in midterm 2010 market performance is likely to be impacted by how the populace feels the Democrats and the Obama administration are performing. Greater disappointment in the incumbent government will likely result in a weaker market and larger losses of House and Senate seats in the midterm elections next November.

Our first wish is a simpler solution to healthcare reform. Aside from the throngs of uninsured and underinsured

people, the main problems with our healthcare system are high and rising costs, ridiculous amounts of waste and fraud and an embarrassing lack of oversight in both public and private arenas.

Case in point is the recently discovered rip-off of Medicare in Miami-Dade County. When one county in America gets \$500 million in Medicare reimbursements – more than the amount received by the entire country – that should be a glaring red flag. Federal employees responsible for this lapse in oversight should be relieved of their duties. According to the Associated Press on December 15, 2009:

“Miami-Dade County received more than half a billion dollars from Medicare in home health care payments intended for the sickest patients in 2008, which is more than the rest of the country combined, according to a report by the Department of Health

and Human Services' Office of Inspector General. Medicare paid the county about \$520 million, even though only 2 percent of those patients receiving home health care live here.”

Something also seems rotten in Connecticut. With all due respect to political chameleon Senator Joe Lieberman, his recently exposed flip-flop on the public option illustrates the ever-present high level of chicanery in U.S. politics and industry. Humorously revealed by late-night satirist Stephen Colbert, before opposing the public option, specifically making Medicare available to younger folks 50 or 55 years old, Lieberman supported this in an interview with the *Connecticut Post* on September 2, 2009.

Entitled, “For He's a Jowly Good Fellow,” the segment is available at *colbertnation.com*. Remember there is truth in jest. Perhaps it is no coincidence

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Three on the Tree — Microcap Gifts to Double in 2010

By Adam M. Hutt

Mid-December has always been a good time to buy small-cap stocks, and 2009 looks like no exception. Tax-loss selling and portfolio rebalancing have been creating opportunities for over 25 years, although this “effect” is now well-known and seems to begin and end a bit earlier each year. A few stocks invariably fall through the cracks and stay dirt cheap right up until December 31, the last day a loss can be established for tax purposes in that respective year. I will take this opportunity to tell you briefly about three of them, which we believe have outstanding reward potential versus the inherent risk.

Analysts International (ANLY) is an

information technology (IT) outsourcing company that has been around for over 30 years. Shareholder value has diminished steadily as the company spread itself thin in various IT endeavors. Despite revenue numbers that have dropped precipitously, the company may turn an important corner sometime in 2010.

New management with a history of value creation is in. A medical staffing business was sold. A value-added reseller (VAR) business was sold. The company has announced a sharper focus on government business. The balance sheet is clean, with about \$1.00 per share in cash and receivables net of payables and marginal, if any, debt.

The company's most recent quarter showed \$30.9 million in sales versus \$62

million the previous year, reflecting divestitures and the difficult environment.

Analysts somehow managed to stay *(continued on page 5)*

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12/16/2009 Dow 10441.12 | S&P 1109.18 | NASDAQ 2206.91 | Russell 2K 611.21 | NYSE 7180.77 | Value Line Arith 2220.33

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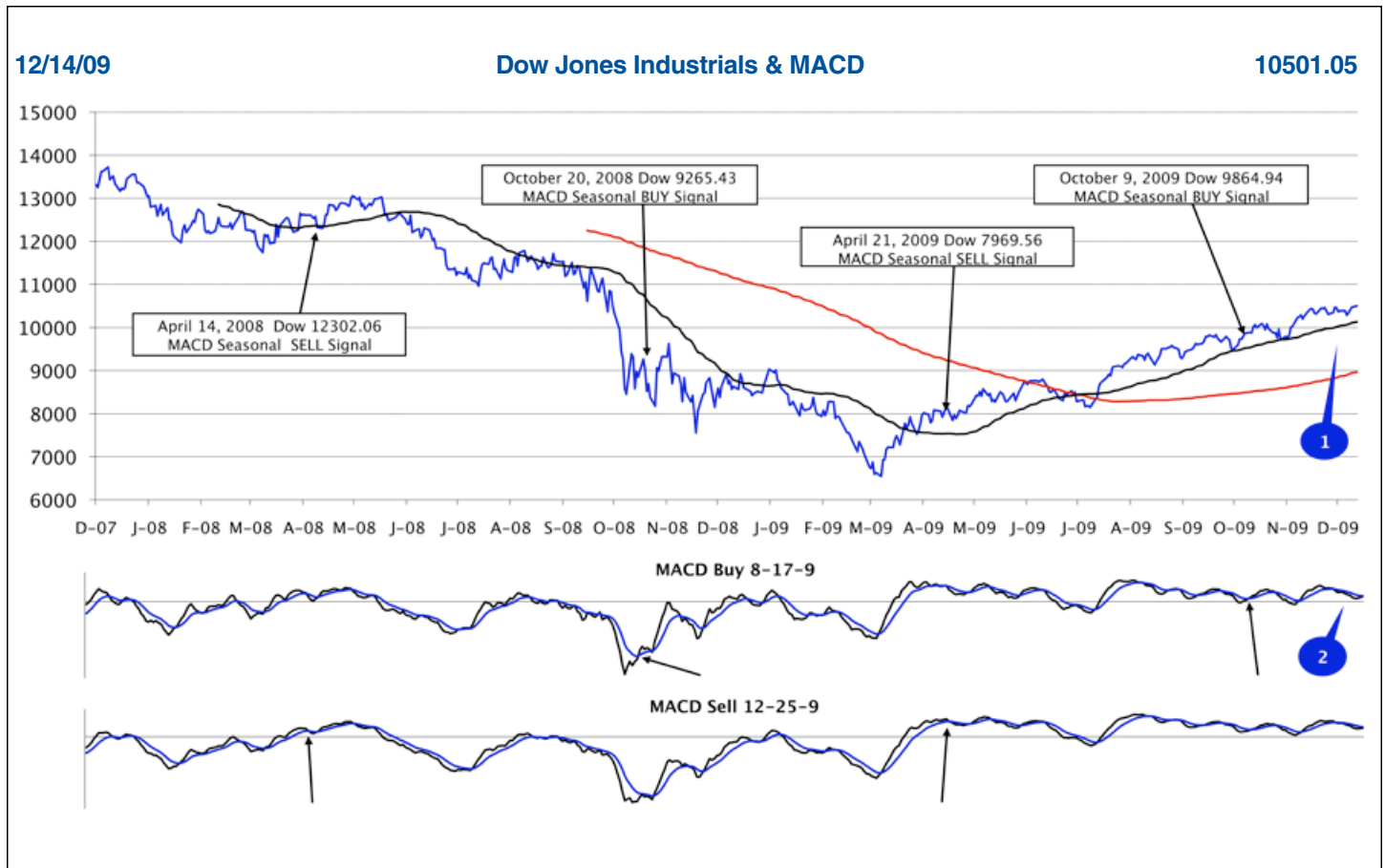
Pulse of the Market

