STOCK TRADER'S ALMANAC

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Almanac Newsletter
A Hirsch Organization Publication

June 2010 Trading & Investment Strategy

May 27, 2010 - Volume 9, Number 12

Market as a Glance

5/26/2010: Dow 9974.45 | S&P 1067.95 | NASDAQ 2195.88 | Russell 2K 642.62 | NYSE 6631.36 | Value Line Arith 2336.95

Psychological: *On edge.* May 6, "Flash Crash" got traders stocking fallout shelters, but not as quickly as they were in fall 2008. VIX spiked to an intraday high of 48.20, a level consistent with its peaks of September 2002, September 2001, October 1998, and November 1997. Weekly CBOE put/call ratio for week ending May 21 climbed to 0.81, its highest level since the March 2009 bottom. There is blood in the street, but is it enough yet. Escalating tensions on the Korean peninsula, worst oil spill in U.S. history and an uncertain outcome of the financial reform bill are just a few of the hazards that could lead to further bloodshed.

Fundamental: *Soft.* Labor market remains very soft and weekly initial jobs claims continue to be choppy. Q1 GDP has just been revised lower, opposite of expectations. Deficits and debt maintenance are increasingly becoming a major issue for the smallest of municipalities to the federal government and even more in Europe. Potential spending cuts and higher taxes could further decelerate an already slowing economic recovery.

Technical: *Oversold.* Dow, S&P and NASDAQ dropped more than 10% plus from recent highs in just four weeks, quickly diving through their 50- and 200-day moving averages. Only NASDAQ has reclaimed its 200-day line. Dow and S&P are still trading below their respective 200-day averages. These previous support levels could be substantial overhead resistance on any oversold rally. Technology has been providing market leadership so any clear move higher by NASDAQ could sound the all clear on this correction. Without leadership, the next move could be down.

Monetary: *Loosening.* Policy had been trending towards tightening ever since the Fed completed its $300 billion treasury purchase program last fall. But, as currency markets and Libor rates began responding to the European debt mess, the Fed reinstituted currency swap lines, last implemented at the onset of the financial crisis, to provide liquidity and tame wild forex moves. A "flight to safety" into treasuries and other dollar dominated assets has pulled long-dated bonds and mortgage rates down. As a result, house refinancing applications have risen sharply as measured by the MBA Mortgage Applications Survey. Inflation is in check and rates are likely to remain historically low for the foreseeable future.

Seasonal: *Bearish.* June is the worst performing midterm election year month for the Dow and S&P since 1950. NASDAQ's "Best Eight Months" and small-cap strength also end this month. NASDAQ's Seasonal MACD Sell signal can occur anytime after June 1, but has triggered as late as July 27 in 1977.

Correction Commences On Cue In May – Pundits Jump On Bear Bandwagon – Heed Indicators And Internals For Signs Of Bottom

By Jeffrey A. Hirsch

We pounded the table pretty hard last month that a correction was imminent. It came fast and furious and volatility spiked as the market whipsawed, plunging 1000 Dow points intraday in the "flash crash" on May 6. A week later after failing to reclaim the losses of May 6, stocks began to slide again, suffering another massive one-day drop on May 20 and then making new intraday and closing lows this week.

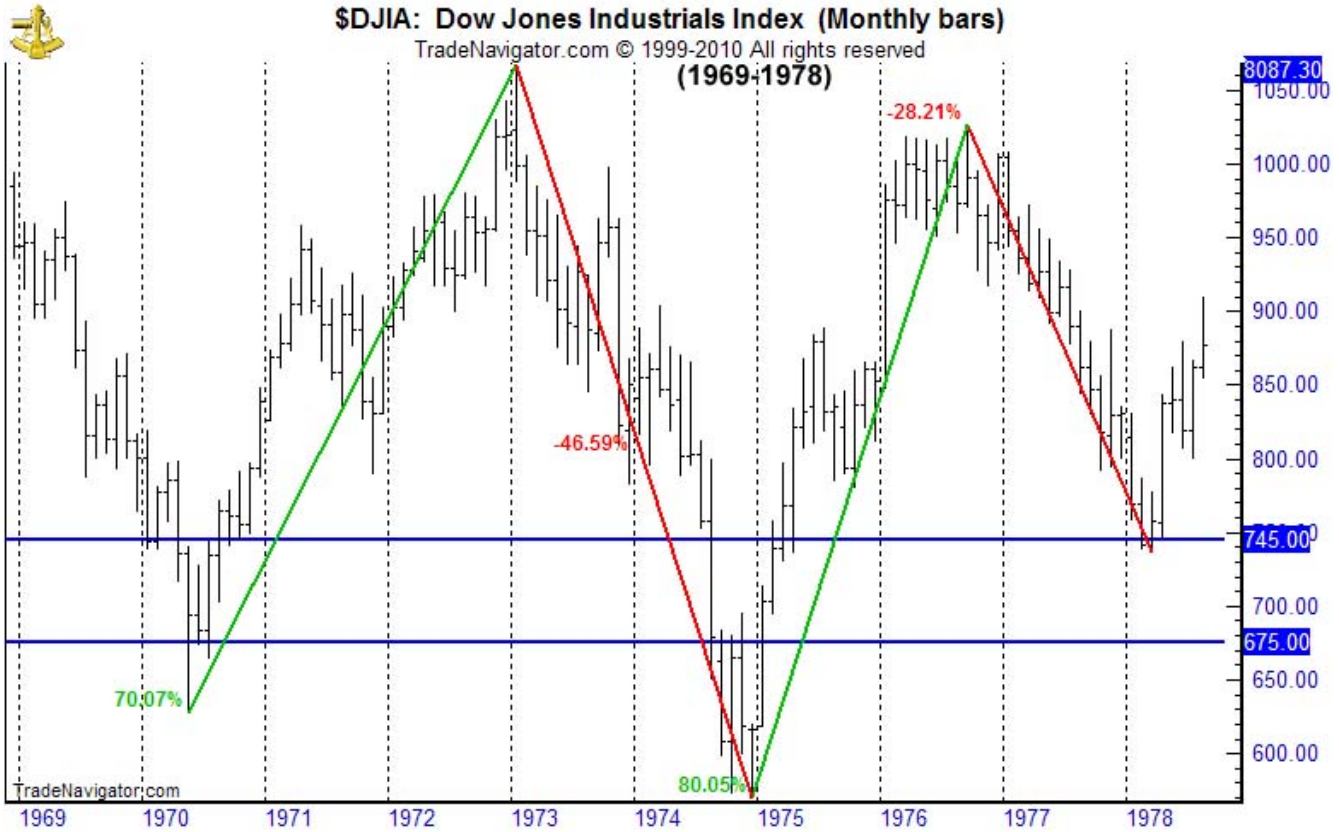
On a closing basis from the April highs the Dow is down 11.0%, the S&P 500 -12.3% and NASDAQ -13.2%. Intraday the losses are -13.7%, 14.7%, and 15.6% respectively. Our two bear fund recommendations, **Grizzly Short** (GRZZX) and **Federated Prudent Bear** (BEARX), are up about 8%. Our two bond ETF recommendations, **iShares Barclays 7-10 Year Treasury** (IEF), up 4.3%, and **iShares Barclays 3-7 Year Treasury** (IEI), up 2.3%, are doing their job.

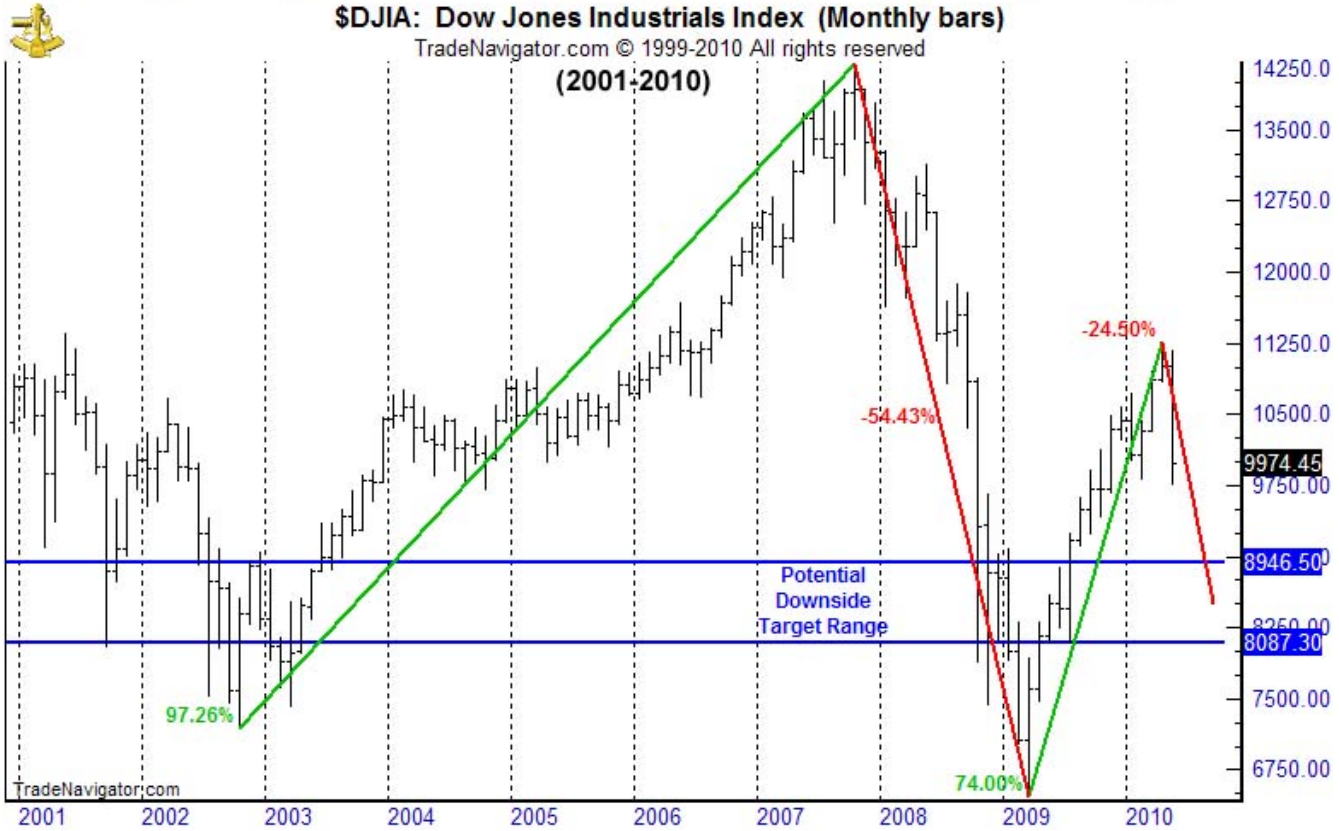
Despite the now well documented speed of light that the markets trade at nowadays, and the 24/7 news and information cycle, most standard market-moving data points still get released at the same time intervals they have for decades. Corporations report their income statements quarterly and government and industry groups release economic and business metrics on the same weekly, monthly, quarterly and other regular intervals as they have been for eons.

So we can look back to the secular bear market years of the 1970s for some guidance on a potential downside target range. This was the last time that the Dow experienced a bear market loss of greater than 40%. All previous instances of 40+% Dow declines occurred before the end of World War II. At the December 1974 bottom the Dow was down over 45% on a closing basis. Much like the 2009-2010 bull market, the Dow reclaimed the waterfall decline of 1974 in 1975, in short order.

