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To: Bob Kargenian
Subject: TABR Monthly Update

TO: All clients and interested parties
FROM: Bob Kargenian

During February, stocks continued the advance which began in September 2010, as all major indexes gained at least 3% for the month. Small and mid-cap stocks, which have been relative strength leaders since the 2009 bottom, led the way, with the Russell 2000 Index (small stocks) gaining 5.5% and the S&P Midcap 400 up 4.7%. The broad market, represented by the Russell 3000 gained 3.6% while the S&P 500 (large stocks) gained 3.4%, and foreign stocks lagged, with the EAFE up 3.1%

Yields were relatively tame for the month, as the 10-year Treasury Note rose from 3.38% to 3.41%, but the 30-year Treasury Bond fell from 4.57% to 4.49%. The Lipper Intermediate Government Bond Index gained 0.6%, while the Lipper High Yield Fund Index topped all bond categories with a 1.3% monthly gain. Precious metals shares rebounded sharply from a dismal January, as the Lipper Gold Fund Index surged 10%.

The Evidence

There's just not much new to add to our commentary of the last couple of months. So, hopefully, the following will be brief, but informative. The stock market remains in a bullish, but mature mode, where risk appears to be elevated. The table below is courtesy of the research we receive from **Dorsey Wright**, a technical research firm with an emphasis on using point and figure and relative strength analysis. This table illustrates all of the prior cases since 1958 when the NY Bullish Percent rose above the 70% level.

NYSE Bullish Percent: Time Above 70%, In X's		
BPNYSE Hits 70%	Reversal to O's	Time Above 70%
June 1958	November 1958	183 days
February 1961	April 1961	90 days
February 1962	March 1963	60 days
March 1965	June 1965	122 days
December 1966	February 1966	90 days
February 1967	June 1967	150 days
June 1968	July 1968	61 days
November 1968	January 1969	91 days
October 1970	November 1970	61 days
January 1971	May 1971	151 days
March 1972	April 1972	61 days
March 1975	July 1975	153 days
February 1976	April 1976	90 days
June 1978	July 1978	60 days
September 1979	October 1978	61 days
September 1980	October 1980	61 days
November 1982	December 1980	61 days
February 1985	April 1985	90 days
January 1986	May 1986	150 days
February 1987	April 1987	89 days
March 9, 1988	May 18, 1988	70 days
July 31, 1989	October 18, 1989	79 days
March 6, 1991	May 22, 1991	77 days
June 13, 1997	October 28, 1997	137 days
March 4, 1998	May 7, 1998	64 days
June 4, 2003	March 16, 2004	286 days
November 10, 2004	March 23, 2005	133 days
July 22, 2005	September 22, 2005	62 days
November 16, 2006	March 1, 2007	105 days
April 16, 2007	June 27, 2007	72 days
May 6, 2009	June 17, 2009	42 days
July 30, 2009	October 28, 2009	90 days
January 5, 2010	January 28, 2010	23 days
March 10, 2010	May 6, 2010	57 days
October 18, 2010	Not Yet, Still in X's	140 days
	Average:	95 days
	Median:	84 days

Average & Median Days do not include current period yet completed

The NY Bullish Percent is a measure of all the stocks on the NYSE which are on a point and figure BUY signal, expressed in a percentage. When the column is in X's and rising, it is normally considered bullish, and when it is in O's and falling, bearish, though context is important. Being above the 70% level is normally considered overbought, but bullish. Markets can remain overbought (or oversold) for many weeks or months. Eventually, markets reverse and go in the opposite direction. There have been 34 prior cases since 1958 when the NYSE Bullish Percent reached at least the 70% level. On average, the number of days that the market remained in X's has been 95. Importantly, there have been only 6 prior cases which have lasted longer than the present one of 140 days.

Simply put, conditions are still bullish, but are overdue from a time standpoint to reverse trend. As we approach the end of April and the end of the normally positive six-month seasonal period from Nov. 1 to April 30, the probabilities will increase significantly for a more serious intermediate correction.

Where We Stand

Again, not much change here. Five of our seven stock market risk models remain bullish, so tactical equity exposure remains at 70%. We had a one-week period ending this past Monday where exposure had been increased to 85%, but alas, it did not last long. There is no change in our high yield bond model, real estate model or precious metals models, all of which remain in bullish mode.

As we approach the official beginning of Spring, baseball is in full gear (at least at the college level --- see my # 7 ranked Fullerton Titans), and we all celebrate St. Patrick's Day next Thursday, March 17. Remember to wear green. I suspect all of you would like us to "provide" more green in 2011. That, of course, is a worthwhile objective, in the context of proper risk. Which got me to thinking about the "Going Green" environmental movement, which might be the costliest endeavor ever created by mankind. But, I digress. That area is not my expertise, and we'll stay out of it! I just got on this Green thing---of course, Green rhymes with Sheen, and of course, you all know what happened to him. In any case, have a terrific March.

Best regards,

Bob



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