Week End	DJIA	Net Change Week	Net Change On Fri**	Net Change Next Mon*	S&P 500	% Change Week	NASDAQ	% Change Week	NYSE Adv	NYSE Decl	NYSE New Highs	NYSE New Lows	CBOE Put/Call Ratio	90-Day Treas. Rate	Moody's AAA Rate
31-Jul-09	9171.61	+ 78.37	+ 17.15	+ 114.95	987.48	0.8%	1978.50	0.6%	2192	989	248	10	0.58	0.19	5.40
7-Aug-09	9370.07	+ 198.46	+ 113.81	- 32.12	1010.48	2.3%	2000.25	1.1%	2423	765	360	11	0.57	0.18	5.34
14-Aug-09	9321.40	- 48.67	- 76.79	- 186.06	1004.09	- 0.6%	1985.52	- 0.7%	1449	1720	224	6	0.59	0.18	5.34
21-Aug-09	9505.96	+ 184.56	+ 155.91	+ 3.32	1026.13	2.2%	2020.90	1.8%	2161	1017	157	9	0.55	0.17	5.24
28-Aug-09	9544.20	+ 38.24	- 36.43	- 47.92	1028.93	0.3%	2028.77	0.4%	1827	1350	247	2	0.58	0.16	5.14
4-Sep-09	9441.27	- 102.93	+ 96.66	+ 56.07	1016.40	- 1.2%	2018.78	- 0.5%	1208	1968	185	4	0.64	0.14	5.12
11-Sep-09	9605.41	+ 164.14	- 22.07	+ 21.39	1042.73	2.6%	2080.90	3.1%	2631	544	343	4	0.60	0.14	5.18
18-Sep-09	9820.20	+ 214.79	+ 36.28	- 41.34	1068.30	2.5%	2132.86	2.5%	2589	582	570	6	0.53	0.11	5.15
25-Sep-09	9665.19	- 155.01	- 42.25	+ 124.17	1044.38	- 2.2%	2090.92	- 2.0%	1103	2071	635	5	0.61	0.11	5.14
2-Oct-09	9487.67	- 177.52	- 21.61	+ 112.08	1025.21	- 1.8%	2048.11	- 2.0%	947	2220	476	10	0.72	0.12	5.00
9-Oct-09	9864.94	+ 377.27	+ 78.07	- 14.74	1071.49	4.5%	2139.28	4.5%	2662	510	684	8	0.52	0.08	5.06
16-Oct-09	9995.91	+ 130.97	- 67.03	+ 96.28	1087.68	1.5%	2156.80	0.8%	1766	1391	802	6	0.51	0.07	5.21
23-Oct-09	9972.18	- 23.73	- 109.13	- 104.22	1079.60	- 0.7%	2154.47	- 0.1%	1307	1849	713	8	0.61	0.07	5.16
30-Oct-09	9712.73	- 259.45	- 249.85	+ 76.71	1036.19	- 4.0%	2045.11	- 5.1%	370	2823	218	28	0.66	0.07	5.22
6-Nov-09	10023.42	+ 310.69	+ 17.46	+ 203.52	1069.30	3.2%	2112.44	3.3%	2307	871	183	25	0.67	0.05	5.27
13-Nov-09	10270.47	+ 247.05	+ 73.00	+ 136.49	1093.48	2.3%	2167.88	2.6%	2030	1146	409	12	0.57	0.07	5.28
20-Nov-09	10318.16	+ 47.69	- 14.28	+ 132.79	1091.38	- 0.2%	2146.04	- 1.0%	1395	1756	451	11	0.64	0.04	5.16
27-Nov-09	10309.92	- 8.24	- 154.48	+ 34.92	1091.49	0.01%	2138.44	- 0.4%	1454	1699	319	15	0.58	0.05	5.07
4-Dec-09	10388.90	+ 78.98	+ 22.75	+ 1.21	1105.98	1.3%	2194.35	2.6%	2429	751	506	22	0.61	0.06	5.11
11-Dec-09	10471.50	+ 82.60	+ 65.67	+ 29.55	1106.41	0.04%	2190.31	- 0.2%	1787	1381	462	14	0.62	0.03	5.25

Bold Red: Down Friday, Down Monday

* On Monday holidays, the following Tuesday is included in the Monday figure

** On Friday holidays, the preceding Thursday is included in the Friday figure



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that his state's capital, Hartford, is the "Insurance Capital of the World." Our wish is that instead of this 1000-page tome of a bill that complicates matters more, we end this state-by-state insurance regulation mess that jacks up costs and make one set of rules for the whole country. Add in some medical malpractice reform and with an oversight overhaul, make Medicare and Medicaid available to more needy people.

Level Playing Field

The stock market has returned from the abyss and is functioning at a more "normal" level. Once the banking industry revitalizes itself and begins to lend freely again, the government can level the playing field of the financial markets and banking industries. Re-instituting the sort of rules and oversight that existed for the better part of the seven decades after the Great Depression will go to great lengths to prevent another financial crisis of the magnitude we experienced from 2007-2009. Though this may spook the Street initially, this would help re-instill confidence in the marketplace and be a boon for the stock market long term.

Jobs

Create jobs by taking the lead in the country and worldwide on clean energy initiatives, clean energy technology, clean energy incentives and rebuilding America's ailing and aging infrastructure. We lag other developed and developing nations in these areas, but can leap-frog the world with a White House driven initiative on the scale of the Tennessee Valley Authority, the Hoover Dam, the Manhattan Project or the Apollo Program.

From our vantage point on the west shore of the mighty Hudson River, less than 20 miles as the crow flies from Manhattan, the crumbling Tappan Zee Bridge's proposed replacement with new eco-friendly commuter-connections has been stalled for years now. Between this project and a modernization of the northeast electricity grid that blacked out much of the northeast, including parts of Canada, in the summer heat of

2003, we would venture to guess that hundreds of thousands of jobs would be created directly and indirectly, in addition to creating safer, cleaner and more efficient services.

National Security

We applaud Mr. Obama's thoughtful efforts to communicate so eloquently and clearly with all of us citizens and his rekindling of international relationships, but enough already. Get off the TV and get to work with some effective behind the scenes wheeling and dealing and black ops on the terrorists. Stop talking about every strategy angle detail publicly and come out when there is some progress. A few successful clandestine operations and some closed-door diplomacy that result in action would go a long way.

Failure or inaction in these four areas could trigger the market's next downturn. Something nasty on the geopolitical front or lack of job creation would steepen the decline. We do not expect our wishes to come true exactly, but we expect that some progress will be made and that any pullback next year will be mild and orderly and set up another great buying opportunity for years to come.

Pulse of the Market

The Dow has been moving sideways since the week before Thanksgiving in a tight 215-point range ❶ (370 points intraday). The uptrend remains intact as the 50-day moving average (black line) and 200-day MA (red line) continue their steady angle higher. So far the stout support at the 50-day MA since the summer has not been needed in these past several flat weeks.

Our Best Six Months MACD Seasonal Buy Signal still looks solid and MACD is on the verge of making another bullish cross ❷. Typical early-December seasonal weakness should abate over the next few days as year-end tax-selling and profit-taking wind down. We expect Santa Claus to grace Wall Street with his presence this year and rally stocks into the New Year.

Internally the market has held up well. We have not had a down Monday since October 26 ❸. Almanac Invest-

tors will remember that Mondays are notoriously negative during bear and down markets. Traders and investors are apparently beginning the week with more confidence. This streak of seven up Mondays in a row for the Dow is the longest such streak since January 15, 2007. Mondays (and Fridays) were hammered from December 2007 to March 2009.

NASDAQ appears to be taking on a leadership role again ❹ as it encroaches on a bull market gain of 75%, surpassing the Dow and S&P 60% and 65% moves. After a few unimpressive weeks advancing issues had a nice three-to-one week ❺ while new highs held up and new lows retreated ❻. As is usually the case, continued improvement in these metrics in conjunction with further major market index gains on solid volume, support the case for an extension of the current bull market. A failure in these areas will be cause for concern.

Sentiment is one area of concern. The CBOE equity only put/call ratio has hovered at rather placid levels for the past two months ❷. This low level of fear is associated with extended bull markets. Also, as noted by crack market timer Chris Cadbury, Investors Intelligence bearish percent has been at a six-year low of 16.5% for three weeks, but the bullish percentage remains below the crucial 50% level. Apparently there is a good deal of skeptics out there expecting a correction, indicating this bull still has some legs.

Yield spreads widened again last week ❸, suggesting the lending market is still quite frozen. Until the banks fork over the cash to small business and individuals the Fed will remain in control of the credit markets and keep rates artificially low. Once lending resumes in earnest the Fed can relinquish control and the credit markets can begin to function normally again. The Fed is expected to wind down its mortgage-backed security purchases in Q1 2010 and this could trigger a market pullback if the secondary market is not back in business.

January Almanac

Seasonal tendencies have returned to the market and this is a positive sign. We have noted that seasonality has

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been back to normal since late September and this bodes well for the rest of December, January and the rest of the Best Six and Eight Months through April-June. As a reminder we will be compiling our annual list of **Free Lunch Bargain Stocks** making new 52-week lows as of Friday, December 18, 2009 and it will be emailed before the open on Monday, December 21.

Small caps are perking up today and that's another good sign for the market, indicating the **January Effect** of small caps outperforming large caps is beginning in mid-December as it has for much of the past 30 years. This should help our Free Lunch stocks too. After another nasty January in 2009 we became more cautious as this turned our most reliable seasonal indicator, the **January Barometer**, negative. Our fears were validated as the market plunged to new lows in less than six weeks.