Then after rallying about 80% from the low to the bull market high in 1976, it fell about 28% from September 1976 to the February 1978 low. This was in the upper end of the range of the previous bear market bottoms in 1970 and 1974. In the charts below we compare the 1970s to the present to illustrate the similarities and what could be a potential downside range should this correction turn in to a bear. These charts are presented with monthly open, high, low, close bars in order to fit 10 years of data.

Potential Downside Target Range





Similarities of the current market chart pattern to that of the 1970s are simply amazing. Economic and geopolitical conditions are not identical, but both eras suffered from stress on these fronts. The main technical chart difference is that the run from 2002 to 2007 was longer and stronger. We can't be sure of the timing, but a retreat to the 8000-9000 range on the Dow seems quite possible.

Many technicians have recently jumped into the bear camp noting technical breakdowns and topping formations. If you look at a weekly chart of the Dow you can see a potential head-and-shoulders top pattern forming with the left shoulder in November-January and the top of the head in April. We are currently sitting on what could be the neckline. There is also the potential for a Dow Theory Sell Signal and a Three Peaks/Domed House top. We recently commented on these two patterns in blog posts on May 21 and 24.

But before we get caught up in our own forecast for a bear market decline of 20-30% in 2010, let's remember a little Talmudic wisdom by way of one of our favorite Almanac quotations from media mogul John Malone: *Moses Shapiro (of General Instrument) told me, "Son, this is Talmudic wisdom. Always ask the question 'If not?' Few people have good strategies for when their assumptions are wrong." That's the best business advice I ever got.*

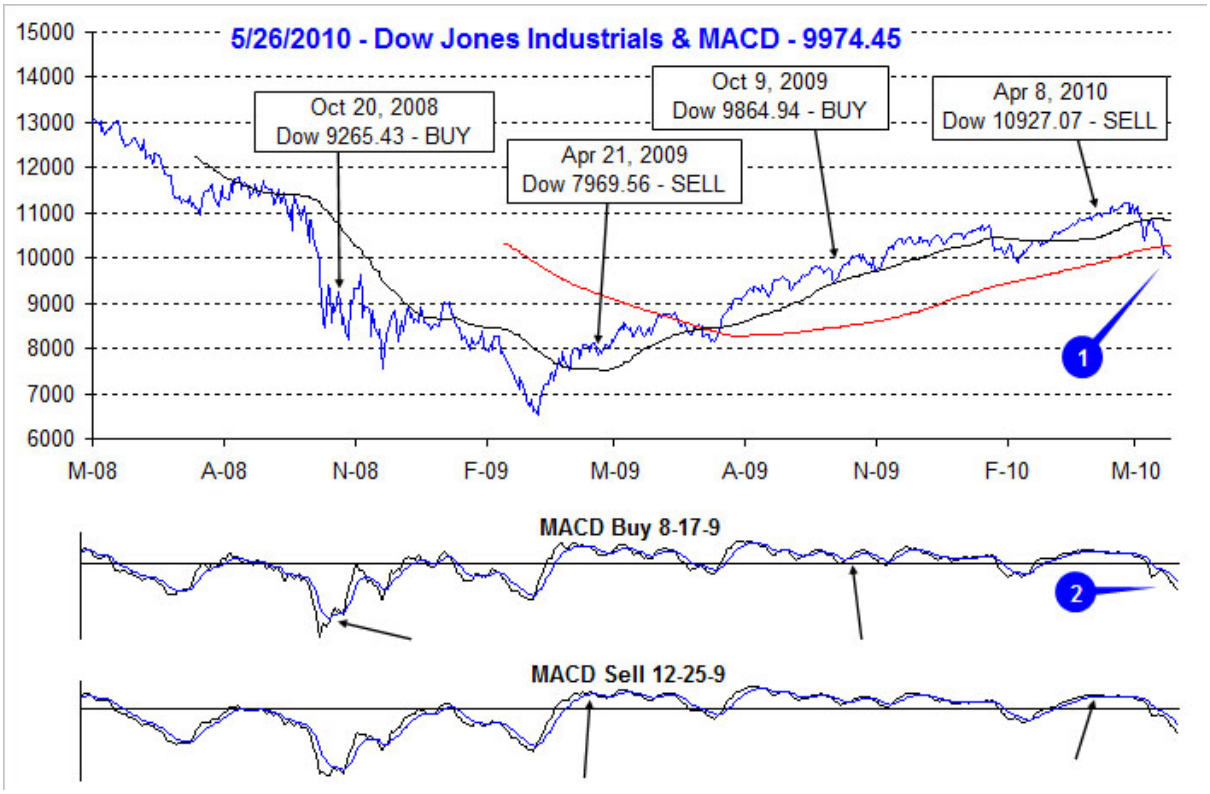
We have touted our forecast, but we do not want to be afraid to be wrong about the extent of the decline. We have been ahead the curve on calling for a correction using our historical and seasonal analysis in conjunction with technical and fundamental readings as they presented themselves. We were contrary with our top call and want to stay objective moving forward and let market internals and the pulse of the market guide us.

We have to remain open to the fact that the market is not likely to do as we expect and could just as easily be in the process of building support and rallying to new recovery highs. There is still, and will always be, strife in the world. Though heightened tensions on the Korean peninsula and elsewhere in the world, as well as political battles here in the States, concerns us, the European debt contagion is under control for the moment and there is hope for some progress on the Gulf oil spill.

Pulse of the Market

So as geopolitical crises and conflicts play out on several fronts it will be as important as ever to heed the readings from indicators and market internals. The Dow quickly blew through its 50-day moving average (black line) and 200-day MA (red line) **(1)** during the recent correction. The 200-day MA had not been pierced since last July and as we mentioned last month, this breach has ominous implications. These levels could prove formidable overheard resistance on any rally.

Buy and Sell MACD indicators are deeply negative and trending lower **(2)**, indicating momentum and the market trend still have a downward bias. Our Best Six Months Seasonal MACD Sell signal that triggered on April 8 provided us with an excellent opportunity to take some profits and take some bearish positions in the portfolio.



The streak of 10 up Mondays in a row ended abruptly on May 24 with a 1.2% Dow loss **(3)**. But even though we had three down Fridays in a row, one bastion of internal strength is that we have not had a Down Friday/Down Monday in 31 weeks since October 26. NASDAQ tech stocks have lead this whole bull market higher and the correction lower **(4)**. Tech is likely to take the lead again if this bull market is destined to resume.

Market breadth was hammered the past four weeks with the 3078 declining issues on May 7 **(5)**, nearly matching the panic selling levels of October 10, 2008 and the greatest number since then. The advance-decline line often turns up before the indices, so keep a close watch on this metric. New lows reached triple digits for the first time since the March 2009 bottom **(6)**.

Put/call in tandem with the VIX also spiked to the highest levels since the March 2009 bottom **(7)**, though well short of the extreme bear market bottom level reached in November 2008 of over 1.00. Finally, the recent flight to the safety of the Treasuries has pulled AAA bond rates down as well **(8)**. Negative readings abound, but these extremes may be signaling an end to the correction.

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
8-Jan-10	10618.19	+ 190.14	+ 11.33	+ 45.80	1144.98	2.7%	2317.17	2.1%	2488	699	858	6	0.52	0.06	5.30
15-Jan-10	10609.65	– 8.54	– 100.90	+ 115.78	1136.03	— 0.8%	2287.99	— 1.3%	1475	1696	810	3	0.56	0.05	5.24
22-Jan-10	10172.98	– 436.67	– 216.90	+ 23.88	1091.76	— 3.9%	2205.29	— 3.6%	643	2541	491	10	0.68	0.06	5.22
29-Jan-10	10067.33	– 105.65	– 53.13	+ 118.20	1073.87	— 1.6%	2147.35	— 2.6%	894	2284	188	22	0.68	0.07	5.28
5-Feb-10	10012.23	– 55.10	+ 10.05	– 103.84	1066.19	— 0.7%	2141.12	— 0.3%	1109	2061	190	35	0.69	0.10	5.29
12-Feb-10	10099.14	+ 86.91	– 45.05	+ 169.67	1075.51	0.9%	2183.53	2.0%	2238	937	129	26	0.69	0.11	5.36
19-Feb-10	10402.35	+ 303.21	+ 9.45	– 18.97	1109.17	3.1%	2243.87	2.8%	2599	587	342	7	0.64	0.10	5.44
26-Feb-10	10325.26	– 77.09	+ 4.23	+ 78.53	1104.49	— 0.4%	2238.26	— 0.3%	1664	1514	426	37	0.70	0.12	5.31
5-Mar-10	10566.20	+ 240.94	+ 122.06	– 13.68	1138.70	3.1%	2326.35	3.9%	2742	463	743	6	0.59	0.14	5.24
12-Mar-10	10624.69	+ 58.49	+ 12.85	+ 17.46	1149.99	1.0%	2367.66	1.8%	2114	1057	898	7	0.50	0.16	5.28
19-Mar-10	10741.98	+ 117.29	– 37.19	+ 43.91	1159.90	0.9%	2374.41	0.3%	1741	1428	875	16	0.54	0.16	5.21
26-Mar-10	10850.36	+ 108.38	+ 9.15	+ 45.50	1166.59	0.6%	2395.13	0.9%	1815	1380	730	23	0.55	0.14	5.30
2-Apr-10	10927.07	+ 76.71	+ 70.44	+ 46.48	1178.10	1.0%	2402.58	0.3%	2052	1139	539	20	0.51	0.16	5.36
9-Apr-10	10997.35	+ 70.28	+ 70.28	+ 8.62	1194.37	1.4%	2454.05	2.1%	2131	1044	888	13	0.48	0.17	5.38
16-Apr-10	11018.66	+ 21.31	– 125.91	+ 73.39	1192.13	— 0.2%	2481.26	1.1%	1561	1624	950	18	0.42	0.16	5.28
23-Apr-10	11204.28	+ 185.62	+ 69.99	+ 0.75	1217.28	2.1%	2530.15	2.0%	2478	713	907	30	0.51	0.16	5.25
30-Apr-10	11008.61	– 195.67	– 158.71	+ 143.22	1186.69	— 2.5%	2461.19	— 2.7%	934	2259	934	38	0.52	0.16	5.20
7-May-10	10380.43	– 628.18	– 139.89	+ 404.71	1110.88	— 6.4%	2265.64	— 7.9%	150	3078	344	6 240	0.69	0.14	5.00
14-May-10	10620.16	+ 239.73	– 162.79	3 + 5.67	1135.68	2.2%	2346.85	4 3.6%	2771	5 463	226	30	0.62	0.16	5.07
21-May-10	10193.39	– 426.77	+ 125.38	– 126.82	1087.69	— 4.2%	2229.04	— 5.0%	275	2955	86	132	7 0.81	0.17	8 4.87

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*

Disclosure Note: At press time, Hirsch held a position in GRZZX and IEF.

Selected May 2010 Articles

Baker's Dozen Stacks Up Against Comparable Metrics – Recent Record Highs Plus Steady Rising Dividend Unbeatable Combo

By Bill Staton, MBA, CFA

Morningstar recently wrote that since inception on June 18, 2001 through March 3, 2010, its Tortoise portfolio returned a positive 81.4% total return compared to positive 8.8% for the S&P 500 and positive 13.2% for the average large-cap blend mutual fund. Morningstar went on to say, "The Tortoise has outperformed 99.4% of [large-cap blend funds] since inception."

