

# Strategic Investing

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### Market Musings

#### 2/18/2011 After the Close

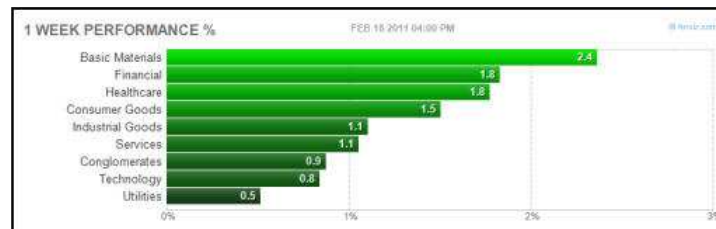


**Bulls won the week!**

Markets Diary				4:34 p.m. EST 02/18/11
Issues	NYSE	Nasdaq	Amex	
Advancing	1,718	1,345	215	
Declining	1,272	1,283	245	
Unchanged	119	135	30	
<b>Total</b>	<b>3,109</b>	<b>2,763</b>	<b>490</b>	
<b>Issues at</b>				
New 52 Week High	352	247	21	
New 52 Week Low	9	14	2	
<b>Share Volume</b>				
Total	1,160,827,060	2,112,338,534	22,160,654	
Advancing	569,029,473	1,090,530,657	7,123,067	
Declining	586,553,720	967,751,785	13,953,340	
Unchanged	25,243,867	54,056,092	1,084,247	

A slow start but the indices ended at their two year highs before the three day weekend. Volume was higher and advancing issues and volume was definitely in control today. The market has now been up for three weeks in a row.

Group performance for the week was strong as shown in the following chart from finviz.com.



### Economic News

There were no economic reports today of significance.

### Financial News

Silver continued to move higher as rumors abound that COMEX is short the metal for delivery. While gold was higher today, it is not moving as fast as silver. The following charts cover 3 year on a weekly basis for silver and gold.

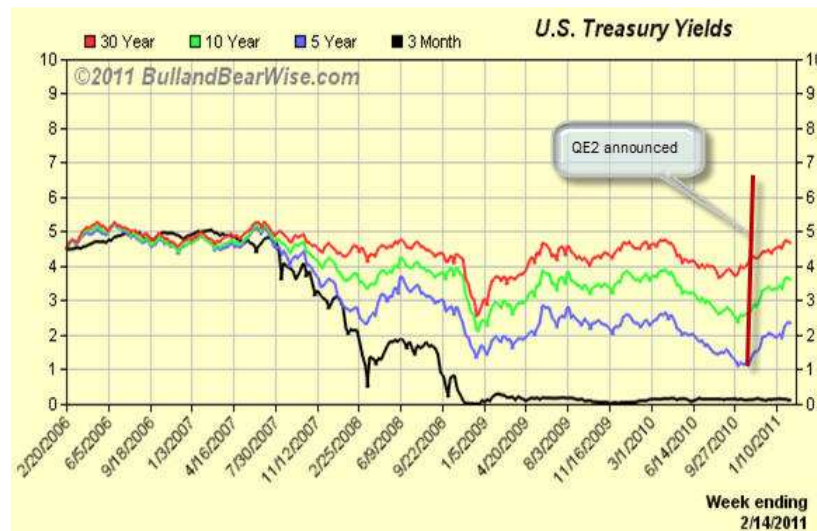
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China continues to try to reduce its growth momentum and raised its Reserve Requirement Ratio by another 50 basis points overnight.

Before noon today, [according to ZeroHedge](#), some party placed a huge bet (\$100 billion) that the eurodollar price will decline of the next month or that Libor rate will jump. Watch out!

The Obama budget has some mighty fancy assumptions about the interest rate going forward. The following chart shows the increased spreads on US Treasury since QE2 was announced. Anyone want to bet that the rates on the 5, 10 and 30 years bonds won't head higher in the coming months. I don't.



The U.S. dollar index closed below support at 77.63 today while the Euro closed higher at 136.85.



**Portfolio comments**

We sold AEM from the Precious Metals portfolio as it violated its Action Point. In the Conservative portfolio, we also sold OPEN for the same reason. There were no other changes in the portfolios today.

The Simple Timing Indicators remain positive for both the S&P 500 and the NASDAQ.

It is winter break for our grandchildren in Georgia and we will have them here in Dallas all next week to help keep us busy. As a result, the daily Market Musings may be haphazard at best. Have a great weekend!