But the two other indicators were positive. The first of those indicators to register will be the **Santa Claus Rally**. This is the seven-trading-day period that ends on the second trading day of the New Year. It normally delivers a decent 1.5% gain, but when it posts a loss it is frequently a sign of trouble ahead – 2000 and 2008 cases in point. A few days later our **First Five Days Early Warning System** provides further guidance.

After two of the worst Januarys on record in 2008 and 2009, prospects for January 2010 are good, but should the market perform poorly as it did the last two years, we will adjust our outlook accordingly. The first trading day of January has lost its luster in recent years and is not as strong as it used to be. The second day is much stronger. Monday

of expiration week has a bullish bias, but expiration day is weak and the month tends to end on a strong note.

Lost Decade Perspectives

Honestly, we are a bit surprised that the media has not jumped on the opportunity to trumpet in the next decade. Where are all the special segments covering the highlights and lowlights of the past decade as well as the bold predictions of what is to come in the next decade? We can't all be waiting on Dick Clark, are we?

To some degree we can see why the *zeros* may be best left to the history books. They started off great, just about at the exact top of the tech bubble with an unbelievably low unemployment rate, government surpluses (hard to believe now) and the perception that global peace may finally have come to fruition. But, this utopia was abruptly shattered when the tech bubble popped and terrorists struck.

Thanks largely in part to easy credit and some significant deficit spending by government; markets did mostly recover the losses for a time, even posting some advances until 2007. In that year clocks began to spin backwards, erasing years, then decades of progress and gains. Leverage had reached its breaking point. When the spring 2009 sprung it unwound with a force not seen since the Great Depression.

2010 Forecast

From the depths of the worst bear market since 1932 the current bull market was born on March 9, 2009. The rally has been fast and furious with a mild pullback in early summer and

sideways action the past five weeks. The debate is on whether this is just another cyclical bull or the beginning of a new longer term secular bull that spans a decade or more. We are leaning towards the secular camp and expect the 2009 lows to hold. Save some catastrophic events or galactically stupid moves by our government we should be on the road to full recovery.

There will be fits and starts along the way, but our **Four Horsemen of the Economy** appear to have turned the corner. The Dow is up strong, Consumer Confidence has rebounded, healthy Inflation appears to have commenced and Unemployment looks like it peaked. We believe the recession ended in October 2009 if not sometime earlier in Q3 2009.

We have presented these charts in the issue several times recently so in the interest of space we'll post updated versions on the blog in the near future. You can access it by going to <http://stocktradersblog.blogspot.com> or www.stocktradersalmanac.com and clicking on the blog link in the Resources section of the homepage.

Based upon research of the **Ten Worst Bear Markets Since 1900** in the table below, the Four-Year Presidential Stock Market Cycle, as well as market seasonality, technicals, fundamentals and economics discussed above we expect this bull market to rally into Q1 or Q2 of 2010 with the Dow stalling near 12000, followed by a garden variety bear market that brings the Dow down 20–30% before yearend 2010, creating another midterm bottom from where the Dow has rallied an average of 50% to the pre-election year high since 1914.

Happy Holidays & Happy New Year, we wish you all a healthy and prosperous 2010!

Ten Worst Bear Markets Since 1900

Bear Market		Length Days	DJIA % Chg	Recession			Subsequent Bull Market				Subsequent Bear Market					
Start	DJIA End			Start	End	Days	End	DJIA	Days	% Chg	End	DJIA	Days	% Chg		
17-Jun-01	57.33	9-Nov-03	30.88	875	-46.1%	1-Sep-02	1-Aug-04	700	19-Jan-06	75.45	802	144.3%	15-Nov-07	38.83	665	-48.5%
19-Jan-06	75.45	15-Nov-07	38.83	665	-48.5%	1-May-07	1-Jun-08	397	19-Nov-09	73.64	735	89.6%	25-Sep-11	53.43	675	-27.4%
21-Nov-16	110.15	19-Dec-17	65.95	393	-40.1%	1-Aug-18	1-Mar-19	212	3-Nov-19	119.62	684	81.4%	24-Aug-21	63.90	660	-46.6%
3-Nov-19	119.62	24-Aug-21	63.90	660	-46.6%	1-Jan-20	1-Jul-21	547	20-Mar-23	105.38	573	64.9%	27-Oct-23	85.76	221	-18.6%
3-Sep-29	381.17	13-Nov-29	198.69	71	-47.9%	1-Aug-29	1-Mar-33	1308	17-Apr-30	294.07	155	48.0%	8-Jul-32	41.22	813	-86.0%
17-Apr-30	294.07	8-Jul-32	41.22	813	-86.0%	1-Aug-29	1-Mar-33	1308	7-Sep-32	79.93	61	93.9%	27-Feb-33	50.16	173	-37.2%
10-Mar-37	194.40	31-Mar-38	98.95	386	-49.1%	1-May-37	1-Jun-38	396	12-Nov-38	158.41	226	60.1%	8-Apr-39	121.44	147	-23.3%
12-Sep-39	155.92	28-Apr-42	92.92	959	-40.4%	None – WWII			29-May-46	212.50	1492	128.7%	17-May-47	163.21	353	-23.2%
11-Jan-73	1051.70	6-Dec-74	577.60	694	-45.1%	1-Nov-73	1-Mar-75	485	21-Sep-76	1014.79	655	75.7%	28-Feb-78	742.12	525	-26.9%
9-Oct-07*	14164.53	9-Mar-09	6547.05	517	-53.8%	1-Dec-07	1-Nov-09	701	14-Dec-09	10501.05	280	60.4%	—	—	—	—
		Averages	613	517	-50.0%				598	87.4%				470	-37.5%	
		Median	665	665	-46.6%				655	81.4%				525	-27.4%	

* As of 12/14/2009, not in averages.

Microcap Gifts to Double

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cash-flow positive despite reported losses, which gives us confidence going forward. ANLY seems to have become an important player in the burgeoning market for government and municipal “fusion centers”, which allow police, fire, and government authorities to coordinate better, especially under emergency conditions.

At about \$0.70 per share, the market cap is roughly \$18 million, giving ANLY a price-to-sales ratio of 0.15 on what we reasonably think will be a \$120 million revenue number in 2010. Companies with similar gross margins are trading at an average around 0.50 price-to-sales, so if **Analysts** can get profitable again and show some top-line growth, the stock could very well make its way back to \$2.50 per share. **[Editor's Buy Limit: \$0.70]**

Socket Mobile (SCKT) is a leader in bar-code scanning and radio frequency (RF) hand-held devices. They also have a long and less than stellar history in terms of value creation. However, there seems to be huge potential in this sleepy and inherently risky stock. The company makes a \$600 device with capabilities for the hospital and hospitality markets that seem to be best matched by a device costing \$1400 from a competitor. They also make peripherals that can give “competitor’s” devices bar-code scanning capability.

Whether **Socket** will be able to convert this advantage into sustainable sales momentum is the multi-million dollar question. For sure, the need for a robust device in the hospital that can take a beating, resist infection, and deliver certain electronic records, prescription information, inventory and patient tracking, etc. is there.

Trends in the business seem to have opened a door for Socket, such as Dell discontinuing a hand-held product line, and Hewlett-Packard focusing elsewhere. Combined with the government electronic healthcare initiatives, these circumstances allowed **Socket** to attract an impressive line-up of executives from companies such as Intermec and Symbol Technologies (now Motorola). The company has a few million dollars in cash and no debt. There are less than 4 million shares outstanding.

The company believes that it can be profitable next year, and the top-line numbers that the company hopes to achieve in the next few years are off-the-charts – ludicrous given its infinitesimal \$12 million market capitalization. The last quarterly sales number was \$4.5 million, an uptick from the previous quarter but still well off the company’s historical \$6-8 million kind of number.