We checked The Dozen's performance during the same period of time, and it was far better. The total return was a positive 126.7%, 55.7% more total return than the Tortoise portfolio over the identical period.

As we do at the end of each quarter, we reinvest the dividends that have accrued during the previous three months to buy more shares of the stock with the smaller dollar value, in this case **CenturyLink** (CTL). With those dividends we were able to increase the number of shares owned from 72 to 82.

Baker's Dozen Brings Home Bacon

Since the last update, several companies including **3M Company** (MMM) reached 52-week price highs. But three stocks – **Enterprise Products Partners** (EPD), **McDonald's** (MCD) and **Realty Income** (O) – touched record highs. On top of that great news, there was plenty more to go around:

3M reported EPS for the first quarter of $1.40 vs. $0.81 last year. Sales grew at a double-digit rate in each of the company's six business segments. Management upped the forecast for 2010 EPS (again) to the range of $5.40-5.60 from $4.90-5.10.

CenturyLink and Qwest agreed to merge in a tax-free, stock-for-stock transaction. Both parties expect this transaction to be positive to free cash flow per share (excluding integration costs) as soon as the marriage is consummated. From the April 22 press release: "The combined company's sound capital structure and significant free cash flow generation are expected to support its ability to take advantage of opportunities that may arise, while continuing to invest in its business, reduce indebtedness and return substantial capital to shareholders."

Dover's (DOV) Q1 diluted EPS rose 97% from last year's depressed level. The company raised it earnings guidance for 2010 into the new range of $2.70-2.95 on the strength of a projected 10-13% increase in revenue for this calendar year.

Nucor Corp. (NUE), on the heels of its first-ever money-losing year, eked out a small profit of $0.10 per share vs. a loss of $0.60 a share in 2009. The steel industry has been suffering through a depression with global demand having fallen off a cliff during the past two years. As the industry recovers, Nucor should be one of the major beneficiaries because it is the most efficient steel company in the world as far as we can determine. Long-term earnings power should be within the range of $6.00-8.00 per share.
PepsiCo (PEP), the newest addition to The Baker's Dozen had a great first quarter and expects another record year for both revenue and earnings, both in the double-digit area.

Sonoco Products (SON) also raised its 2010 earnings guidance into the range of $2.15-2.25 from the previous $2.00-2.15.

United Technologies (UTX) authorized a share repurchase program for up to 60 million shares worth about $4.3 billion at the time of the announcement. The company bought in $1.1 billion of its shares in 2009 and expects purchases this year of at least $1.5 billion.

The Baker's Dozen Guided Portfolio®**

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

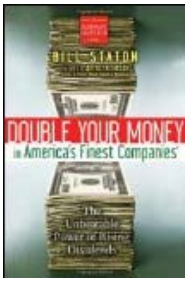
S&P 500:	*– 19.1%*	*Avg. Annual*	*– 1.9%*
DJIA:	*5.6%*	*Avg. Annual*	*0.6%*
NASDAQ:	*– 37.4%*	*Avg. Annual*	*– 3.8%*
Baker's Dozen:	***212.5%***	***Avg. Annual***	***21.5%***

Ticker	Company	5/3/2010 Price	Market Value $	Yield	Annual Dividend	% Fair Value	Shares
	S&P 500	1202.26	—	1.86 %	$22.31	90.0%	—
MMM	3M Co.	89.81	$3,323	2.27	2.04	83.0	37
CTL	CenturyLink	34.50	2,829	8.41	2.90	73.4	82
CTAS	Cintas Corp.	27.48	3,078	1.75	0.48	90.6	112
DOV	Dover Corp.	53.41	3,472	1.87	1.00	82.0	65
EPD	Enterprise Prod Ptrs	35.61	3,881	6.21	2.21	94.9	109
IBM	Intl. Business Machines	129.60	3,110	1.54	2.00	60.0	24
MCD	McDonald's Corp.	71.42	3,000	3.08	2.20	79.6	42
NUE	Nucor Corp.	45.93	3,031	3.05	1.40	44.4	66
PEP	PepsiCo	65.69	3,022	2.92	1.92	82.0	46
O	Realty Income	32.91	3,061	5.21	1.72	122.9	93
SON	Sonoco Products	33.71	3,034	3.20	1.08	86.6	90
UTX	United Technologies	76.28	3,204	2.02	1.54	82.9	42
WMT	Wal-Mart Stores	53.74	2,580	2.25	1.21	72.3	48
	Total Market Value		**$40,625**				
			Average Yield	**3.26 %**			

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

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 directory 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.



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** 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

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Correction Underway – Further Decline Expected – Take Profits and Stay Defensive

By Christopher Mistal

It has been roughly six months since the emergence of true European debt concerns. The situation has been percolating for a much longer time than this, but it has finally reached a boil. Greece is the first to spill over and now the fear that the contagion is spreading has triggered a market selloff. Today's drop was the one of the fastest intraday drops ever experienced.

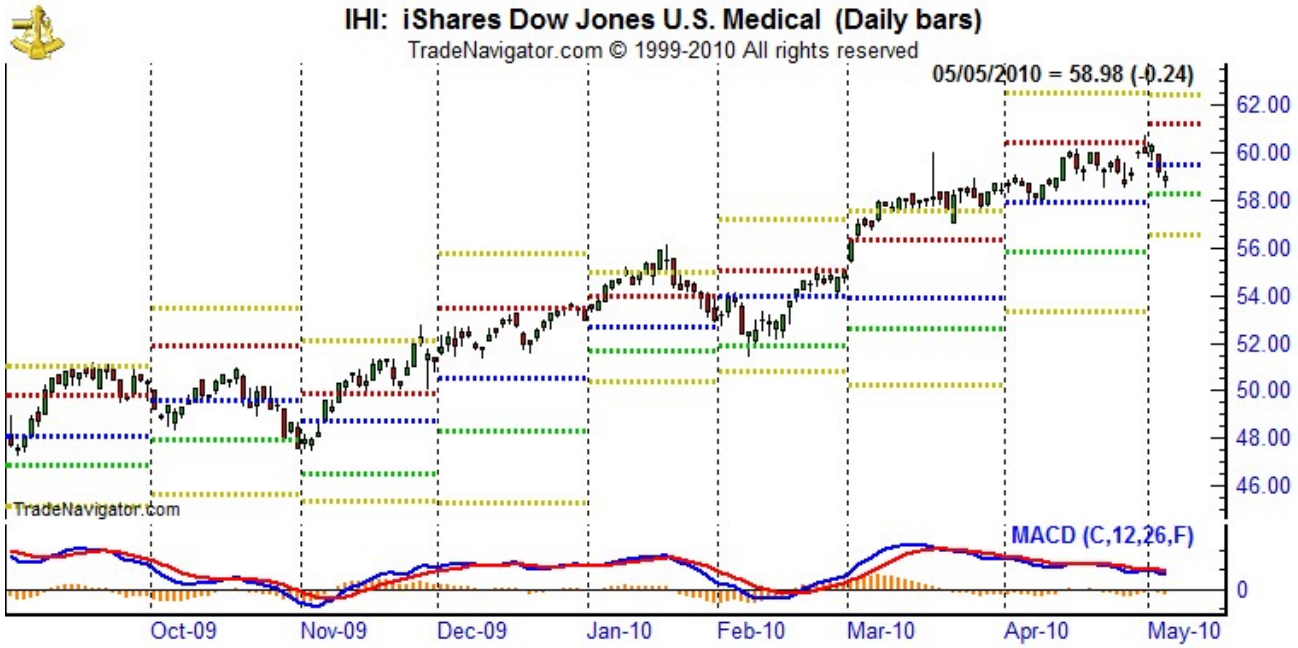
In a matter of 5 minutes the Dow fell nearly 600 points or about 6%. But back on Black Monday 1987 it fell 9% and 7% in two different half-hour periods and the Dow ended down 22.6% on that day. Had we closed at the low today it would have been the fifth worst one-day loss of all time for the Dow. There were technical glitches at the NYSE back in 1987 that exacerbated the crash, but it remains to be seen if any were at play today. The bounce back was relieving, but the major stock indices were still off over 3% across the board. We remain cautious.

Last month we exited four sectors ahead of the end of their favorable periods by selling our positions in **iShares DJ US Pharmaceutical** (IHE), **iShares DJ Transports** (IYT), **SPDR Industrial** (XLI), **SPDR Materials** (XLB). They were closed out of the portfolio on the close of April 8, coincidentally the same day that the Dow and S&P 500 Seasonal MACD Sell signal was triggered. As a result of the sell confirmation, **Diamonds** (DIA) and **S&P 500 Spyder** (SPY) were also closed out of the portfolio on that day. These six positions combined produced and average return of 15.9%.

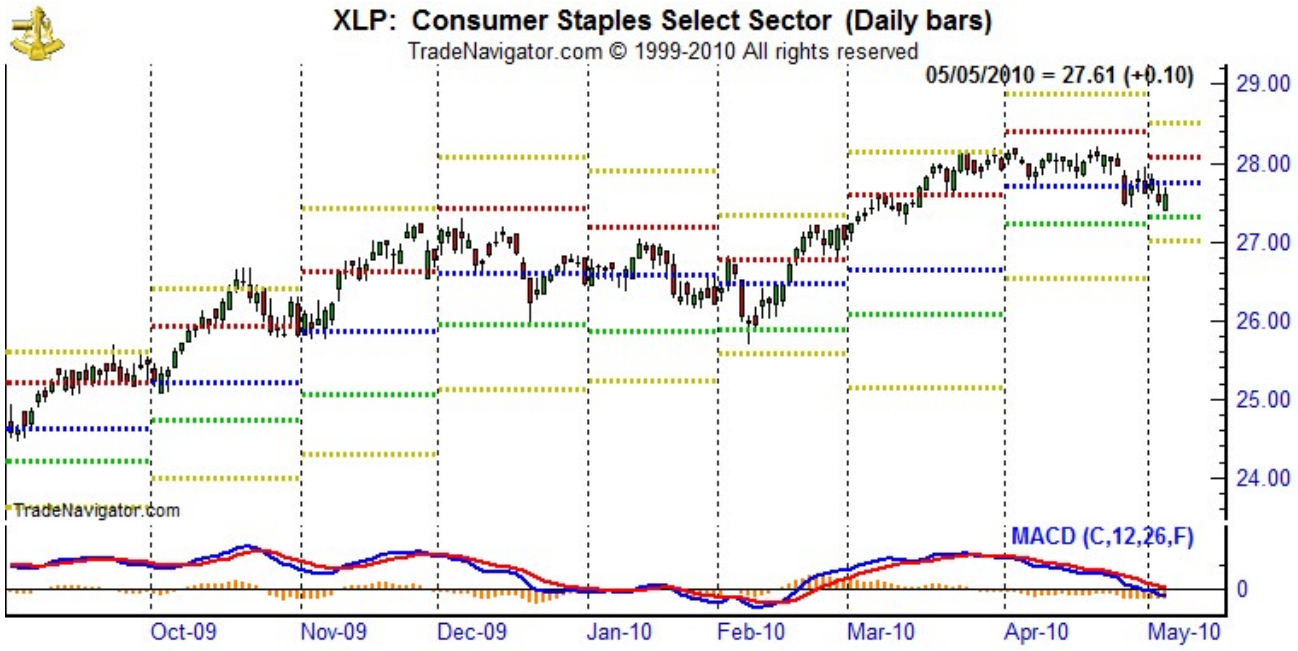
These six sales were not at the precise market top, but have proven to be quite timely as shares are currently trading well below our exit prices. In the run-up to new recovery highs **SPDR Retail** (XRT) traded above our auto-sell price and was sold on April 14 at 43.09 for a gain of 22.2%.