**2/17/2011 After the Close**



**Repeat of Wednesday**

<b>Markets Diary</b>				4:34 p.m. EST 02/17/11
<b>Issues</b>	<b>NYSE</b>	<b>Nasdaq</b>	<b>Amex</b>	
Advancing	1,868	1,575	292	
Declining	1,126	1,053	167	
Unchanged	115	121	29	
<b>Total</b>	<b>3,109</b>	<b>2,749</b>	<b>488</b>	
<b>Issues at</b>				
New 52 Week High	373	210	25	
New 52 Week Low	10	21	0	
<b>Share Volume</b>				
Total	880,987,573	1,943,543,399	19,439,821	
Advancing	598,116,579	1,178,413,382	11,937,799	
Declining	270,971,894	740,473,608	7,082,272	
Unchanged	11,899,100	24,656,409	419,750	

Today's market action mirrored closely Wednesday performance. The indices began in negative territory as the CPI was higher than expected. The markets then shrugged off that report when the Philly Fed report printed and moved higher throughout the trading session. The four major indices all closed at new two year highs for this move, however, on lower volume than yesterday.

New highs once again were substantial and the advancing volume was higher than the declining volumes. Like yesterday, all groups were in positive territory as the gains were broad-based.

### Economic News

The Consumer Price Index (CPI) for January 2011 was a laughable 0.4% according to the Ministry of Truth.

		Data displayed as m/m percent change					
Released on	Relative	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Released for	Importance	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
CPI	100.0%	0.2%	0.2%	0.2%	0.1%	0.4%	0.4%
Food & Beverages	15.1%	0.1%	0.3%	0.1%	0.1%	0.1%	0.5%
Housing	42.4%	0.0%	0.0%	0.1%	0.0%	0.2%	0.1%
Apparel	3.8%	0.0%	-0.5%	-0.2%	0.1%	0.1%	1.0%
Transportation	17.4%	0.9%	0.7%	1.3%	0.3%	2.0%	1.3%
Medical Care	6.2%	0.2%	0.6%	0.2%	0.2%	0.2%	0.1%
Recreation	5.6%	-0.1%	-0.3%	0.0%	0.0%	-0.2%	0.2%
Education & Comm.	6.0%	0.0%	0.1%	-0.1%	0.2%	-0.1%	0.2%
Other goods & Service	3.5%	0.3%	-0.1%	-0.3%	0.3%	0.2%	0.1%
<b>Addendum</b>							
CPI less food & energy	77.4%	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%
Energy	8.7%	1.6%	1.1%	2.5%	0.1%	4.0%	2.1%
Commodities	40.8%	0.4%	0.3%	0.5%	0.1%	0.8%	0.9%
Services	59.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%

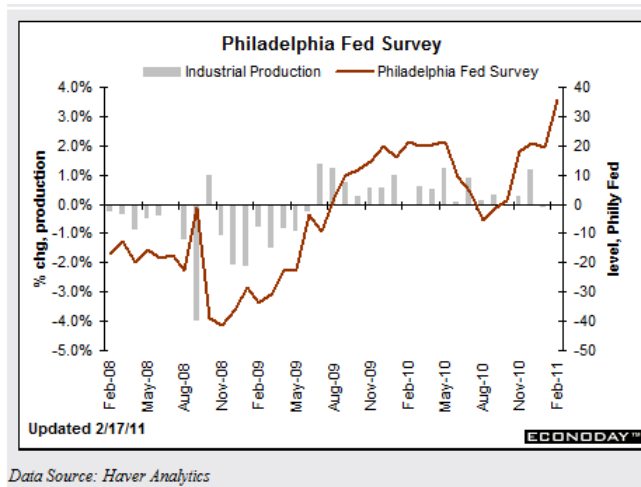
Data Source: Haver Analytics

New jobless claims rose in the latest release for the w/e February 12th to 410,000 and the prior week was revised higher by 2,000. Continuing claims were up 1,000 to 3.911 million in the w/e February 5th. A total of 9.25 million people were claiming unemployment benefits during that period under all programs, according to Reuters.

		Claim levels and changes in thousands					
Released on	Avg Level	1/13	1/20	1/27	2/3	2/10	2/17
Released for	in 2009	1/8	1/15	1/22	1/29	2/5	2/12
New claims	572	447	403	457	419	385	410
Weekly change	NA	36	-44	54	-38	-34	25

Data Source: Haver Analytics

Investors took heart when the Philly Fed index printed 35.9. It was the best showing for the index in seven years and showed an accelerating improvement.