With expenses down to the bone, both profitability and the **Socket** stock price are likely to move upward with much force if sales momentum becomes more evident here. I’ll even say that the stock could easily hit \$12 per share if quarterly revenue can get to \$6 million again, and that would only represent 2x annualized sales. As mentioned earlier, however, the stock carries much risk and could go down below \$1.00 if the company does not get traction next year and runs out of financial resources. **[Editor's Buy Limit: \$2.81]**

Sypris Solutions (SYPR) has been around a long time, and I have been following the company and reading their annual reports for 15 years. Those are part of the reason for our comfort level taking a nearly 10% stake in the company below \$1.00 per share. The stock has moved but might have far to go. The company has sold a division and cleaned up the balance sheet, essentially leaving two divisions and about \$300 million in revenue.

The Industrial Group makes forged components (axles, gears, pistons, etc.) mainly for the trucking industry, but also specialized tubing and pipes for the oil and gas industry. The Industrial Group accounts for over half the company’s sales and has been struggling, as you might surmise.

The Electronics Group is quietly a leader in network encryption, signal intelligence, and data storage solutions for various government and military applications. The Electronics Group has been growing and comprising a larger percentage of **Sypris** sales in the process. Revenues were a bit light for this group in the 3rd quarter, but a large recently awarded contract for secure key-loading devices gives us confidence that the division has a bright future. The sense here is that the electronics group can do over \$140 million in sales in 2010.

Defense Electronic businesses gener-

ally transact for at least 1x sales, which implies a valuation of roughly \$7.50 per **Sypris** share, assigning a zero valuation to the manufacturing group. Meanwhile, trucking is due for a cyclical upturn. If you take a peek at Dana Corp. (DAN), one of **Sypris**’s largest customers, and a producer of trucking and automotive parts, you’ll note a stock that has gone from \$0.20 to \$9.00, clearly anticipating an upturn in truck production.

Sypris has a market cap of barely \$50 million, so it seems reasonable to believe this stock can be a double-digit number sometime in 2010 with any strength at all in the economy. They have very low debt and were EBITDA positive for the quarter. Not too many automotive related companies can make that claim. **[Editor's Buy Limit: \$2.55]**

Adam M. Hutt, portfolio manager of New York-based AMH Equity, manages two funds. His flagship fund, Leviticus Partners, formed in the summer of 1996, is now up about 84.2% year-to-date (net of all fees) and since inception has an average annual return of about 25%. His second fund, Equipoint Capital Partners, opened in April 2007, is now up about 6.3% year-to-date (net of all fees) and is up about 23% since inception.

Leviticus is a value oriented long-biased micro-cap fund that offers investors a unique opportunity to access companies that have little or no analyst coverage, achieving superior returns by doing significant research on these underfollowed companies. They focus on companies with little debt that trade at low multiples and have significant upside potential. Equipoint is a more hedged and more liquid version of Leviticus that invests primarily in mid-cap companies.

Mr. Hutt may buy or sell at any time securities mentioned above. Positions his fund or other accounts take may change at any time. Under no circumstances does the information he provides represent a recommendation to buy or sell any security and it in no way constitutes a solicitation for any transaction. Past performance is no guarantee of future results. At press time the Hirsch Organization, its officers or employees were not investors in Leviticus Partners or Equipoint Capital Partners and had no positions in stocks mentioned in this article. Call 845-358-4220 or email service@hirschorg.com for more information.

Buyback Income Portfolio: Global Powerhouses With Steady Dividends and Rising Prices

By David R. Fried

[Editor's Note: Kudos to David Fried! His Buyback Letter made Hulbert's 2010 Honor Roll, landing the #2 spot on the list and performing equally well in both bull and bear markets.]

One of our three value portfolios in the Buyback Letter is the Buyback Income Index, a 10-stock portfolio for those interested in income and growth. It features companies actively repurchasing their own stock that also pay relatively high dividends.

While our main emphasis is on buyback stocks, those stocks that both buy back *and* pay a substantial and regular dividend are comforting to some investors who want to know that no matter what; at least they will be getting something back.

In the Buyback Income Index, we select 10 stocks that, as a group, have potential for appreciation. There is about 30% turnover each year, with changes made as needed (usually 2-3 trades per year).

When companies buy back their own stock, each share becomes more valuable as it represent a bigger portion of ownership than it did prior to the buyback.

This portfolio was started on 3/5/1997 and currently (as of month

end 11/30/09) has gained more than 152% since inception – outperforming its benchmark, the S&P 500 by 115% and the DJIA by 103%. Like the other 4 portfolios in the Buyback Letter, the Buyback Income Index is based on proprietary research and quantitative analysis.

BP PLC (BP)

European big oil company BP provides fuel for transportation, energy for heat and light, retail services, and petrochemicals products. The company was founded in 1889 and is headquartered in London. BP has strategically decided to increase production from its Gulf of Mexico properties and will invest billions over the next decade.

BP is currently the largest leaseholder in the Gulf of Mexico with interests in more than 350 leases, and already has production of more than 400,000 BOE (barrel of oil equivalent) per day from the Gulf of Mexico, with nine major projects under development, and interests in 22 producing fields.

BP has also made significant discoveries in Angola's offshore region. BP's price got a boost because the drops in crude oil and gasoline following last summer's energy bust were short-lived,

so gasoline has risen from less than \$2 a gallon to \$3 in some areas of the country. Dividend yield: 5.8%

Limited Brand (LTD)

Limited, which operates 3,027 stores under the Victoria's Secret, Pink, Bath & Body Works, C.O. Bigelow, La Senza, White Barn Candle Co. and Henri Bendel nameplates, had one of the biggest November surprises in same-store sales – a 3% hike over a year ago. Consumers responded positively to Limited's promotions, buy-one/get-one efforts and special deals. This metric of sales from stores open at least a year, is an important indicator of a retailer's health. Dividend yield: 3.30%.

Glaxosmithkline PLK (GSK)

GSK is one of the world's leading research-based pharmaceutical and healthcare companies, with an estimated 7% of the world's pharmaceutical market. London-based Glaxo employs around 99,000 people in more than 100 countries. Glaxo produces medicines that treat six major disease areas – asthma, virus control, infections, mental health, diabetes and digestive conditions. In addition, it supplies one quarter of the world's vaccines and is developing new treatments for cancer. Glaxo also markets other products, many of which are among the market leaders:

- Over-the-counter (OTC) medicines including Gaviscon, Tums and Panadol
- Dental products such as Aquafresh, Sensodyne and Macleans
- Smoking control products Nicorette/Niquitin
- Nutritional healthcare drinks such as Lucozade, Ribena and Horlicks

Dividend yield: 4.6%.

Maxim Integrated (MXIM)

Maxim Integrated Products is a Fortune 1000 company that designs, man-

Buyback Income v. S&P 500 Performance Summary

Inception: 3/5/1997	Buyback Income	S&P 500
Original Value	\$80,000.00	801.99
11/30/2009 Value	\$201,869.40	1,095.63
Gain Since Inception	152.3%	36.6%

Buyback Income v. S&P 500 Performance History

	Buyback Income	S&P 500
3/5-12/31/1997	22.9%	20.9%
1998	19.4%	26.7%
1999	- 1.3%	19.5%
2000	1.6%	- 10.1%
2001	- 6.8%	- 13.0%
2002	- 4.9%	- 23.3%
2003	31.8%	26.4%
2004	19.5%	9.0%
2005	5.4%	3.0%
2006	26.9%	13.6%
2007	9.8%	3.5%
2008	- 36.3%	- 38.5%
YTD 2009	31.5%	21.3%
Gain Since Inception	152.3%	36.6%
Income Advantage	115.7%	

ufactures and sells high-performance semiconductor products. Founded more than 25 years ago, it has developed more than 6,100 products serving the industrial, communications, consumer, and computing markets. Maxim reported revenue in excess of \$1.6 billion for fiscal 2009.

Maxim is included in the Nasdaq 100, the Russell 1000, and the MSCI USA indices. Analysts believe Maxim's competitive strength is its ability to customize analog chips quickly for a variety of uses, from blood glucose meters to fiber-optic relays. Dividend yield: 4.1%.

Leggett & Platt Inc. (LEG)

This is a Fortune 500 manufacturer with a product line that started out as bedsprings and veered off into things like parts for farm machinery and retail shelving. LEG, a diversified manufacturer that conceives, designs, and produces a broad variety of engineered components and products that can be found in most homes, offices, and automobiles, is a 126-year-old firm with 19 business units, 19,000 employee-partners, and more than 160 manufacturing facilities located in 18 countries.