Also on April 8, we added four defensive positions as a hedge against a day just like today, as well as 2010 Forecast for a bear market of 20-30% in 2010. **iShares Barclays 7-10 Year Treasury** (IEF), **iShares Barclays 3-7 Year Treasury** (IEI), **Grizzly Short** (GRZZX) and **Federated Prudent Bear** (BEARX) gains today should mitigate the losses from the remaining open positions.

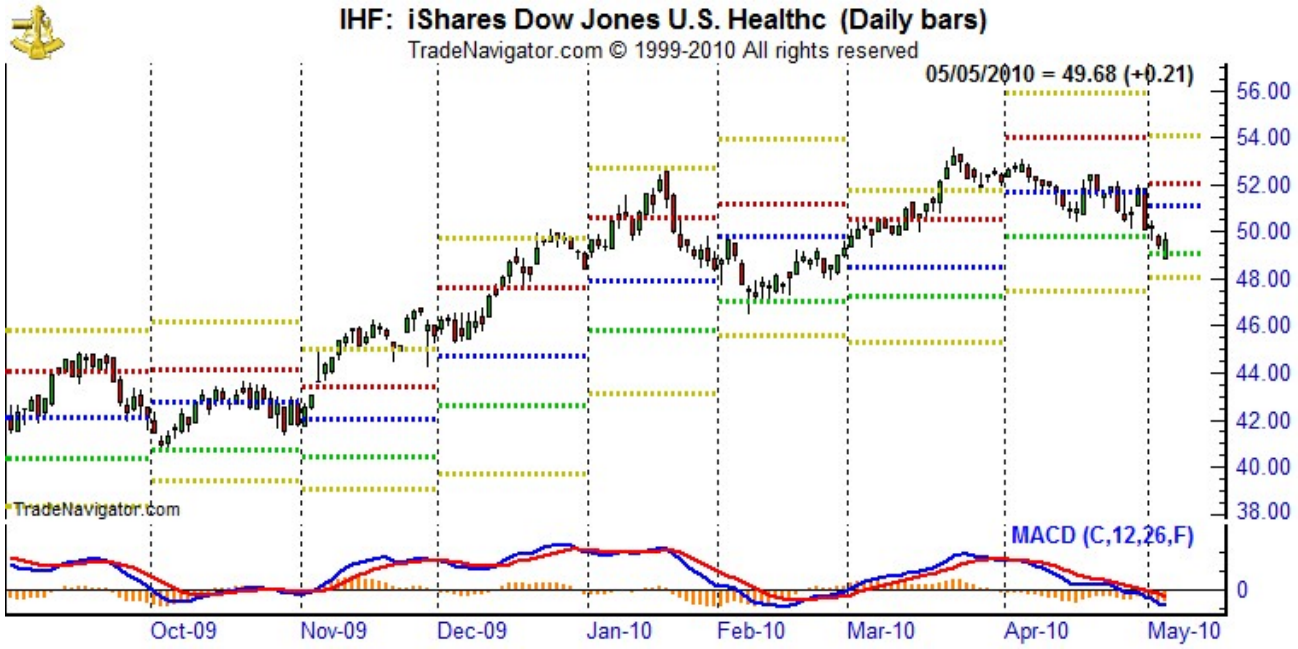
No new seasonalities begin in June, but five sector's favorable periods do end: Natural Gas, Health Care Products, Healthcare Providers, Consumer and Banking. There is currently no exposure to the banking sector in the portfolio. As of the close on May 5, the four positions in the portfolio have an average gain of 7.1%.



iShares DJ US Medical Device (IHI) is currently trading just above first support with a confirmed MACD Sell.



SPDR Consumer Staples (XLP) is nearly identical to the chart of IHI, trading at first support with a clear MACD Sell.



iShares DJ US Healthcare Providers (IHF) is also hanging onto first support levels by just a thread.

Current Advice

Gains to date from these trades are modest, the seasonalities are ending and the charts look as if tops have already been made. Sell **iShares DJ US Medical Device** (IHI), **SPDR Consumer Staples** (XLP) and **iShares DJ US Healthcare Providers** (IHF) into strength. IHI, XLP and IHF will be closed out of the portfolio on the next advancing day.

Gains on seasonal trades currently stand at 11.7%, while non-seasonal trades are off 11.2%. Today's market action will certainly further trim the gains and widen the loss once the numbers are tallied. As a reminder, all stop losses are based on closing prices only, not intraday.

Our four alternative energy positions have been especially hard hit in the last several trading days. **Claymore/MAC Global Solar** (TAN), **FirstTrust Global Wind Energy** (FAN), **PowerShares WilderHill Energy** (PBW) and **Market Vectors Nuclear Energy** (NLR) are on hold. These positions have exposure to a number of European countries and/or companies that benefited greatly from incentives in Europe as well as the booming economy of China. By now we are all familiar with the problems faced by the European Union and lesser known is the fact that China has been quietly tapping on the brakes of their giant growth engine.

These are near-term concerns that will ease eventually. It is the longer-term prospects for these positions that are interesting. Coal mine accidents, dependence of foreign energy sources and oil spills, such as the spill that is still unfolding in the Gulf of Mexico, are just a few good reasons why alternative energy deserves attention and investment. There are people that believe an off-shore wind turbine is an eyesore; I wonder what these people

would think about an oil-soaked, dead wildlife covered beach. I know which I prefer given this choice.

First Trust DJ Internet (FDN) and **SPDR Technology** (XLK) are no longer recommended. There is sufficient exposure to tech already in the portfolio.

Almanac Investor ETF Portfolio

Ticker	Exchange Traded Fund	Recommended Date	Recommended Price	5/5/2010 Price	5/5/2010 Return	Buy Limit [1]	Stop Loss [1]	Auto Sell	Current Advice [1]
TIP	iShares Barclays TIPS Bond	1/14/09	100.00	105.92	5.9%		100.50		Hold
IHI	iShares DJ US Medical Devices	7/15/09	50.10	58.98	17.7%		53.08	69.88	Sell in June
IHE	iShares DJ US Pharmaceutical	7/15/09	53.11	59.20	12.2%				Sold 4/8 @ 59.60
XLP	SPDR Consumer Staples	8/19/09	25.92	27.61	6.5%		25.06	31.68	Sell in June
XRT	SPDR Retail	8/19/09	35.26	42.50	22.2%				Sold 4/14 @ 43.09 - Auto Sell
IYT	iShares DJ Transports	9/16/09	67.23	82.36	19.6%				Sold 4/8 @ 80.38
XLI	SPDR Industrial	9/16/09	26.55	31.76	19.0%				Sold 4/8 @ 31.60
XLB	SPDR Materials	9/16/09	29.92	32.55	16.5%				Sold 4/8 @ 34.85
DIA	Diamonds	10/9/09	98.69	108.80	10.8%				Sold 4/8 @ 109.37
IWM	iShares Russell 2000	10/9/09	61.42	69.92	13.8%		62.93		Hold
QQQQ	PowerShares QQQ	10/9/09	42.48	48.18	13.4%		43.77		Hold
SPY	S&P 500 Spyder	10/9/09	107.26	116.82	10.7%				Sold 4/8 @ 118.77
DBA	PowerShares DB Agriculture	11/18/09	26.15	24.69	-5.6%				Hold
XLE	SPDR Energy	11/18/09	57.13	58.04	1.6%	57.50	53.09	72.11	Hold
TAN	Claymore/MAC Global Solar	12/16/09	10.55	7.76	-26.4%				Hold
FAN	FirstTrust Global Wind Energy	12/16/09	15.09	12.05	-20.1%				Hold
NLR	Market Vectors Nuclear Energy	12/16/09	22.50	20.97	-6.8%				Hold
PBW	PowerShares WilderHill Energy	12/16/09	11.17	9.59	-14.1%				Hold
IHF	iShares DJ US Healthcare Prov	2/3/10	47.48	49.68	4.6%	48.50	47.12	57.99	Sell in June
IYW	iShares DJ US Tech	2/3/10	52.46	58.31	11.2%	52.75	53.19	63.83	Hold
IXC	iShares S&P Global Energy	2/18/10	33.20	34.36	3.5%	33.20	32.57	41.63	Hold
FCG	First Trust ISE-Revere Natural Gas	2/18/10	17.10	17.72	3.6%	17.10	16.42	22.50	Sell in June
FDN	First Trust DJ Internet	3/3/10	25.60	26.53					Ran Away
XLK	SPDR Technology	3/3/10	22.55	22.93					Ran Away
BEARX	Federated Prudent Bear	4/8/10	5.07	5.11	0.8%	5.07	4.60		Buy Dips, Added 4/8
GRZZX	Grizzly Short	4/8/10	4.01	4.03	0.5%	4.01	3.63		Buy Dips, Added 4/8
IEI	iShares Barclays 3-7 Yr Treasury	4/8/10	110.64	112.37	1.6%	111.75	101.13		Buy Dips, Added 4/8
IEF	iShares Barclays 7-10 Yr Treasury	4/8/10	88.97	91.17	2.5%	90.25	82.05		Buy Dips, Added 4/8
				Open Position Average % Return	4.8%				
				Average Total % Return	1.1%				

[1] STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss

New ETFs

Fourteen ETFs began trading in April, inline with the quantities of the past several months of new offerings. Six of the new funds were of the leveraged variety, which is also consistent with recent trends. Both leveraged long and short ETFs have been enjoying broad market acceptance and rapid growth in the number of available issues. As traders' and investors' time horizons continue to compress, driven largely by 24/7 news flows, these types of funds will be easy to bring to market and their popularity can be expected to grow as well.

Foreign market exposure is a second theme that has been consistent each month, and this month is no exception. Eleven of this month's new listings provide at least some exposure to overseas equities, while seven are entirely foreign derived.

Javelin Exchange Traded Shares (JETS) is the recipient of this month's most interesting new ETF award. **JETS Contrarian Opportunities** (JCO) fund "*seeks to provide a cost effective and transparent vehicle for those who wish to invest in a manner consistent with a contrarian investment strategy. Contrarians tend to seek companies that appear to be temporarily out of favor and have relatively strong fundamentals.*" Would a contrarian buy a contrarian ETF?

New ETFs

Ticker	Exchange Traded Fund
UBR	ProShares Ultra MSCI Brazil
UPV	ProShares Ultra MSCI Europe
UMX	ProShares Ultra MSCI Mexico Investable
UXJ	ProShares Ultra MSCI Pacific ex-Japan
KRS	ProShares Short KBW Regional Banking
KRU	ProShares Ultra KBW Regional Banking
COPX	Global X Copper Miners
SIL	Global X Silver Miners
SKOR	IQ South Korea Small Cap
JCO	JETS Contrarian Opportunities
LATM	Market Vectors Latin America Small-Cap
GSZ	GlobalShares FTSE All Cap Asia Pacific ex Japan
GSW	GlobalShares FTSE All World
GSO	GlobalShares FTSE All-World ex US

Disclosure Note: At press time, officers of the Hirsch Organization held positions in FAN, FCG,IEF, NLR, PBW, TAN and XLE.