**Financial News**

The February 2011 'Tis Only My Opinion! article entitled "[Quantitative Easing and Inflation](#)" contains some interesting data on the CPI and the effect of QE on the stock market.

The Federal Reserve's balance sheet continues to show increases. The latest rise was led by holdings of Treasuries which gained \$23.3 billion. However, a \$6.6 billion drop in mortgage-backed securities was partially offsetting. Total assets in the February 16 week stood at \$2.512 trillion, compared to \$2.504 trillion the week before. QE2 continues to help propel the stock market higher.

Yesterday, the 90 day T bill dropped and today it was even more volatile and fell some more closing at 0.9%. The 10 year US Treasury note also fell closing at 3.57%. The US dollar index closed down at 78 which is support. West Texas crude oil managed to rise closing at 88.12 but is still over \$10/bbl less than Brent Crude. Both Gold and silver were higher today with silver making a new 30 year high.





There is bad news ahead for many U.S. state governments. Fitch is changing the way it assesses pension liabilities and their effect on state and city finances. According to Fitch, "The key questions are whether states and local governments are funding their pensions, how much it is taking up of their general fund and concern about the crowding out of spending for other needs,"

Sure sounds like downgrades are just ahead for a number of US states and cities.

[Reuters sifted through some Wikileaks documents and discovered that China was not reluctant to use its position to pressure the U.S. through its Treasury holdings during the financial meltdown.](#) The article should be must reading for every American citizen. Ah, the inscrutable Chinese ...

**Portfolio comments**

We sold ILMN from the Aggressive portfolio as its Accumulation/Distribution rating had fallen to a "C" yesterday. There were no other changes in the portfolios.

**2/16/2011 After the Close**

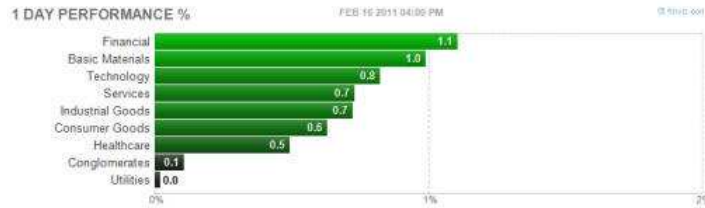


**Headed higher?**

Markets Diary				4:34 p.m. EST 02/16/11
Issues	NYSE	Nasdaq	Amex	
Advancing	2,256	1,745	291	
Declining	745	904	162	
Unchanged	117	111	36	
Total	3,118	2,760	489	
<b>Issues at</b>				
New 52 Week High	342	198	21	
New 52 Week Low	13	31	1	
<b>Share Volume</b>				
Total	926,414,580	2,281,014,723	17,599,004	
Advancing	673,591,078	1,627,770,966	11,454,357	
Declining	240,944,065	616,455,229	5,850,351	
Unchanged	11,879,437	36,788,528	294,296	

Advancing issues and volume predominated after yesterday's correction. Despite a morning sell-off after the opening rally, the markets recovered to end at new highs for the move. Perhaps, it was a case of buy the dip today.

Financial and basic materials stocks made up the two strongest performing sectors. They both snapped back from sizable losses in the prior session to record gains of 1.1% and 1.0%, respectively. Both sectors steadily outperformed for virtually all of the session as shown in the following performance chart of the groups from finviz.com.



**Economic News**

The FED will have to worry about fighting inflation as the producer price index showed a healthy increase in the latest data from the Ministry of Truth.

		data displayed as monthly percent change					
Released on	Relative	Sep-11	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Released for	Importance	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
PPI, Finished Goods	100.0	0.6	0.3	0.6	0.7	0.9	0.8
Consumer goods	75.3	0.7	0.3	1.0	0.8	1.2	0.9
Food (consumer)	20.2	-0.1	0.9	0.5	0.9	0.8	0.3
Energy	20.1	2.5	0.0	3.6	1.8	2.8	1.8
Nonfood, nonenergy (consumer)	34.9	0.1	0.2	-0.3	0.2	0.3	0.8
Capital Equipment	24.7	0.1	0.1	-0.5	0.1	0.1	0.3
PPI less food & energy	59.7	0.1	0.2	-0.4	0.1	0.2	0.5
PPI, Intermediate goods	100.0	0.6	0.4	1.2	1.1	0.9	1.1
less food & energy	75.1	0.1	0.2	0.6	0.6	0.4	1.0
PPI, Crude Materials	100.0	3.3	0.6	4.7	1.3	6.5	3.3
less food & energy	17.5	4.0	3.8	2.5	3.2	3.5	4.0

*Data Source: Haver Analytics*

Increasing mortgage rates were the culprit in an 11.4% decline in the NAHB refinance index for the week ended February 11th. The purchase index also dropped by 5.9%.