It is North America's leading independent manufacturer of components for residential furniture and bedding, components for office furniture, drawn steel wire, automotive seat support and lumbar systems, carpet underlay, adjustable beds and bedding industry machinery for wire forming. It generates plenty of cash, and also buys back, shrinking the number of shares outstanding by 15% over the past three years. Dividend yield: 5.2%.

David Fried is the editor and publisher of The Buyback Letter, the only investment newsletter devoted to finding opportunities among companies that repurchase their own stock. His asset management firm – Fried Asset Management, Inc. – offers separate investor advisory and money management services which use the "Buyback Strategy" principles. His newsletter is consistently highly rated by the Hulbert Financial Digest, and all of his portfolios are beating the S&P 500 since inception. Mr. Fried can be reached at 310-459-9196 or www.buybackletter.com. Disclosure Note: At press time Mr. Fried held positions in all the stocks mentioned in this article.

Current Buyback Income Portfolio

Company (Ticker)	# Shares In Portfolio	12/14/09 Price	P/E Ratio	Dividend Yield
Akzo Nobel NV ADR (AKZOY)	360	65.23	13.12	1.4%
BP PLC (BP)	390	56.77	20.06	5.9%
GlaxoSmith (GSK)	500	42.91	13.33	4.6%
Koninklijke Philips Elec (PHG)	790	29.79	23.46	3.1%
Leggett & Platt Inc. (LEG)	1390	20.10	55.83	5.2%
Limited Brand (LTD)	1300	19.01	63.37	3.2%
Maxim Intergrated (MXIM)	760	19.33	N/A	4.1%
Northrop Group (NOC)	380	56.63	N/A	3.0%
Philip Morris (PM)	380	50.26	15.91	4.6%
USA Mobility (USMO)	1230	10.39	3.44	9.6%
Cash	949	—	—	—

The Financial Gift That Keeps On Giving — DRPs

By Bill Staton, MBA, CFA

One of the finest things we do is to teach basic financial skills to inmates here in Charlotte at the Mecklenburg County Jail. They are so receptive to learning, particularly when we show them how to invest small amounts of money directly through companies, thus bypassing the stockbroker. Of the 13 stocks in The Baker's Dozen®**, six allow direct investment:

Company	Initial Amt.	Website
Dover Corp.	\$500	dovercorp.com
IBM Corp.	\$500	ibm.com
McDonald's	\$500	mcdonalds.com
Sonoco Prods.	\$250	sonoco.com
United Tech.	\$250	utc.com
Wal-Mart	\$250	walmartstores.com

Thus, for only \$2,250 anyone can build a high-quality, well-diversified portfolio of six of America's Finest Companies® above, which includes the world's largest retailer (Wal-Mart),

the globe's largest fast-food operation (McDonald's), one of the world's largest packagers and recyclers of waste paper (Sonoco Products), one of the planet's finest computer companies (IBM), and two very broad-based manufacturers (Dover and United Technologies).

Our four children range in age from 20 to 31, and each of them invests directly in companies like the above through what are called DRPs, dividend-reinvestment plans. Daughter Whitney started a DRP plan with McDonald's 15 years ago, and without adding any money has seen the number of shares in her plan grow 34 times.

DRPs are one of America's best-kept investment secrets because they bypass the financial community and allow individuals to invest directly through and with hundreds of different companies. Commissions and service charges to buy and sell shares, if there are any, are nominal. And money can be added to all the various plans at least four times

a year. The minimum amount required to add is typically no more than \$50.

Once in a plan, the investor can sell some shares, all shares, or have shares mailed to him or her at any time. All DRPs are liquid on both the buy and the sell ends.

Regardless of age, investors of all ages can enroll in DRPs as long as they have a social-security number. If a child or grandchild is under 18, an adult custodian has to sign up with them. But once that child or grandchild turns 18, the money becomes theirs.

Because our children are now all adults, we make contributions to their DRPs on their birthdays rather than giving them stuff. Thus, our contributions become the financial gifts that keep on giving since over time they surely are going to grow.

We started two DRPs for grandson Austin shortly after he was born. Today even before turning seven they have grown to almost \$6,000. By add-

(continued on page 8)

Financial Gift

(continued from page 7)
ing as little as \$300 a year, we figure his investments will be worth around \$29,000 at age 21, \$73,000 by age 30, and approaching \$200,000 when Austin turns 40, assuming a 10% annual return.

Our latest edition of America's Finest Companies® (www.wiley.com/buy/9780470547960) lists 75 corporations allowing direct investment ranging from as little as \$25 to as much as \$1,250 to get started. You can either call the phone number provided or log onto the various company websites for information about signing up, which can be easily done either online or via the mail. Once you contact a particular company, look for investor relations, shareholder information, investor information or something similar. We think you'll be glad you did.

Bill Staton, America's Money Coach®,

began his investment career as a securities analyst with Interstate Securities (now part of Wachovia Securities) in 1971. In 1986, he founded The Staton Institute® Inc. (www.statoninstitute.com), helping thousands increase their wealth with a commonsense value approach to investing. A frequent speaker on investing and economic issues, Staton has been profiled or quoted in the Wall Street Journal, New York Times, U.S. News and World Report, Barron's, BusinessWeek, and Money magazine. He is the author of five books on investing and has an MBA in finance from the Wharton School at the University of Pennsylvania.

His latest book Double Your Money in America's Finest Companies®: The Unbeatable Power of Rising Dividends is the first installment in our new Almanac Investor book series. For the past 18 years Staton has produced his direc-

tory of America's Finest Companies®. In Double Your Money, Bill Staton's entire simple, do-it-yourself AFC system is revealed and explained with clear step-by-step instructions, including the entire current listing of all of America's Finest Companies®. The 19th 2010 edition is now available electronically from Wiley at www.wiley.com/buy/9780470547960.

Mr. Staton may buy or sell at any time securities mentioned. Positions his or other accounts he manages take may change at any time. Under no circumstances does the information he provides represent a recommendation to buy or sell any security and it in no way constitutes a solicitation for any transaction. Past performance is no guarantee of future results. At press time the Hirsch Organization, its officers or employees were not clients of Staton Financial Advisors, LLC and had no positions in stocks mentioned in this article.

The Baker's Dozen Guided Portfolio®**

Returns from Inception 6/18/00 With \$13,000 Starting Value

S&P 500:	- 25.03%	annual	- 2.99%
DJIA:	- 0.54%	annual	- 0.06%
NASDAQ:	- 44.56%	annual	- 6.02%
Baker's Dozen:	182.76%	annual	11.57%

Ticker	Company	12/14/2009 Price	Market Value \$	Yield	Annual Dividend	% Fair Value	Shares
	S&P 500	1114.11	—	1.96 %	\$21.80	82.6	—
MMM	3M Co.	81.91	3,031	2.49	2.04	75.0	37
CTL	CenturyLink	36.43	2,623	7.69	2.80	61.8	72
CTAS	Cintas Corp.	29.62	2,932	1.59	0.47	96.8	99
DOV	Dover Corp.	41.60	2,704	2.50	1.04	50.9	65
EPD	Enterprise Prod Ptrs	31.28	3,410	7.07	2.21	82.6	109
IBM	Intl. Business Machines	129.93	3,118	1.69	2.20	61.2	24
MCD	McDonald's Corp.	62.14	2,610	3.54	2.20	76.6	42
NUE	Nucor Corp.	42.83	2,827	3.27	1.40	41.1	66
O	Realty Income	26.39	2,454	6.47	1.71	97.7	93
RPM	RPM Intl.	20.77	2,866	3.95	0.82	52.1	138
SON	Sonoco Products	29.48	2,653	3.66	1.08	59.2	90
UTX	United Technologies	69.91	2,936	2.20	1.54	82.1	42
WMT	Wal-Mart Stores	54.07	2,595	2.02	1.09	71.0	48
Total Market Value			\$36,759				
				Average Yield	3.58 %		