Long Sugar Looking Sweet–Coffee Smells Burnt–Defensive Options Trade Turns Quick Profit

By John L. Person

The first week of May will most likely go down in history as one of the best examples of "sell in May and go away." Moreover, I like to remind people; nobody said it's the first day of May. This year however, it began on May 4th, the second trading day of the new month. By the fourth trading day,

Thursday May 6th, the Dow Jones succumbed to a tsunami sized wave of program selling causing the Dow Jones Industrials to drop nearly 1,000 points on an intraday basis.

Many events led to this extraordinary event, first the horrible news that the Gulf of Mexico oil disaster was far worse than expected. Then the Euro currency was imploding and the media was televising riots in Greece that had turned deadly.

In my opinion the market meltdown was not entirely caused by a computer breakdown, but rather the possibility that a bank and/or a major hedge fund was involved with massive losses stemming from a bad position in foreign currency markets. It was a margin call liquidation that I believe was the trigger that started Thursday's decline, and then it just fed on itself.

In any event, last month I was anticipating a market correction, but not to the severity and extent as we encountered. As a quick review, one area of opportunity I focused on was in equities. In the April 22 Alert I stated:

"S&P's have a seasonal tendency to decline, as the saying goes, "sell in May and go away". As I have always reminded traders, nobody said it was on the first trading day, and despite the fact the market is due for a correction, it can come in one of two ways, straight down or sideways, such as what us technicians call a consolidation phase.

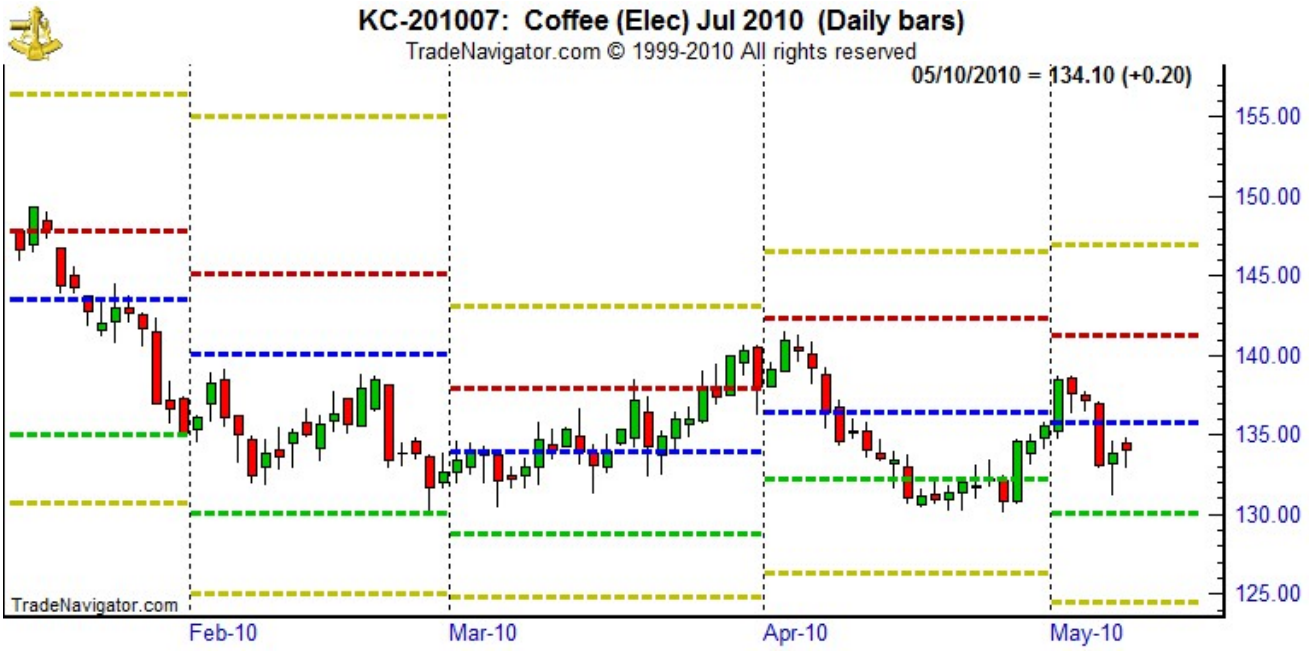
"Of the major stock indexes, based on year-to-date figures, the small-cap sector as represented by the Russell 2000, (Index symbol RUT), has had a parabolic move straight up registering a 15.72% gain as of April 21st.

"Based on the seasonal tendencies and the technical outlook in the market, aggressive option traders may want to look at one strategy such as an ***out-of-the-money credit call spread****. Specifically the* ***June 740/750*** *spread for a credit of 4.00 per strategy at this writing. The risk on this trade is 6.00 with 55 days until expiration."*

Here is a follow up, on Friday May 7th the credit call spreads had narrowed to 0.80, allowing for a quicker than expected profit. One of the most important sentences in my last report was this: "This is an excellent strategy for those looking for a correction or perhaps at the least a pause in the performance value. At the very least, this is certainly the time to get aggressive on protecting your portfolio." As of today that is a massive understatement.

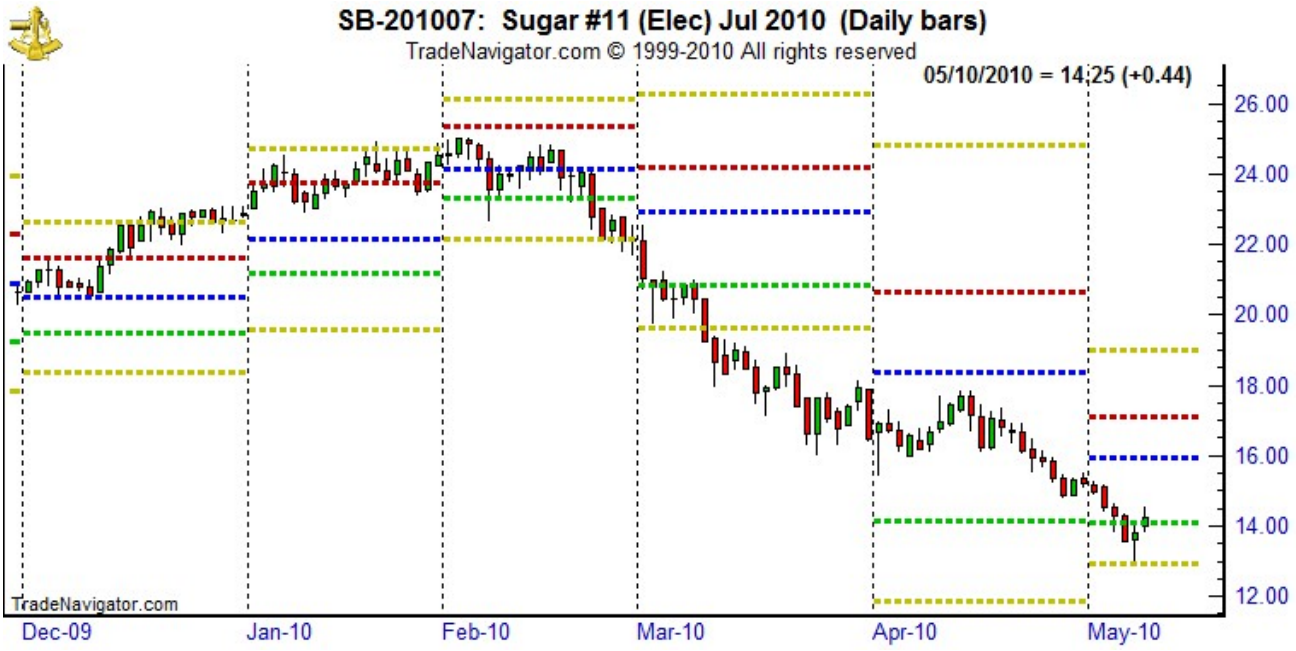
Coffee Buzz Fades in Summer

What's next? Well here is some food for thought, literally. As noted on page 52 of the *Commodity Trader's Almanac 2010*, one can look to sell short July Coffee futures on or about May 24th. If we see a rally between now and that date, especially if we trade near the monthly pivot point resistance level at 141.30, I would look for a confirming indicator such as a MACD crossover to initiate a trade. In addition, last month's high was 141.45. That would be a potential double top.



Sweet & Low

Also, I am looking for Sugar prices to bottom out, a little "sweet and low" so to speak. We tend to post a seasonal low late May/early June. This market has declined very sharply from last years highs. The longer term up-trend intersects near our monthly support level. I would look to take a long position near monthly support around 12.92 use 12.42 stop.



As for equities, I do believe we belong up on the year around somewhere between 6-8% in S&P's which translates to the 1170-1192 level, based upon the December 2009 futures closing price of 1104. Do I want to be completely out of the market now? No, but I will be very selective in which stocks I will buy and certainly I will be utilizing more option strategies such as the **Russell 2000** (RUT) vertical credit call spread I suggested last month.

Disclosure Note: Mr. Person may buy or sell securities mentioned in this article at any time. Officers of the Hirsch Organization did not hold any positions in securities mentioned.

John Person is a Professional Trader with 30 years of experience in the Futures and Options trading markets. He started on the Floor of the Chicago Mercantile Exchange back in 1979. He worked with George Lane, the innovator of Stochastics. John is the President of Nationalfutures.com, an Investment Advisory service and is a registered Commodity Trading Advisor. In 1998, he developed his own proprietary trading system and began publishing "The Bottom-Line Financial and Futures Newsletter," a weekly commodity publication. He is the author of several popular trading books all published by John Wiley and Sons. The nation's most respected business journalists call him for his market opinions. He is widely quoted by MarketWatch, Barron's, Reuters, Dow Jones, and appears regularly on CNBC.

Next Super Boom – Dow 38820 By 2025 – Stocks Catch Up With Inflation, But First Inflation Catches Up With Government Spending

By Jeffrey A. Hirsch & Christopher Mistal

The Great Recession likely ended in the third quarter of 2009. The Great Bear Market of 2007-2009, the second worst of all time, has been stampeded by the current bull. But new highs have not been achieved and the lingering global financial crisis seems to be growing new legs in the Eurozone, rattling the stock market in recent weeks and threatening to cut short the second year of this bull market.

We still expect our 2010 Annual Forecast to pan out, culminating in a more substantial pullback over the next several months, before rallying again into 2011 and 2012, potentially 50% from the 2010 low, whatever that may be. However, like in the two previous secular bears of the 1930s and 1940s and the 1970s and 1980s, we may be in for a few more years of sideways action before reaching new all-time market highs.

Money will still be able to be made, especially for savvy traders who can spot value and take profits. Though we may breach the Dow's October 2007 high of 14164 over the next few years, we suspect we won't leave it behind for good until the end of this decade. Several factors lead us to this analysis and a few major developments will need to converge for this to transpire.