Released on 2/16/2011 7:00:00 AM For wk2/11, 2011		
	Prior	Actual
Purchase Index - W/W Change	-1.4 %	-5.9 %
Refinance Index - W/W Change	-7.7 %	-11.4 %
Composite Index - W/W Change	-5.5 %	-9.5 %

Despite the rise in mortgage rates, housing starts were higher although most of the gain was in multi-family and apartments.

	Data displayed as levels in thousands, SAAR						
Released on:	Percent	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Released for:	of total	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Housing Starts	100%	614	601	533	548	520	596
Single Family	77.6%	432	447	433	455	417	413
Multi Family	22.4%	182	154	100	93	103	183
Housing Permits	NA	571	547	552	544	627	562

*Data Source: Haver Analytics*

However, as the graph below from Shadow Government Statistics shows there is still a long way to go before we get near the levels of 2003-2005.



Industrial production data for January 2011 was lower than in December although there were significant variations in the data as shown in the table.

Released on	2009	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Released for	Proportions	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Industrial Production	100.0%	0.9%	0.1%	0.3%	0.0%	0.3%	1.2%	-0.1%
<b>Major Market Groups</b>								
Consumer goods	31.7%	1.3%	-0.3%	-0.2%	-0.2%	-0.3%	1.0%	0.1%
Business equipment	9.5%	0.8%	0.3%	0.6%	1.3%	0.3%	1.0%	0.9%
Construction Supplies	4.7%	-0.9%	0.3%	-0.2%	0.4%	1.3%	0.0%	-0.2%
<b>Major Industry Groups</b>								
Manufacturing (non-NAICS)	79.8%	0.8%	0.0%	0.2%	0.5%	0.3%	0.9%	0.3%
Durables (NAICS)	36.4%	1.3%	-0.5%	0.2%	0.6%	0.5%	0.8%	0.6%
Nondurables (NAICS)	39.8%	0.3%	0.6%	0.2%	0.3%	0.0%	1.0%	-0.1%
Mining (non-NAICS)	8.4%	1.3%	1.9%	1.2%	0.7%	-1.0%	0.5%	-0.7%
Utilities (non-NAICS)	11.9%	1.0%	-1.2%	0.5%	-4.1%	2.1%	4.1%	-1.6%
<b>Addendum</b>								
Selected High Tech Industries	3.7%	0.9%	0.1%	0.2%	0.4%	1.5%	2.1%	1.2%
Motor Vehicles and parts	3.7%	9.6%	-6.1%	0.9%	0.8%	-4.9%	0.2%	3.2%
Capacity utilization rate	NA	74.9	75.0	75.2	75.2	75.4	76.2	76.1

Data Source: Haver Analytics

### Financial News

The pie-in-the-sky Obama budget proposes a 65% tax increase in just four years and it still only reduces the deficit to 3.2% of GDP. [Here is the data from financialsense.com](http://www.financialsense.com):

UPDATED Feb. 14, 2011: Here are the numbers from the new budget.

FY 2011 projected revenue: \$2.174 Trillion  
 FY 2011 projected spending: \$3.819 Trillion  
 FY 2011 projected deficit: \$1.645 Trillion  
 Spending as a % of GDP: 25.3%  
 Deficit as a % of GDP: 10.9%

FY 2012 projected revenue: \$2.627 Trillion  
 FY 2012 projected spending: \$3.729 Trillion  
 FY 2012 projected deficit: \$1.101 Trillion  
 Spending as a % of GDP: 23.6%  
 Deficit as a % of GDP: 7.0%

FY 2013 projected revenue: \$3.003 Trillion  
 FY 2013 projected spending: \$3.771 Trillion  
 FY 2013 projected deficit: \$768 Billion  
 Spending as a % of GDP: 22.5%  
 Deficit as a % of GDP: 4.6%