**Please read "Important Performance Disclosures" below, required by the SEC

** 1. The Baker's Dozen Guided Portfolio® (the "Portfolio") is a "model" portfolio consisting of the shares of 13 different companies selected from The Staton Institute's® annual investment directory, America's Finest Companies® ("AFC"). 2. A theoretical initial investment of \$1,000 was made on June 18, 2000 into each of 13 AFC companies. More than 30 positions have been sold and replaced since that date (roughly one-third turnover per year), but there are always and only 13 AFC companies in the Portfolio. The Portfolio is also always 100% invested in stocks. 3. The Portfolio is not indicative of any actual managed or unmanaged portfolio. It is fairly frequently altered to replace the proceeds from the sale of all shares of one company with the purchase of shares in another. 4. "Price" denotes the closing price on the principal exchange for an indicated stock as of the most recent trading date. "Shares" denotes the number of shares of each company that were purchased to establish the Portfolio's static position in that company. "Market Value" denotes the number of shares purchased multiplied by current price. "Yield" denotes the current annual dividend per share for an indicated stock divided by the stock's current price. "% Fair Value" denotes the percentage which the market value represents compared with The Staton Institute's® current proprietary estimate of the intrinsic worth of each Portfolio holding. 5. Cumulative and annual total-return figures indicated above the Portfolio listing reflect appreciation or depreciation of Market Value for, respectively, the entire Portfolio since inception and as annualized. The same convention is followed regarding cumulative and annual returns for the S&P 500, Dow Jones industrial average ("DJIA") and NASDAQ Composite Index ("NASDAQ"). Returns for these indices are shown for comparative purposes since they are believed to be representative of the broad U.S. exchange and over-the-counter markets in which shares of AFC issues are traded. Reported results are not audited. 6. Compound annualized returns reflect deductions, computed as of January 1 of each year from inception of the Model through the date of issuance of the current Newsletter, of 1% of the Model's overall Market Value as published in the Newsletter at the date closest to or on January 1 of each year. This roughly simulates the advisory fees that an account managed by Staton Financial Advisors, LLC, The Staton Institute's® affiliate, would have borne throughout the entire performance period. This results in an understatement of performance insofar as fees for an entire year are treated as having been removed from the Model Portfolio at the beginning of each year rather than at quarterly intervals throughout the year. Compound annualized returns do not reflect deduction of asset-based fees charged by broker-dealer custodians which SFA is instructed, by its clients, to exclusively utilize when executing market trading transactions in these accounts. 7. Stated returns for the Portfolio reflect the quarterly reinvestment of dividends. Returns for the comparative market indices exclude dividends. Typically, at the end of each quarter, the theoretical dividends collected during the prior three months are used to buy additional shares of the one or two Portfolio holdings that are most underweighted, by market value, as compared with all other current Portfolio holdings. The reinvestment of dividends, the ability to direct transactions, and keeping the various holdings somewhat balanced by relative market value is the only "management" which The Institute accords to the Portfolio. 8. The Portfolio is offered as a service of The Staton Institute® for whatever use its subscribers may wish to make of it. Subscribers are cautioned to note that past performance of the Portfolio is no indication of future results. Moreover, the performance records of model portfolios are subject to additional, inherent limitations because such portfolios do not reflect the results of actual recommendations or trading, nor the impact that material economic and market factors might have had on decision-making if a client's assets were actually being managed. 9. Under no circumstances should the reader understand that The Baker's Dozen Guided Portfolio® is indicative of the performance that has or may be expected to be achieved from the separate account management services offered by Staton Financial Advisors, LLC ("SFA"). SFA accounts are managed in a manner which reflects significant differences from the constraints of the Portfolio. SFA accounts also bear advisory fees payable to SFA as well as fees payable to broker custodians which, especially over time, have an impact upon actual account performance.

ETF Corner: Four for the New Year and Beyond

By Christopher Mistal

A new decade is dawning and with it, new opportunities. The past decade's winners, commodities and emerging markets, are likely to continue their run in the next, but I believe that real progress will be made by alternative energy. Following decades of broken promises and false starts, the technology and the initiative finally exists to substantially divest away from traditional carbon-based energy sources.

Additionally, as healthcare debate and reform begins to wind down, political resources will become available to address climate change and unemployment. Politicians vying for reelection in the upcoming mid-term year have a vested interest. An employed electorate will be much more apt to support its incumbent leadership. It is likely to be a painfully slow process, but I believe the Obama Administration will eventually make good on its campaign promise and bring green jobs and manufacturing to the U.S.

In anticipation of these coming changes we will use one of the few financial products that were highly successful in the past decade to position our portfolio for the upcoming clean energy technology revolution, ETFs. The funds selected offer global exposure to the broad range of solutions currently available and should also provide access to any new technologies yet to be developed as companies are added to and removed from the funds.

New Recommendations

The Copenhagen Climate Summit has put a bid in for these funds at this time. We will use any weakness that may occur when the summit fades from the headlines to add positions to the portfolio.

Claymore/MAC Global Solar (TAN) can be bought on dips below 9.50. First Solar is the top holding followed by Trina Solar, Suntech Power, Renewable Energy and Solarworld.

FirstTrust Global Wind Energy (FAN) is a buy on dips below 15.10. Top holdings include: Iberdrola Renovables, EDP Renovaveis, Repower Systems, Vestas Wind Systems and Infigen Energy.

Market Vectors Nuclear Energy (NLR) is attractive on excursions below 22.50. Top five holdings include: Cameco, Constellation Energy, EDF, Exelon and Mitsubishi Heavy.

PowerShares WilderHill Energy (PBW) can be picked up on any dip below 10.25. Top five holdings are: Trina Solar, Cree, JA Solar, Rubicon Technology and American Superconductor.

Portfolio Updates

As a reminder, Semiconductors and Telecom seasonalities are ending now. Instead of issuing an outright sell for **iShares DJ US Telecom (IYZ)** and **SPDR Semiconductors (XSD)** a tight 1% trailing stop loss is being implemented using closing prices beginning with the December 14 closes listed in the portfolio on page 11. Should shares trend higher further gains will be realized, but the day that a position declines 1% or more we will exit the position on the following day. For tracking purposes the portfolio will use closing prices, while intraday may offer trader's a better exit opportunity.

In January five sectors reach the end of their favorable periods: Utilities, High-Tech, Internet, Computer Tech and Healthcare Providers. Collectively, our positions in these sectors are sporting a respectable 7.6% gain and are on hold. We will be looking to exit into strength over the next six weeks.

Also note that **iShares DJ Medical Devices (IHI)** is on hold as Healthcare Products seasonality comes to a close in February. **iShares Barclays TIPS Bond (TIP)** remains on hold as well. The remaining balance of *in play* sectors can be bought on dips with Banking, Broker/Dealer, Small Caps and Energy being attractive at present

levels. See page 11 for updated current advice.

New ETFs

In a last-minute-year-end push seventeen new ETF's have begun trading since the December *ETF Lab* was released. Of the lot your eyes have probably located the newest member of the ETF universe, *FaithShares*. Its founders have certainly brought a new twist to market with their approach to investing by offering five style funds based upon the core values of the five demographics of the Christian faith. Their motto: "Invest With Conviction."

Each of these new funds holds recognizable names, but the "high road" was taken during the selection process and will be traveled into the future as *FaithShares* will donate 10% of the net income derived from each fund to a ministry or charity supported by the funds denomination. If you don't believe me, it's in the prospectus available at www.faithshares.com.

New ETFs	
Ticker	Exchange Traded Fund
FZB	FaithShares Baptist Values
FKL	FaithShares Lutheran Values
CHIX	Global X China Financials
SCHG	Schwab U.S. Large-Cap Growth
SCHV	Schwab U.S. Large-Cap Value
FCV	FaithShares Catholic Values
FOC	FaithShares Christian Values
FMV	FaithShares Methodist Values
CHIB	Global X China Technology
CLY	iShares 10+ Year Credit Bond
GLJ	iShares 10+ Year Government/Credit Bond
CQQQ	Claymore China Technology
GSR	GlobalShares FTSE Emerging Markets
CZI	Direxion Daily China Bear 3X
CZM	Direxion Daily China Bull 3X
LHB	Direxion Daily Latin America Bear 3X
LBJ	Direxion Daily Latin America Bull 3X

Disclosure Note: At press time, officers of the Hirsch Organization did not hold any positions in the securities mentioned or listed in this article.