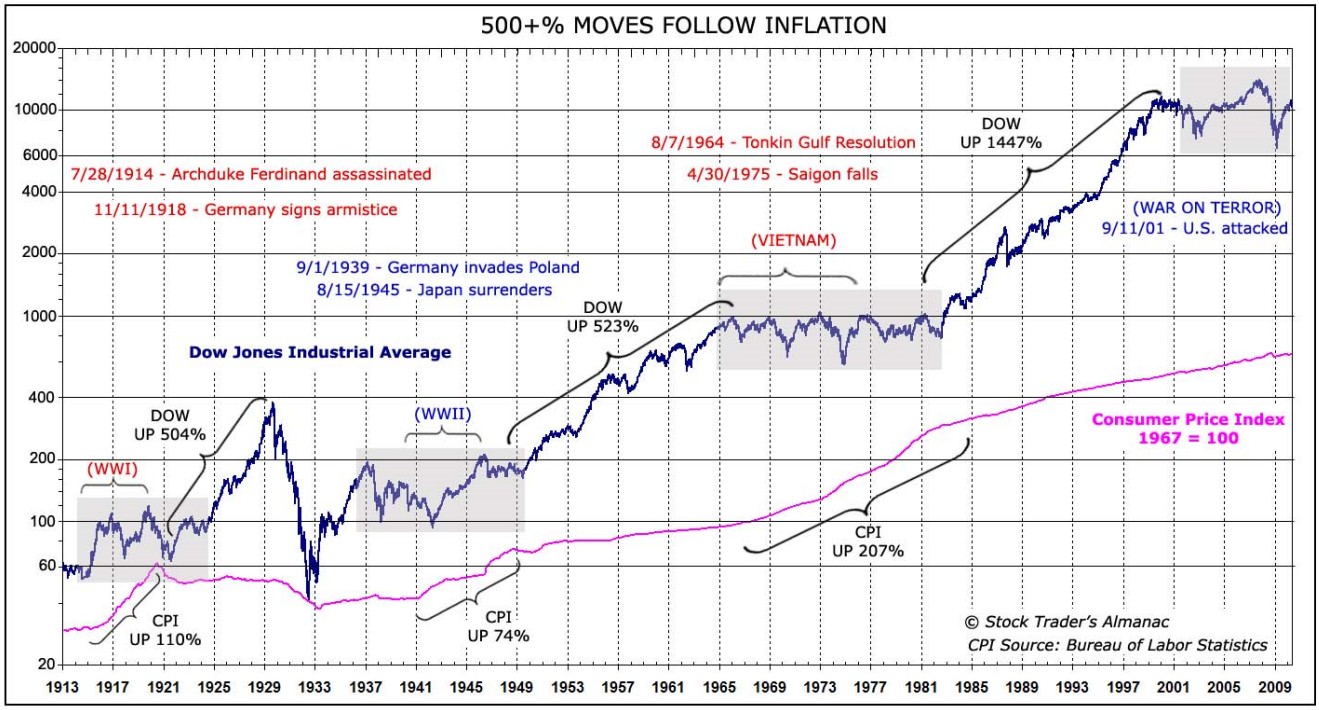
For the *2011 Stock Trader's Almanac*, which goes to press this week, we wanted to addresses this long term view and wanted to share a sneak peak with you, our loyal Almanac Investor subscribers. From this Proving Grounds we have created a brand new page based on the analysis discussed here. We will likely continue to revisit and update this study in these pages as developments warrant.

We have dedicated much space and time to this topic and last touched on the phenomenon of how war impacts the market in a blog post on our old blog Pulitzer Material Underscores War & Markets. In our 2009 Annual Forecast we summed it up.

"The single most important non-cyclical influence that has held sway over the stock market is war.… as the new administration takes power, the reality that seven years [now nine years] of foreign conflict may be drawing to an end bodes well for the markets. As the chart illustrates, the market has failed to make any significant headway so long as the country is embroiled in a significant conflagration.

"For detailed analysis refer to the December 2004–February 2005 issues of the Almanac Investor [in the archives]. While we have commented and updated numerous times since the initial publication (which was in fact a reprisal of Yale Hirsch's original work from 1976) the basic analysis still holds true. The markets have been all but stuck in a trading range since the Iraq War began on March 19, 2003. … While there have been large rallies and pullbacks, there has been no real advance made since 2000. …

"By real advance I am referring to moves that leave the previous highs behind for good – the greater than 500% moves that have historically occurred between all of the major wars the U.S. has been involved in."



In the updated chart above the long-term range-bound markets surrounding World War I, World War II and Vietnam are shaded. The long Super booms and bull markets are bracketed with the Dow's performance. The original analysis was based on the massive inflation caused by government spending related to war. Once the war ended, inflation kicked in and the stock market took off as higher prices, peace and prosperity generated long booms and secular bull markets as we detail in the March Proving Grounds: Nature of the Bull.

Booms & Busts of the 20th Century

As we have watched government spending increase dramatically over the past two years in response to the global financial crisis and The Great Recession, it became clear to us that there is more at play than just wartime inflation coming home to roost. All three previous secular bear markets associated with the three major wars of the 20th Century were also affected by financial crisis that required a great deal of non-war-related spending to stave off . The subsequent booms were driven by peace, inflation from war and crisis spending, and ubiquitous enabling technologies that created major cultural paradigm shifts and sustained prosperity.

The Rich Man's Panic 1901-1903 and the Panic of 1907 preceded World War I. Henry Ford perfected his automobile assembly line in 1913 as WWI was brewing, but cars did not really begin to replace horses until after the war as the Twenties began to roar.

World War II helped get us out of the Great Depression. But it was not until the rise of the middle class in the 1950's when our predominantly agrarian society morphed into suburban sprawl during the baby boom and everyone needed a house filled with appliances like TVs, refrigerators, washers, dryers, etc. Roads were built so folks could commute to their jobs in the big city.

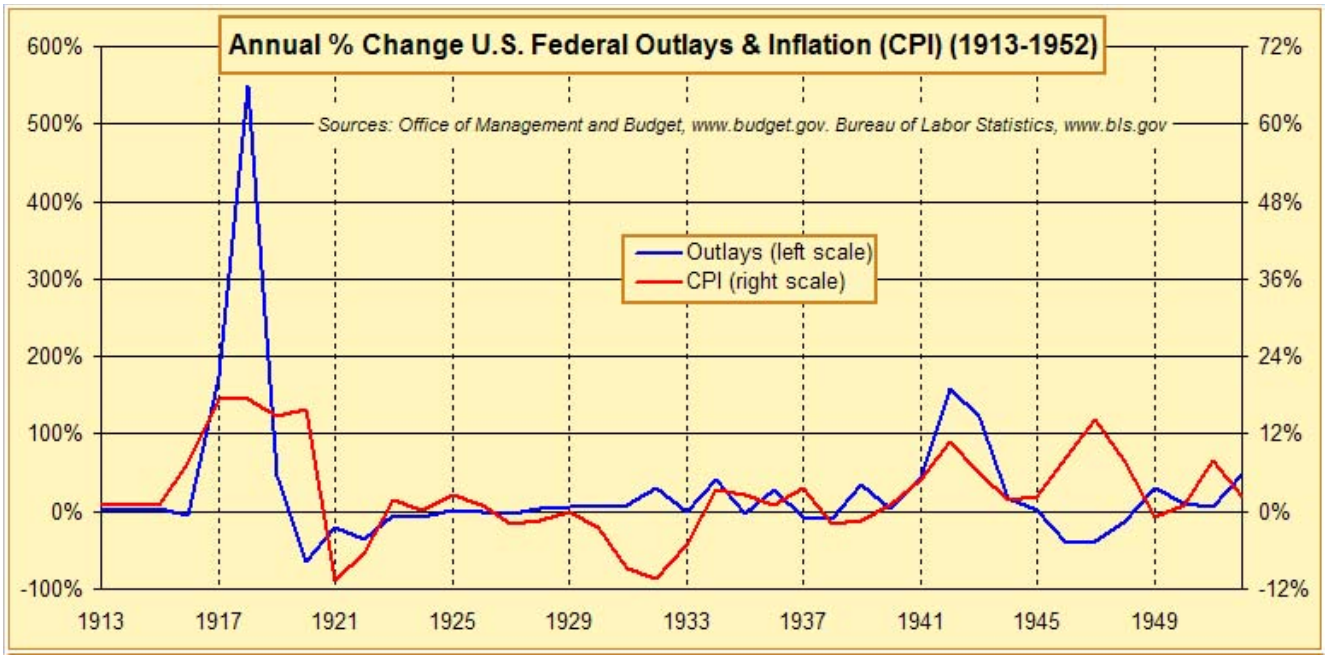
As the Vietnam War began to wind down in the mid-1970s, oil crises, Watergate and Mideast turmoil, plunged America into stagflation, that nasty combination of recession and inflation. The advent of personal computers drove the first phase of the last super boom, before the Internet and cell phone fueled the greatest boom since the Industrial Revolution.

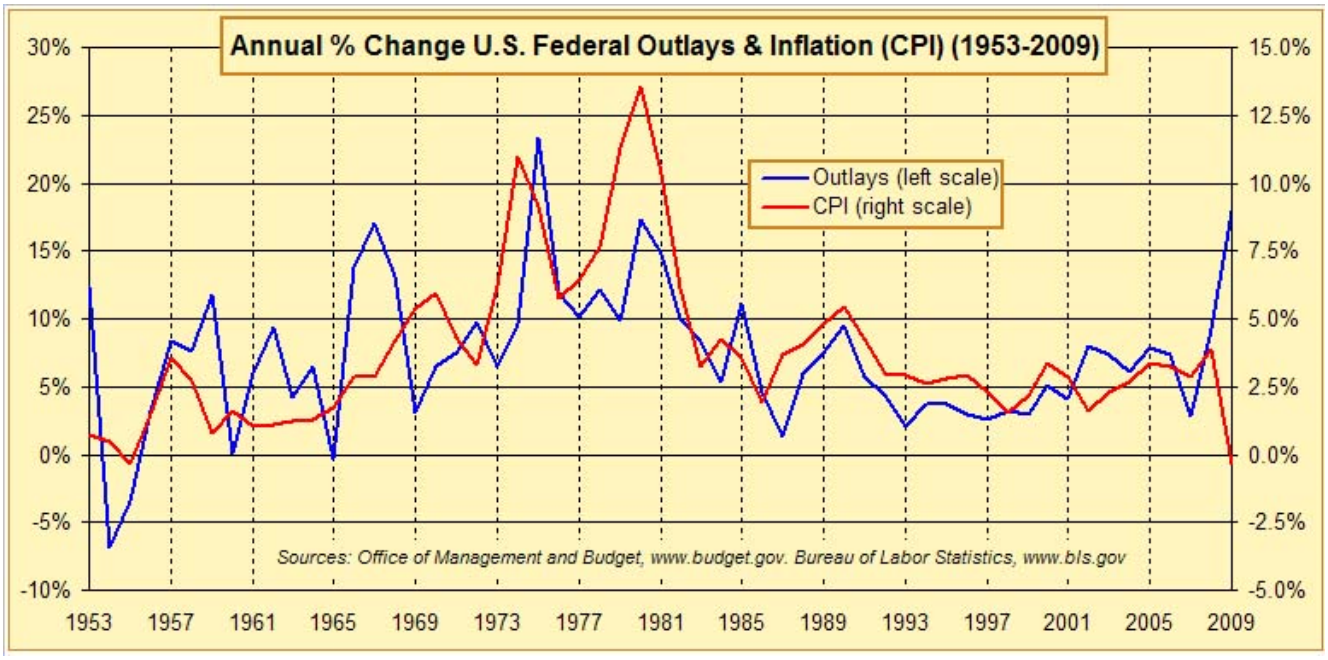
The Next Super Boom

The War on Terror may never end, but despite continuing violence in Iraq/Afghanistan, U.S. troop withdrawals remain on schedule. There may be some minor delays as the pace of the withdrawals is being adjusted in response to conditions on the ground, but most combat troops will be out of Iraq this summer and the force is expected to be down to 50,000. Resolution on the formation of a new Iraqi government is necessary before we can be convinced that the U.S. will be able to stick to the plan of having all combat troops out of Iraq by the end of 2011.