FY 2014 projected revenue: \$3.333 Trillion  
 FY 2014 projected spending: \$3.977 Trillion  
 FY 2014 projected deficit: \$645 Billion  
 Spending as a % of GDP: 22.4%  
 Deficit as a % of GDP: 3.6%

FY 2015 projected revenue: \$3.583 Trillion  
 FY 2015 projected spending: \$4.190 Trillion  
 FY 2015 projected deficit: \$607 Billion  
 Spending as a % of GDP: 22.3%  
 Deficit as a % of GDP: 3.2%

A 65% increase in just four years

(Source)

I have to agree totally with Chris Martenson ... "Until and unless you hear about cuts to the big four - **Defense, Medicare, Medicaid, and Social Security** - you can be certain you are merely listening to partisan talking points aimed at posturing for the next election, not credible plans for attacking the root of the problem."

Or, when something can not happen, it won't ... the Obama budget and its assumptions are nothing but an "exercise in dreaming."

The yield on the 90 day T-bill fell 12% today to 1.1%. The yield on the 10 year US Treasury note rose to 3.62%. The US dollar index continues to stay above the 78 support level although it was lower today closing at 78.23. The Euro was slightly higher closing at 135.61.



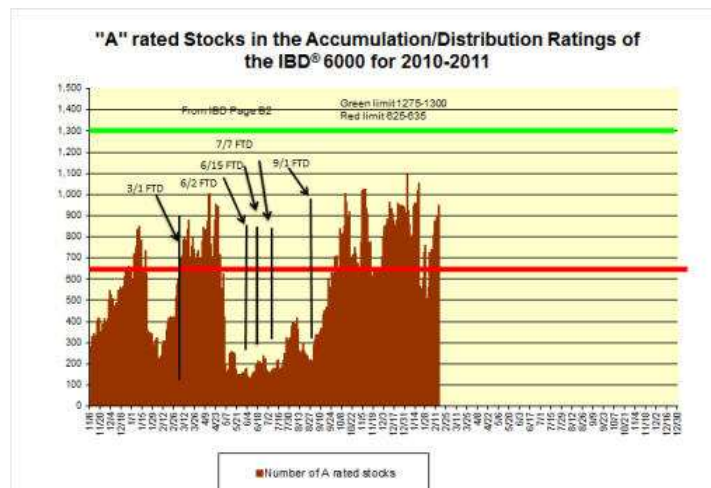


West Texas crude oil managed to rebound slightly from its recent downward move closing at 87.02/bbl. Corn, soybeans, and wheat have been retreating in the last few days but the CRB index closed higher at 338.21 as metals, energy and rare earths were higher.



**Portfolio comments**

We made no changes in the portfolios today. The Simple Timing Indicators for both the S&P 500 and the NASDAQ remain in positive territory. The number of "A" rated stocks in the IBD® 6000 data base continue to move higher as shown in the following chart.



### 2/15/2011 After the Close



### Confusion?

Issues	NYSE	Nasdaq	Amex
Advancing	1,131	1,007	229
Declining	1,828	1,627	231
Unchanged	134	117	26
<b>Total</b>	<b>3,093</b>	<b>2,751</b>	<b>486</b>

Issue	NYSE	Nasdaq	Amex
New 52 Week High	212	144	24
New 52 Week Low	12	20	2

Category	NYSE	Nasdaq	Amex
Total	927,351,991	2,011,661,184	20,459,054
Advancing	351,483,476	637,624,747	10,898,392
Declining	488,836,501	1,348,117,866	9,157,718
Unchanged	87,032,014	25,918,571	402,944

Despite merchants reporting good sales, the Ministry of Truth December retail sales report showed less growth than expected for January 2010 and the markets went south. Volume rose and the indices recorded more distribution days.

### Economic News

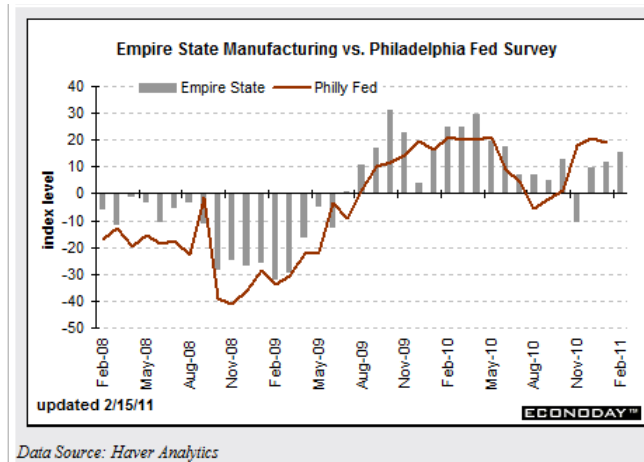
Retail sales in January were boosted by higher energy prices and gained 0.3% over December 2010. However, the devil was in the details as discretionary items were lower.