Stock Updates: Taking Profits and Going on Safari

By Christopher Mistal

EF Johnson (EFJI – Mar 2009) Buy Dips

Choppy earnings are making for a highly news driven stock. A string of new orders in September and October sent shares soaring better than 100%, but when new orders fizzled shares turned brown faster than an under-watered Christmas Tree. New orders have once again picked up, most notably when EFJI was named in an indefinite delivery/indefinite quantity contract issued by the U.S. Internal Revenue Service. This contract has a maximum value of \$750 million and a five year life. There is no way to know exactly how much of this contract will make its way to EFJI, but recent orders by numerous government agencies suggest that they could benefit greatly.

Hypercom (HYC – Mar 2009) Hold

Share price momentum may have stalled, but marketing efforts and sales distribution are still aggressively expanding. Raiffeisen International is rolling out 30,000 plus Optimum terminals in the emerging markets of Eastern Europe, Permata Bank has also selected Optimum terminals for deployment in Indonesia and LVR InfoKom is placing HYC's med-Compact in 10 hospitals in Germany. Assuming supply chain bottlenecks that hampered third quarters results have been resolved, the fourth quarter could be quite strong.

Par Pharmaceutical (PRX – Mar 2009) Hold

Analysts are moving earnings estimates higher on the increasing probability of further positive earnings surprises coming from PRX. As the estimates have climbed higher, new buy recommendations have been issued and shares have also climbed higher. As a result our original position doubled on December 14, and per standard trading guidelines, half of that position has been sold. Further price gains are likely as momentum builds.

Sauer-Danfoss (SHS – Mar 2009) Hold

It has been a long uphill battle for management at SHS since their stock bottomed back in late March (at less than 2.50). Perhaps initially slow to recognize the severity of the global economic downturn management was slow to respond

and shares were decimated, but recently they have taken a much more aggressive cost cutting and downsizing posture and shares have been responding quite positively. Shares have gained nearly 400% since March and are nearly trading at double digits once again.

FuelCell Energy (FCEL – Feb 2009) Hold

Fourth quarter results came in worse than analyst estimates. Year-over-year comparisons are improving, but just not as quickly as expected. Gross margins were also anticipated to turn positive in the most recent quarter, but that did not happen. FCEL is still highly dependent on the U.S. market place where credit availability is still an issue. Sales have suffered as a result. 2010 is likely to bring better times to FCEL as the healthcare debate is likely to be over (at least for now) allowing the administration to focus on job creation through green energy sector projects and expansion.

Accelrys (ACCL – June 2009) Hold

Materials Studio 5.0 was showcased at the Materials Research Society fall meeting in Boston, MA from November 30 through December 4. There may have been a few investors in attendance as shares briefly broke out of their five week funk, gaining nearly 15% over that time. Absent any new positive press, shares are likely to return to a sideways price pattern.

Caliper Life (CALP – June 2009) Hold

As part of CALP's ongoing strategy to focus on its core IVIS imaging business they have sold their subsidiary, Xenogen Biosciences for \$11 million. This sale significantly improves CALP's current cash position and should have a minimal impact on their bottom line and cash flows in 2010. A clear product line and a strong balance sheet are important keys to future growth prospects. CALP is clearly headed in this direction.

Equinox Minerals (EQN.T – Sept 2009) Buy Dips.

Thus far we have been unsuccessful at adding EQN to the portfolio in spite of several near misses. Most recently on November 27, shares traded a mere two cents above our limit. EQN remains attractive and with a modest rally in the \$US dollar pressuring commodity prices we are may have an opportunity soon.

Etruscan Resources (EET.T – Sept 2009)

Buy Current Level

EET finally traded below the buy limit and was added to the portfolio on the close of November 19 at \$0.48. Gold has slipped from its recent record highs putting pressure on shares and they remain below the buy limit. Additional purchases can be considered as New Year price hikes are likely to lift inflation indicators in early 2010 and reignite gold's rally.

Geovic Mining (GMC.T – Sept 2009)

Buy Dips

When the financial crises broke and commodity prices tanked, GMC was forced to put mine development plans on hold. Pressures are abating and GMC has ordered a Feasibility Study Update (FSU). They have decided to produce intermediate cobalt and nickel precipitates and defer the substantial costs of a downstream refining plant. The FSU is expected to commence in January 2010 and take roughly six months to complete. Once done, it is GMC's "intention to immediately move ahead with financing and constructing the Nkamouna Cobalt project." Finally.

Global Med Technologies (GLOB – Nov 2009) Buy Current Level

Absent any news over the past several weeks, GLOB has drifted down through support at 0.80 on below average volume. Recent news of picking up Jameson Health System as a new client located in Pennsylvania should assist shares in reclaiming that level. With the addition of this client their northeast base has expanded to over 125 sites. Their technology is quickly gaining traction and so could their share price.

African Aura Mining (AUR.V – Nov 2009) Buy Dips

It took better than three months, but a position was added to the portfolio on November 25 when shares traded below the buy limit of 1.05. Without a producing asset, shares are going to be subject to elevated levels of volatility as risk aversion rises and ebbs. With gold retreating from all-time highs and assay results from the New Liberty Gold deposit drill program due in Q1 of 2010, any dip in share price could be used to expand an existing position or establish a new one.

China Green Agriculture (CGA – Dec 2009) and **Monsanto** (MON – Dec 2009) **Buy Dips**
Agricultural seasonality got off to

an early start this year and neither CGA nor MON was added to the portfolio. Buy limits have been adjusted for November's price

action.

Disclosure Note: At press time, officers of the Hirsch Organization held a position in GMC.

Almanac Investor Stock Portfolio

Ticker	Company	Recommended Date	Price	12/14/09 Price	Value***	Net % Return***	Buy Limit ¹	Stop Loss ¹	Current Advice ¹
EFJI	EF Johnson	2/11/09	1.19	1.39	\$1,168.07	16.8%	1.10		Buy Dips
HYC	Hypercom ²	2/11/09	1.20	3.05	\$1,270.83	127.1%		2.25	HOLD
PRX	Par Pharmaceutical ²	2/11/09	12.56	25.09	\$998.81	99.9%			HOLD, Sold Half on 12/14 @ 25.12
SHS	Sauer-Danfoss	2/11/09	8.00	9.53	\$1,191.25	19.1%			HOLD
FCEL	FuelCell Energy ²	3/18/09	2.50	3.16	\$632.00	63.2%		2.50	HOLD
ACCL	Accelrys	5/13/09	4.50	5.50	\$1,222.22	22.2%		4.75	HOLD
CALP	Caliper Life Sciences ²	5/13/09	1.28	2.68	\$1,046.88	104.7%		2.00	HOLD
EQN.T	Equinox Minerals **	8/19/09	3.74	4.03	Not Yet		3.74		Buy Dips
EET.T	Etruscan Resources **	8/19/09	0.48	0.43	\$885.42	-11.5%	0.49		Buy Current Level, Added 11/19 @ 0.48
GMC.T	Geovic Mining **	8/19/09	0.61	0.67	\$1,098.36	9.8%	0.61		Buy Dips
GLOB	Global Med Technologies	10/14/09	0.82	0.75	\$914.63	-8.5%	0.82		Buy Current Level
AUR.V	African Aura Mining	10/22/09	1.05	1.09	\$1,038.10	3.8%	1.05		Buy Dips, Added 11/25 @ 1.05
CGA	China Green Agriculture	11/18/09	12.25	16.73	Not Yet		12.25		Buy Dips
MON	Monsanto	11/18/09	75.00	83.10	Not Yet		75.00		Buy Dips
ANLY	Analysts International	12/16/09	0.70	0.69	New		0.70		Buy Dips
SCKT	Socket Mobile	12/16/09	2.81	3.10	New		2.81		Buy Dips
SYPR	Sypris Solutions	12/16/09	2.55	2.60	New		2.55		Buy Dips

Cash From Half & Closed Positions \$58,540.80
Total Portfolio Value \$70,007.36

Open Position Average % Return 40.6%
% Change from Last Issue 0.4%
% Change from Last 12 Issues 8.2%
Portfolio % Gain Since Inception - July 2001 218.2%