Afghan president, Hamid Karzai and President Obama seemed to be more on the same page yesterday as some military and political progress is currently being made in Afghanistan. U.S. troop reductions in Afghanistan remain on schedule to begin in July 2011. Delays will likely alter the actual dates, but the trend and plan remain clear. We are working towards disengaging on those fronts. And this is a crucial component of the Next Super Boom.

Inflation has not yet materialized and we are still "at war" with government spending on the rise. This has always led to massive jumps in inflation eventually. We expect that it will happen again over the next several years. In the charts below we compare the annual percent changes in U.S. Government spending (outlays) to inflation (CPI). In the 1953-2009 chart you can see the recent pop in spending. We contend that inflation will be right behind it over the next few years.





The final piece in order for the next super boom to come together is enabling technology. We won't try to claim that we can foresee the future and know for certain what the next enabling technology will be, but we have a couple of ideas. We suspect that the next cultural paradigm shifting technologies will come from Energy Technology and/or Biotechnology.

Oil spills, climate change and high prices are making it more apparent that we need better ways to feed our power-hungry gadgets, homes, vehicles and society. As government initiatives make investment in alternative energy and off-the grid solutions cost-effective, innovation is bound to materialize. Outfitting the planet could generate a boom. Biotech is promising because of all the health issues that exist and the potential it has to impact everyone. Actual cures for diseases opposed to merely treating them would certainly touch every consumer (probably globally). Cancer, heart disease, diabetes—just think of all the money that could be made and all the lives that could be touched.

As markets and economies struggle over the next several years, remember to keep your eye on the future and get ready for the Next Super Boom and the next 500% move in the market. From the last bottom in 1974 it took eight years before the market really took off in 1982 and then another eight to move up the rest of the 500%, in line with Yale Hirsch's prediction in 1976 for a 500% market move by 1990. A 500% rise in the Dow over 16 years from the intraday low of 6470 on March 6, 2009 would put the Dow at 38,820 in 2025.

Buying Gold Producers At A Discount

By Jeffrey A. Hirsch

Even as we made our bullish forecast for the beginning of 2010 in on December 16, 2009 in the 2010 Annual Forecast, we were emphatic about our concerns for a stock market decline later in 2010. Since the end of March we have been pounding the table even louder. The sovereign debt calamity in

Europe continues to unravel. The bear market in China has gone relatively unnoticed. The economic recovery seems to be decelerating. Midterm election mudslinging has commenced. And Mother Nature is still on the offensive with the Gulf of Mexico oil spill and Icelandic volcanic ash clouds.

No wonder gold logged new all-time highs last week. We already have two gold concerns in the portfolio, **Etruscan Resources** (EET.T) and **African Aura Mining** (AUR.V), but want to increase our exposure with this undervalued gold-producing/investment-banking hybrid. It is precisely this fusion that has created the value. **Endeavour Financial** (EDV.T) is the largest shareholder of Etruscan, holding a 55% stake. Endeavour also has a 43% stake in the considerable junior producer Crew Gold (CRU.T).

Endeavour has changed dramatically over the past year, morphing from a merchant bank for mining and resource producing concerns, collecting fees; to a major investor and stakeholder of junior gold producing companies. It has become, or is becoming, a hedge fund or closed-end fund of sorts that invests in junior gold producers and other natural resources concerns. But primarily this company is a gold fund for gold investors, run by an experienced, talented, well-connected management team.

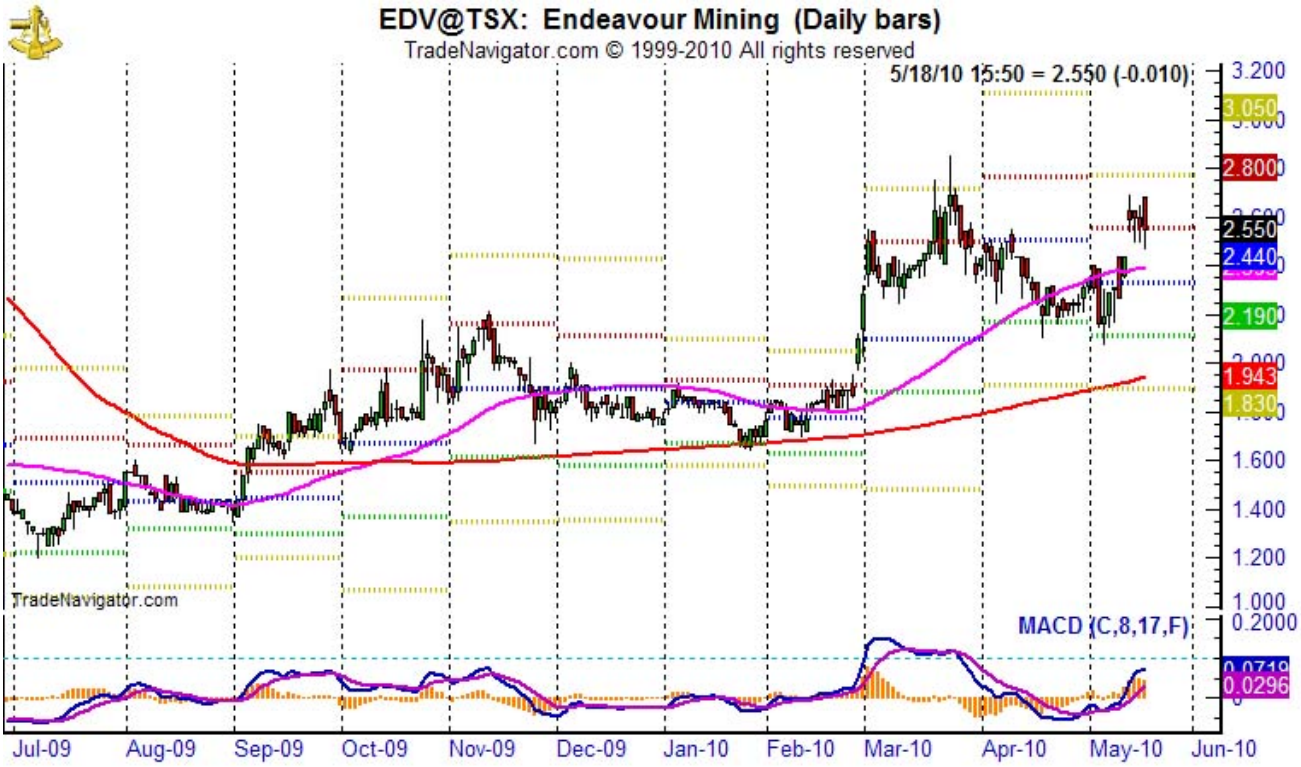
As Chief Executive Officer Neil Woodyer puts it, "Our gold strategy has had a successful start and its success has transformed our company. Over the last 12 months, our net tangible assets have grown from US$165 million to US$479 million and 88% of our capital is now strategically invested in gold producing companies. Endeavour's Advisory team remains active and has generated US$11.2 million of fee revenue so far this fiscal year. This team provides the manpower, skills and market & industry intelligence to drive the primary gold investment business. We will continue to focus on implementing the gold investment strategy to build shareholder value."

While Mr. Woodyer is a seasoned, heavy-hitter with over thirty years in the mining, financing and trading arenas, the company's advisor, Frank Giustra is quite an asset. After a stellar career in the 1980s and 1990s financing resource companies, he founded the successful filmmaking company, Lions Gate Entertainment. Mr. Giustra is also buddies with former President Bill Clinton and involved in the Clinton Foundation and the Clinton Global Initiative. So not only is Endeavour well run, it is well connected.

Here's a few relatively conservative numbers, at least for junior gold producers. With approximately 140 million shares outstanding fully diluted at C$2.20 EDV's market cap is about $300 million. EDV's stake in Crew and Etruscan is worth about $340 million and EDV has only begun their new gold investment strategy. EDV's goal is to be a 1 million ounce producer. They are well on the way with the over 150,000 combined ounces they own via Crew and Etruscan.

Buying a share of Endeavor is akin to buying Etruscan and Crew at a discount with a kicker of the next potential blockbuster strategic investment. The prospects for gold and resources continue to be bullish and the sagacious Endeavour team is unsurpassed. EDV is currently trading at about C$2.55. We like it on a dip to support. **Buy Limit: C$2.18.**

Disclosure Note: At press time, officers of the Hirsch Organization did not hold a position in any of the stocks mentioned in this article.



A Bear in Correction's Clothing

By Christopher Mistal

We remain very cautious as it now appears like the garden variety bear market (20-30% decline from 2010 highs), that we were calling for in our 2010 Annual Forecast, is materializing. Traders, investors and even casual market observers appear to be taking a sell first, ask questions later approach to recent economic and political developments.

There is a mountain of concerns that seems to be increasing in size on a daily basis. There is a debt crisis in Europe, a bear market in China,

foreclosures are on the rise in the U.S., financial reform is coming, a major oil spill is in progress in the Gulf of Mexico, an erupting volcano in Iceland continues to disrupt air travel intermittently, escalating tensions between North and South Korea and the reemergence of Dubai debt concerns to name just a few recent developments. A worse than expected initial jobless claims report and negative leading indicators report were added to the mountain just this morning.

Individually each problem could probably be handled by the market and the global economy, as many economists have suggested, with little impact. But this is also what many economists said in 2006 and 2007 as the subprime crisis slowly morphed into a full blown financial crisis. With the 2008-09 crisis and the response still fresh in the minds of policy makers, central banks and governments; they should be better positioned to deal with current concerns and bring a swift end to any bear in 2010.

Since the April 8 MACD Seasonal Sell signal for the Dow and S&P 500 was issued we have closed out 10 ETF positions and added two bear funds and two bond ETFs to the ETF Portfolio. We locked in solid gains on the closed positions and the defensive positions are effectively protecting the remaining open positions. Merger/buyout mania and solid earnings from many of the companies in the stock portfolio have provided shelter for the small-cap stocks that we hold.

Some stop losses have been raised, while other stocks have no stop loss. This is not an oversight. Gains should be protected while the higher volatility of the gold and resource stocks could result in a whipsaw if a stop loss was implemented. As a reminder, all stop losses take effect only if a stock *closes below* its stop price.

EF Johnson (EFJI – Mar 2009) **Hold**

On May 17 it was announced that EFJI had entered into an agreement to be acquired by an affiliate of Francisco Partners, a private equity fund, for $1.05 per share in cash. The recession and generally tight credit standards have been particularly difficult for EFJI. Given that our entry price is $1.19, this is not an attractive offer. In light of improved quarterly results and a return to profit, a better price is needed. Continue to hold shares while investigations proceed and a sweetened offer could materialize.

Hypercom (HYC – Mar 2009) **Hold**

HYC has been soaring, even as the market has been sinking, hitting new 52 week highs in three of the last five trading sessions before today. Much of the advance was the result of a solid first quarter. Revenues were up nearly 20%, margins improved and costs declined. All positive signs that we expect will only further improve.

Par Pharmaceutical (PRX – Mar 2009) **Hold**

This headline says it all: "Par 1Q profit jumps 64 percent on Toprol XL sales". Perhaps a double-edged sword analogy best explains why shares failed to respond positively to the announcement. The primary concern is that although PRX is enjoying robust growth currently, that it is not sustainable because the bulk of their success is due to a single drug. PRX has other products and a proprietary drug division (Strativa), but the next potential big success remains unknown.