	Percent of Total	Monthly percent change						
		Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	
<b>Retail Sales &amp; Food Services</b>	<b>100%</b>	0.9%	0.9%	1.6%	0.8%	0.5%	0.3%	
Sales ex autos	82.8%	1.0%	0.8%	0.8%	0.9%	0.3%	0.3%	
Sales ex autos less gasoline	73.0%	0.9%	0.7%	0.8%	0.4%	0.1%	0.2%	
Motor vehicle dealers	17.2%	0.2%	1.6%	5.4%	0.3%	1.5%	0.5%	
Furniture & home furnishing stores	2.1%	0.4%	0.0%	-0.9%	0.3%	0.0%	-0.3%	
Electronics & appliances	2.4%	-1.0%	1.3%	-1.1%	-1.3%	-0.9%	0.3%	
Building materials	6.5%	1.3%	1.8%	3.7%	-2.0%	1.8%	-2.9%	
Food & beverage stores	13.5%	1.4%	0.4%	0.6%	0.7%	-0.7%	1.3%	
Health & personal care	6.0%	0.8%	0.7%	0.5%	0.5%	0.7%	0.5%	
Gasoline stations	9.8%	1.6%	1.7%	1.4%	4.1%	1.8%	1.4%	
Clothing & accessories	5.0%	0.3%	-0.2%	1.3%	1.6%	-1.4%	-0.3%	
Sporting goods, hobby, etc	2.0%	0.9%	2.2%	0.4%	0.6%	-0.2%	-1.3%	
General merchandise	13.9%	0.6%	0.4%	0.1%	1.2%	-0.9%	0.8%	
Miscellaneous retailers	2.7%	0.9%	1.9%	1.6%	-2.1%	0.5%	0.6%	
Nonstore retailers	8.1%	1.8%	1.5%	1.0%	1.5%	2.6%	1.2%	
Food services & drinking places	10.8%	0.8%	0.1%	0.5%	0.0%	-0.2%	-0.7%	

Data Source: Haver Analytics

The weekly ICSC-Goldman sales report for the w/e 2/12/11 was lower by 1.4% as weather hurt the numbers. The ISCS-Goldman had y/y sales growth at 2.7% while Redbook was showing 2.2%. Both number when corrected for inflation would indicate that the economy was basically flat despite the fact that the payroll tax cut became effective in January. The stimulus from the payroll tax cut is not apparent so far.

However, the manufacturing activity in the New York area continued to improve as the Empire State survey rose to 15.4 from 11.9 in January 2011.



Import prices continued their upward move during January with Petroleum prices up 3.4%.

Released On:	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Released For:	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Export prices	0.8%	0.6%	0.8%	1.5%	0.6%	1.2%
Import prices	0.4%	0.0%	1.1%	1.6%	1.2%	1.5%
Petroleum prices	1.4%	-1.3%	4.7%	5.0%	4.3%	3.4%
Non oil imports	0.2%	0.3%	0.3%	0.8%	0.4%	1.1%

Data Source: Haver Analytics

### Financial News

Gold and silver were higher in today's trading, 1373.50 and 30.75, respectively at the close. The US dollar index was flat at 78.62 while West Texas crude oil was down to 86.56/bbl. The yield on the 10 year U.S. Treasury note hardly moved although higher at 3.62%

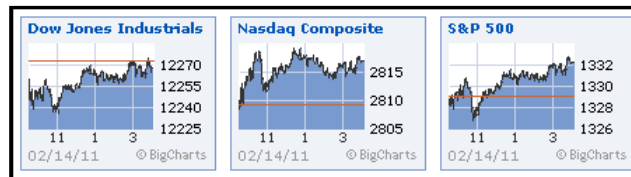
### Portfolio comments

We made no changes in the portfolios today.