Almanac Investor ETF Portfolio

Ticker	Company	Recommended Date	Price	12/14/09 Price	Return	Buy Limit ¹	Stop Loss ¹	Auto Sell	Current Advice ¹
TIP	iShares Barclays TIPS Bond	1/14/09	100.00	104.58	4.6%		100.50		Hold
PUI	PowerShares Utilities	6/17/09	14.00	15.42	10.1%		12.32	16.72	Hold, Sell in Jan
FDN	First Trust DJ Internet	7/15/09	23.42	24.16	3.2%		20.61	32.23	Hold, Sell in Jan
IHI	iShares DJ US Medical Devices	7/15/09	50.10	53.01	5.8%	50.10	44.09	59.19	Hold
IHE	iShares DJ US Pharmaceutical	7/15/09	53.11	57.16	7.6%	53.11	46.74	62.39	Buy Dips
IYW	iShares DJ US Tech	7/15/09	52.76	55.81	5.8%		46.43	65.58	Hold, Sell in Jan
IBB	iShares NASDAQ Biotech	7/15/09	78.39	80.09	2.2%	78.39	68.98	109.94	Buy Dips
XLP	SPDR Consumer Staples	8/19/09	25.92	27.10	4.6%	25.92	22.81	31.68	Buy Dips
XRT	SPDR Retail	8/19/09	35.26	35.73	1.3%	35.26	31.03	43.09	Buy Dips
IYT	iShares DJ Transports	9/16/09	67.23	75.13	11.8%	67.23	59.16	84.75	Buy Dips
IAI	iShares DJ US Broker-Dealers	9/16/09	30.02	27.40	-8.7%	30.02	26.42	37.68	Buy Current Level
IHF	iShares DJ US Healthcare Prov	9/16/09	42.90	48.07	12.1%		37.75	52.76	Hold, Sell in Jan
IYZ	iShares DJ US Telecom	9/16/09	18.44	19.87	7.8%		19.67		Sell in Dec
XLI	SPDR Industrial	9/16/09	26.55	28.55	7.5%	26.55	23.36	33.85	Buy Dips
KBE	SPDR KBW Bank	9/16/09	22.69	21.71	-4.3%	22.69	19.97	28.33	Buy Current Level
XLB	SPDR Materials	9/16/09	29.92	32.91	10.0%	29.92	26.33	38.80	Buy Dips
XSD	SPDR Semiconductors	9/16/09	39.93	44.85	12.3%		44.40		Sell in Dec
XLK	SPDR Technology	9/16/09	21.02	22.42	6.7%		18.50	26.73	Hold, Sell in Jan
VNQ	Vanguard REIT VIPERS	9/16/09	41.37	44.34	7.2%	41.37	36.41	51.70	Buy Dips
DIA	Diamonds	10/9/09	98.69	105.20	6.6%	98.69	86.85		Buy Dips
IWM	iShares Russell 2000	10/9/09	61.42	61.08	-0.6%	61.42	54.05		Buy Current Level
QQQQ	PowerShares QQQ	10/9/09	42.48	44.55	4.9%	42.48	37.38		Buy Dips
SPY	S&P 500 Spyder	10/9/09	107.26	111.87	4.3%	107.26	94.39		Buy Dips
IXC	iShares S&P Global Energy	11/18/09	36.40	35.57	-2.3%	36.50	32.12	45.77	Buy Current Level
DBA	PowerShares DB Agriculture	11/18/09	26.15	26.61	Not Yet	26.15	23.53		Buy Dips
XLE	SPDR Energy	11/18/09	57.13	56.10	-1.8%	57.50	50.60	72.11	Buy Current Level
TAN	Claymore/MAC Global Solar	12/16/09	9.50	10.00	New	9.50	7.50		Buy Dips
FAN	FirstTrust Global Wind Energy	12/16/09	15.10	15.43	New	15.10	11.75		Buy Dips
NLR	Market Vectors Nuclear Energy	12/16/09	22.50	23.26	New	22.50	18.00		Buy Dips
PBW	PowerShares WilderHill Energy	12/16/09	10.25	10.77	New	10.25	8.50		Buy Dips

Open Position Average % Return 4.7%
Average Total % Return 1.0%

¹ STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss. ² Half position. * Adjusted. ** Canadian Dollars.

*** Based on \$1000 initial investment in each stock, Net % Return includes half & closed positions available on request, Value is open position value.

Market at a Glance

Psychological: *Growing Anxious.* Government actions taken to date have brought the financial markets back from the brink, but thus far have failed to substantially improve conditions for the American consumer or small businesses. If steps are not taken soon further change could come to Washington when midterm election results are tallied.

Fundamental: *Further Improvement Needed.* Unemployment rate has ticked down to 10.0% and initial jobless claims are still declining. Given the rate and magnitude of the original move higher it could take years before historical averages are reached again. GDP is forecast to be positive in 2010, but below potential. Further stimulus is going to be difficult given the enormous debt the Federal government has already taken on.

Technical: *Solid Resistance.* Since mid-November the major averages have been unable to authoritatively break out to new highs. Traders are chipping away at Dow 10500, S&P 1120 and NASDAQ 2200. Failure to move above these levels by yearend would put support at the 50-day moving averages back in play.




Monetary: *Extremely Accommodative.* November readings of year-over-year CPI & PPI are meaningfully positive for the first time in a year, but are still well within Fed's comfort zone. Mortgage-Backed-Security purchases will likely end before any increase in the Fed Funds Target Rate can occur. This program is going to be slowly wound down through the first quarter of 2010. At which point, rates are expected to climb in response to inflation indicators.

Seasonal: *Bullish.* Santa has filed his flight plans and provided the weather remains clear, his appearance on Wall Street is expected. A strong first five days of January followed by full month gains would further brighten the prospects for a prosperous 2010. However, a failure of all three could arouse the hibernating bear.

JANUARY 2010

Bullish Sector Seasonalities:

Start: None **In Play:** Banking, Biotech, Broker/Dealer, Consumer, Cyclical, Healthcare Products, Materials, Oil, Pharmaceutical, Real Estate, Transport, **Finish:** Computer Tech, Healthcare Providers, High-Tech, Internet, Utilities

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT	SUN
				1 New Year's Day (Market Closed)	2	3
	4  1st Trading Day of Year NASDAQ Up 9 of Last 12 S&P Down 7 of Last 11 Construction Spending Consumer Debt ISM Index Semiconductor Billings	5  2nd Trading Day of Year Dow Up 12 of Last 16 Santa Claus Rally Ends Factory Orders Vehicle Sales	6 2009 Worst Dow, S&P, Russell 1000 and Russell 2000 January Percent Loss on Record, NASDAQ 3rd Worst January's First Five Days act as an "Early Warning System" FOMC Minutes ISM Non-Mfg. Index	7 ECRI Future Inflation Index Employment Rate Wholesale Trade	8	9
11 Monday Before Expiration Dow Up 12 of Last 17	12 Int'l Trade Deficit	13 Treasury Budget	14 Business Inventories Import/Export Prices Retail Sales	15  Expiration Day Dow Down 9 of Last 11 With Some Big Losses CPI Industrial Production NAHB Housing Mkt Index U Mich Consumer Sentiment	16	17
18 Martin Luther King Jr. Day (Market Closed)	19 Average January Gains Last 21 Years: Dow: 0.3% Up 13 Down 8 Rank #8	20 S&P: 0.3% Up 13 Down 8 Rank #8 PPI Beige Book Housing Starts	21  NAS: 1.9% Up 14 Down 7 Rank #4 Leading Indicators Philadelphia Fed Survey SEMI Book to Bill Ratio	22 	23	24
25 January Ends "Best Three Month" Span Existing Home Sales	26 Consumer Confidence	27 January Barometer 91.5% Accurate Official Results Emailed After the Close on the 29th New Home Sales FOMC Meeting	28  Durable Goods	29  Advance Q4 GDP Agricultural Prices ECI ISM-Chicago U Mich Consumer Sentiment	30	31

Economic release dates obtained from sources believed to be reliable. All dates subject to change.



Bull symbol signifies a favorable day based on the S&P 500 Rising 60% or more of the time on a particular trading day 1989-2009



Bear symbol signifies an unfavorable day based on the S&P 500 Falling 60% or more of the time on a particular trading day 1989-2009

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