Sauer-Danfoss (SHS – Mar 2009) **Hold**

Danfoss A/S had repeatedly raised its tender offer, but in the end the final offer expired and an insufficient number of shares was tendered at the final $14.00 offer. However, the tender offers and a substantial improvement in the company's outlook were successful in lifting shares to a new 52-week high. On the way to that new high, half of the original position was sold on April 23 at $16.00.

NGAS Resources (NGAS – 1/13/10) **Hold**

On May 12, 3.96 million units, consisting of one common share and a warrant to buy 0.4 common shares, were priced at $1.31 per unit. Shares had been soft before the announcement and cratered after. The selloff may be over done, but further evidence is required before adding to or establishing a new position can be recommended. Proceeds from the offering are aimed at reducing debt and providing general working capital.

Natcore Technology (NXT.V – 4/13/10) **Buy Dips**

Since recommendation on April 13, shares of NXT have gone only up, at least until May 4 when they topped at 1.51 intraday. Shares have been steadily declining since then, but our buy limit has not yet been reached. Daily trading volume continues to soften indicating that the momentum traders are likely exiting their positions. NXT's solar technology is attractive and we like it at the existing buy limit or better.

Endeavour Financial (EDV.T – 5/18/10) **Buy Dips**

Recommended just two days ago in the May 18 Almanac Investor Alert, EDV has not yet traded below the buy limit. Remain patient as shares are likely to decline as the value of its gold strategy portfolio slips with the market.

Almanac Investor Stock Portfolio									
Ticker	Company	Recommended Date	Recommended Price	5/19/2010 Price	5/19/2010 Value ***	Net % Return ***	Buy Limit [1]	Stop Loss [1]	Current Advice [1]
EFJI	EF Johnson	2/11/09	1.19	1.03	$865.55	-13.4%			Hold - Offer @ 1.05
HYC	Hypercom [2]	2/11/09	1.20	4.78	$1,991.67	199.2%		3.00	Hold
PRX	Par Pharmaceutical [2]	2/11/09	12.56	27.21	$1,083.20	108.3%		23.35	Hold
SHS	Sauer-Danfoss [2]	2/11/09	8.00	15.18	$948.75	94.9%		14.00	Hold, Sold Half 4/23 @ 16.00
FCEL	FuelCell Energy [2]	3/18/09	2.50	2.33	$466.00	46.6%		2.00	Hold
ACCL	Accelrys	5/13/09	4.50	7.26	$1,613.33	61.3%		6.00	Hold
CALP	Caliper Life Sciences [2]	5/13/09	1.28	4.38	$1,710.94	171.1%		3.00	Hold
EQN.T	Equinox Minerals **	8/19/09	3.74	3.33	$890.37	-11.0%			Hold
EET.T	Etruscan Resources **	8/19/09	0.48	0.37	$770.83	-22.9%			Hold
GMC.T	Geovic Mining **	8/19/09	0.61	0.63	$1,032.79	3.3%			Hold
AUR.V	African Aura Mining	10/22/09	1.05	1.18	$1,123.81	12.4%			Hold
ANLY	Analysts International *	12/16/09	3.40	2.32	$682.35	-31.8%			Hold
SCKT	Socket Mobile	12/16/09	2.81	2.87	$1,021.35	2.1%			Hold
SYPR	Sypris Solutions	12/16/09	2.55	4.13	$1,619.61	62.0%		3.25	Hold
NGAS	NGAS Resources	1/13/10	1.85	1.15	$621.62	-37.8%			Hold
TBIO	Transgenomics	3/2/10	0.75	0.58	$1,546.67	-22.7%			Hold
NXT.V	Natcore Technology	4/13/10	0.52	0.95	Not Yet		0.52		Buy Dips
EDV.T	Endeavour Financial	5/18/10	2.18	2.51	Not Yet		2.18		Buy Dips
	Cash From Half & Closed Positions				$54,028.61				
	Total Portfolio Value				$72,017.45				
				Open Position Average % Return		38.8%			
				% Change from 4/19/10		-0.9%			
				% Change 1-Year		11.7%			
				Portfolio % Gain Since Inception - July 2001		227.4%			

[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, Value is open position value*

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

June Almanac: June Worst Dow and S&P Month Midterm Years Since 1950

By Jeffrey A. Hirsch

I know the headline above provides little solace as the bull market has deteriorated dramatically in May, but since 1950 June has been the worst performing month in midterm years for both the Dow Jones Industrials and the S&P 500. In the June Vital Statistics table below June has performed slightly better since 1971, yet still negative across the board.

With May currently on pace to log one of the worst Mays since World War II and the worst monthly performance since the March 2009 bottom, we maybe on the verge of a return to the old "May/June disaster area" we mentioned last month. June is still the last month of NASDAQ's and the Russell 2000's best consecutive eight months, but with technical, fundamental and geopolitical breakdowns abounding, we'll be looking to exit any remaining seasonal trades on early June strength.

Market weakness deep into June could provide the launching pad for a stronger than usual "summer rally (*Stock Trader's Almanac 2010*, page 70)" or a decent pop from the last few days of June into mid-July. However, as we have been pointing out over the last month and detailed in our 2010 Annual Forecast, the prospects for a further decline continue to mount and we expect further declines before the market is able to reach new recovery highs.

June's first trading has been strong with the Dow up 10 of the last 12 years, but the week after Memorial Day has been mediocre with the Down 7 of the last 14 years. Monday before Triple Witching has been bearish lately, with the Dow down 8 of the last 13, Triple-Witching day also has not been strong. Triple-Witching week can be a reliable indicator of overall market health. It is often up in bull markets and down in bears. The week after has been atrocious, with the Dow down 11 in a row and 18 of the last 20. Finally, the last day of the second quarter is rather bearish: down 14 of the last 19 on the Dow and five straight on NASDAQ.

June										
	DJI		SP500		NASDAQ		Russell 1K		Russell 2K	
Rank	11		8		6		10		9	
# Up	20		23		23		19		20	
# Down	19		16		16		12		11	
Average %	-0.02		0.5		1.0		0.4		0.7	
4-Year Presidential Election Cycle Performance by %										
Post-Election	-0.2		0.6		0.5		0.3		1.1	
Mid-Term	-1.4		-1.2		-1.6		-1.2		-1.7	
Pre-Election	1.5		1.9		2.7		1.8		1.9	
Election	-0.1		0.5		1.7		0.5		1.2	
Best & Worst June by %										
Best	1975	5.6	1999	5.4	2000	16.6	1999	5.1	2000	8.6
Worst	2008	-10.2	2008	-8.6	2002	-9.4	2008	-8.5	2008	-7.8
June Weeks by %										
Best	6/7/74	6.4	6/2/00	7.2	6/2/00	19.0	6/2/00	8.0	6/2/00	12.2
Worst	6/27/08	-4.2	6/21/74	-4.2	6/15/01	-8.4	6/15/01	-4.2	6/9/06	-4.9
June Days by %										
Best	6/1/09	2.6	6/17/02	2.9	6/2/00	6.4	6/17/02	2.8	6/2/00	4.2
Worst	6/6/08	-3.1	6/6/08	-3.1	6/14/01	-3.7	6/22/09	-3.1	6/22/09	-3.9

First Trading Day of Expiration Week: 1990-2009					
#Up-#Down	11-9	12-8	8-12	11-9	8-12
Streak	D2	D1	D1	D1	D1
Avg %	-0.02	-0.1	-0.3	-0.1	-0.5
Options Expiration Day: 1990-2009					
#Up-#Down	11-9	12-8	11-9	11-9	11-9
Streak	D2	U1	U1	U1	U1
Avg %	-0.3	-0.2	-0.1	-0.2	-0.1
Options Expiration Week: 1990-2009					
#Up-#Down	11-9	10-10	8-12	9-11	8-12
Streak	D2	D2	D2	D2	D2
Avg %	-0.2	-0.1	-0.5	-0.2	-0.4
Week After Options Expiration: 1990-2009					
#Up-#Down	2-18	6-14	8-12	7-13	7-13
Streak	D11	D7	U1	D5	U1
Avg %	-1.2	-0.7	-0.3	-0.7	-0.7
June 2010 Bullish Days: Data 1989-2009					
	1, 14	1, 2, 14, 15 22, 29	1, 2, 15, 28 29, 30	1, 2, 14, 29	1, 2, 14, 15 28, 29, 30
June 2010 Bearish Days: Data 1989-2009					
	18, 23, 25, 30	3, 8, 10, 18 23, 25, 30	7, 8, 10, 16, 18 23, 25	3, 7, 8, 10 18, 23, 25	8, 17, 18, 23 24, 25

June 2010 Strategy Calendar

By Jeffrey A. Hirsch

June 2010 Strategy Calendar

JUNE 2010

Bullish Sector Seasonalities:

Start: None

In Play: Real Estate, Oil, High-Tech, Computer Tech, Internet

Finish: Natural Gas, Healthcare Products, Healthcare Providers, Consumer, Banking

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT	SUN
	1 First Trading Day Dow Up 10 of Last 12, 2002 –2.2%, 2008 –1.1% Construction Spending ISM Index Semiconductor Billings	2 Start Looking for NASDAQ MACD Sell Signal Vehicle Sales	3 Chain Store Sales Factory Orders ISM Non-Mfg. Index Productivity and Costs	4 Memorial Day Week Dow Down 7 of Last 14 Up 12 Straight 84-95 ECRI Future Inflation Index Employment Rate	5	6
7 Consumer Debt	8 Average May Gains Last 21 Years: Dow: -1.1% Up 8 Down 13 Rank #11	9 S&P: -0.5% Up 11 Down 10 Rank #9 Beige Book Wholesale Trade	10 NAS: 0.7% Up 11 Down 10 Rank #7 Int'l Trade Deficit Treasury Budget	11 Business Inventories U Mich Consumer Sentiment Retail Sales	12	13
14 Monday of Triple Witching Week Dow Down 8 of Last 13	15 June Ends NASDAQ's "Best Eight Months" Triple Witching Week Often Up in Bull Markets and Down in Bears Import/Export Prices NAHB Housing Mrkt Index	16 Housing Starts Industrial Production PPI	17 CPI Leading Indicators Philadelphia Fed Survey SEMI Book to Bill Ratio	18 Triple Witching Day Dow Down 7 of Last 12 Average Loss 0.5%	19	20 Father's Day
21	22 Week After Triple Witching, Dow Down 11 in a Row and 18 of Last 20 Average Loss Since 1990, 1.2% Existing Home Sales	23 FOMC Meeting New Home Sales	24 Durable Goods	25 GDP - Q1 Final U Mich Consumer Sentiment	26	27
28 2008 Second Worst June Ever, Dow -10.2%, S&P -8.6%, 1930 Worse, NASDAQ -9.1% 2002 -9.4% Personal Income/Spending	29 Agricultural Prices Consumer Confidence	30 Last Day of Q2 Bearish for Dow, Down 14 of Last 19 ISM-Chicago	***Tuesdays:** Weekly Chain Store Sales & Avg Hourly Earnings ***Wednesdays:** Oil & Gas Inventories ***Thursdays:** Weekly Jobless Claims, Weekly Mutual Fund Flows & Weekly Natural Gas Storage Report ***Fridays:** Weekly Leading Economic Index **Except holidays*			

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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