### Calendar Notes

[Reservations are now open](#) for the second "America: Boom or Bankruptcy?" event on March 3rd at the Dallas Lincoln Centre Hotel from 11:00 a.m. to 3:00 p.m. Committed speakers include David Walker, former Comptroller of the Currency and now President of the Peterson Foundation, John Mauldin and others including myself. Last year's event was outstanding and this year should even be better. Mark your calendar and make your travel arrangements now, if necessary. Seating is limited and you won't want to miss this event.

### 2/14/2011 After the Close



### The DJIA slipped!

Markets Diary			
		4:34 p.m. EST 02/14/11	
Issues	NYSE	Nasdaq	Amex
Advancing	1,652	1,439	239
Declining	1,329	1,231	219
Unchanged	132	109	32
Total	3,113	2,779	490
Issues at			
New 52 Week High	354	282	26
New 52 Week Low	11	22	1
Share Volume			
Total	814,897,767	1,969,624,711	18,053,512
Advancing	480,569,999	1,164,158,163	10,871,306
Declining	324,655,657	783,896,773	6,193,911
Unchanged	9,672,111	21,569,775	988,295

Today, the DJIA was unable to close in positive ground along with the NASDAQ and S&P 500. Despite advancing issues and volume being greater than their counterparts, overall volume was lower than Friday. However, new 52 week highs continued to be very healthy.

**Economic News**

President Obama presented his historic budget proposal of \$3.73 trillion to Congress today with a deficit of \$1.65 trillion, or 10.9% of GDP. Simply amazing chutzpah! or a totally unrealistic view of the real world facing the U.S. Calling the deficit an investment is ludicrous.

The President's budget fails to address the problem ... the entitlement programs ... and will face major revisions in the House. We shall see if the new Congress has the stomach to make hard choices in the next few months.

**Financial News**

The US dollar index was nearly unchanged in today's trading while the yield on the 10 year US Treasury note fell to 3.614%. Gold was also slightly higher closing at 1,361.50/oz. while silver rose 2.31% to close at 30.59/oz. Silver is showing a nice cup with handle formation and might be ready to head north.



**Portfolio comments**

Today, we added SWKS, OPEN, CRUS and TQNT to the [Conservative portfolio](#). There were no other changes in the portfolios.

2/11/2011 After the Close



**Closed higher!**

Markets Diary				6:02 p.m. EST 02/11/11		
Issues	NYSE	Nasdaq	Amex			
Advancing	2,268	1,797	282			
Declining	780	843	181			
Unchanged	96	123	32			
Total	3,144	2,763	495			
<b>Issues at</b>						
New 52 Week High	321	236	17			
New 52 Week Low	10	25	6			
<b>Share Volume</b>						
Total	972,239,310	2,066,706,061	19,469,107			
Advancing	687,204,356	1,279,227,021	9,238,332			
Declining	256,893,241	763,872,763	9,578,380			
Unchanged	28,141,713	23,606,277	652,395			

Egypt's street celebrations helped the market close higher today on lower volume. Advancing issues and volume were dominant in today's trading.

While Mubarak's resignation helped offset early morning downward price moves, oil prices fell \$1.4% as investors believed that the risk to oil disruptions from a closure of the Suez Canal were dissipating. Still the situation in Egypt is far from clear and its effect upon the rest of the Middle East remains to be seen.

**Economic News**

The preliminary consumer sentiment reading for February from the University of Michigan came in at 75.1 vs, 74.2 in January.

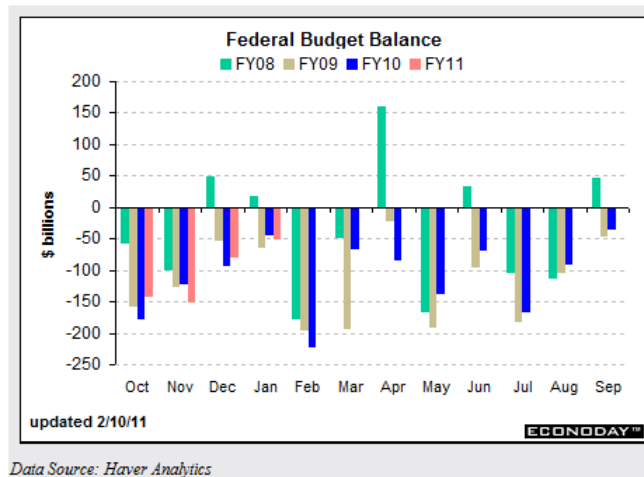
Data displayed as monthly index level						
Released on	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Released for	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Consumer sentiment	68.2	67.7	71.6	74.5	74.2	75.1
Difference from a year ago	-5.3	-2.9	4.2	2.0	-0.2	1.5

Higher oil prices helped the international trade deficit increase to \$40.6 billion in December 2010. The petroleum gap expanded to \$25.3 billion from \$20.1 billion in November 2010. Exports, however, increased by 1.8%.

Balances, billions of dollars; exports & imports in monthly %						
Released on:	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
Released for:	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Trade balance	-42.8	-46.8	-44.5	-38.3	-38.3	-40.6
Exports	2.0%	-0.1%	0.5%	3.0%	1.0%	1.8%
Imports	-2.1%	2.0%	-0.7%	-0.8%	0.8%	2.6%
Merchandise trade	-54.9	-58.9	-56.9	-50.9	-51.3	-53.6
Imports	2.6%	-0.1%	0.2%	4.1%	1.2%	2.5%
Exports	-2.6%	2.4%	-1.0%	-1.0%	1.1%	3.1%
Service trade	12.1	12.1	12.5	12.6	13.0	13.0

*Data Source: Haver Analytics*

The federal deficit increased \$49.8 billion in January 2011 bring the four month FY 2011 total to \$418.8 billion which is about \$12 billion lower than in the previous period of FY2010.



**Financial News**

Richard Russell has a few choice words to say about Bernie Madoff and our national Ponzi scheme, Social Security, The paragraphs below come courtesy of Richard Russell, author of the [Dow Theory Letters](#).

“Why did Bernie Madoff go to prison? To make it simple, he talked people into investing with him. Trouble was, he didn’t invest their money. As time rolled on he simply took the money from the new investors to pay off the old investors. Finally there were too many old investors and not enough money from new investors coming in to keep the payments going.

“Next thing you know Madoff is one of the most hated men in America and he is off to jail.

“Some of you know this. But not enough of you. Madoff did to his investors what the government has been doing to us for over 70 years with Social Security. There is no meaningful difference between the two schemes, except that one was operated by a private individual who is now in jail, and the other is operated by politicians who enjoy perks, privileges and status in spite of their actions.

“Do you need a side-by-side comparison here? Well here’s a nifty little chart.”

BERNIE MADOFF	SOCIAL SECURITY
Takes money from investors with the promise that the money will be invested and made available to them later.	Takes money from wage earners with the promise that the money will be invested in a "Trust Fund" (Lock Box) and made available later.
Instead of investing the money Madoff spends it on nice homes in the Hamptons and yachts.	Instead of depositing money in a Trust Fund the politicians transfer it to the General Revenue Fund and use it for general spending and vote buying.
When the time comes to pay the investors back Madoff simply uses some of the new funds from newer investors to pay back the older investors.	When benefits for older investors become due the politicians pay them with money taken from younger and newer wage earners to pay the older geezers.
When Madoff's scheme is discovered all hell breaks loose. New investors won't give him any more cash.	When Social Security runs out of money the politicians try to force the taxpayers to send them some more; or they cancel S/S to all those who paid into it.
Bernie Madoff is in jail.	Politicians remain in Washington, with fat medical and retirement benefits.

Oil was lower today while the U.S. dollar index rose to close at 78.46.



The yield on the 10 year U.S. Treasury note declined to 3.646% today. Silver closed below \$30/oz. at \$29.90/oz. Gold was also lower at 1356.10/oz. Natural gas despite the cold winter in February continued its decline closing below \$4/mmcf at \$3.94/mmcf.



**Portfolio comments**

There were no changes in the portfolios today. We have updated the [MarketTrends technical note](#) and will be posting an update weekly in the future. The Simple Timing Indicators for both the NASDAQ and S&P 500 remain positive as shown in the following charts.





Now that the snow and ice have disappeared here in Dallas, we can finally venture out without fear of freezing. Perhaps, spring is really around the corner. Tuesday saw 12 degrees F on the thermometer and Saturday we are supposed to see 70 degrees or higher. Have a great weekend.

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**Fred Richards / Strategic Investing**

This issue of Market Musings is a feature of the Strategic Investing website. It is for the education of our subscribers and does not constitute a recommendation to buy or sell any particular security.

Charts are courtesy of Haver Analytics, The Wall Street Journal, Dow Jones, Inc., Halkin Services, Finviz, Martin Capital, Kitco.com, GM Bolser, Stockcharts.com, Econoday, Prudent Bear and/or Big Charts.

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