



STRATEGIC INVESTING

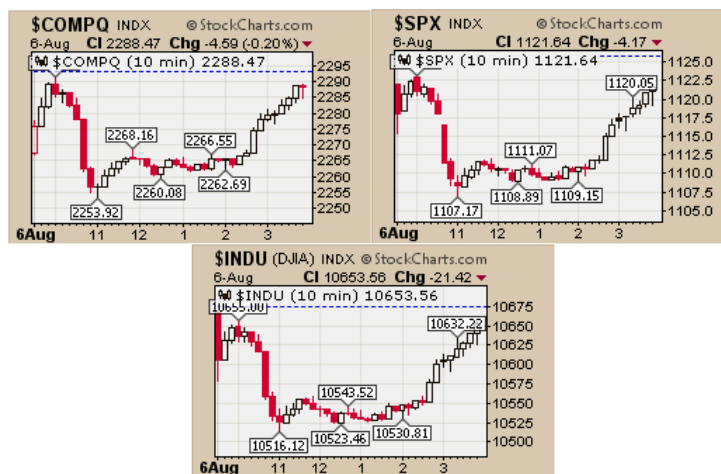
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8/6/2010 After the Close



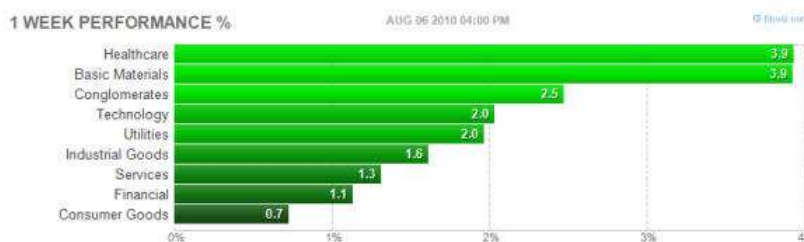
It could have been worse!

Markets Diary			
	6:08 p.m. EDT 08/06/10		
Issues	NYSE	Nasdaq	Amex
Advancing	1,409	1,068	236
Declining	1,642	1,539	215
Unchanged	117	122	44
Total	3,168	2,729	495
Issues at			
New 52 Week High	207	42	20
New 52 Week Low	32	51	5
Share Volume			
Total	950,087,027	1,876,636,364	9,702,148
Advancing	323,516,669	821,610,482	4,481,116
Declining	610,818,758	999,552,052	4,409,832
Unchanged	15,751,600	55,473,830	811,200

The employment report for July saw spooked investors. The futures market had a sinking spell as the report was released as shown in the following chart thanks to Lewis McLain. The drop was dramatic and helped today's trading chalk up distribution days for the major indices. The "Hail Mary" 2 p.m. rally arrived right on time and attempted to push the indices into positive territory but failed.

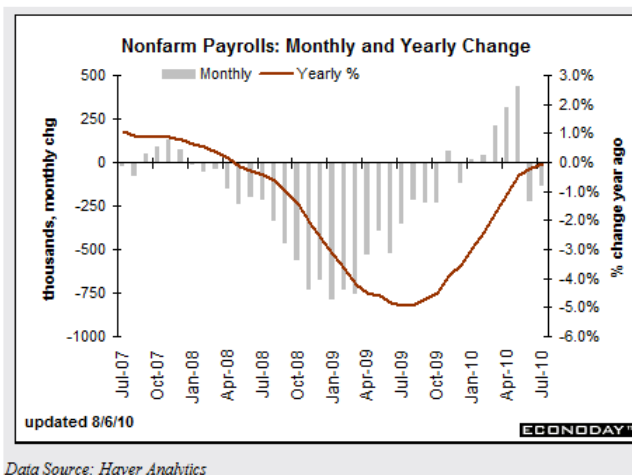


Thanks to Monday's major uplift, all of the major sectors ended in positive territory for the week as shown in the chart from finviz.com.



Economic News

Today's jobs report casts doubt upon the strength of the recovery. The July jobs report disappointed and weakness was largely in the government sector – and it was not all just temporary Census workers being laid off. According to the Bureau of Labor Statistics, the unemployment rate stayed at 9.5% on a seasonally-adjusted basis. However, nonfarm payrolls fell 131,000 and the previous months was also revised downward.



Graham Summers has compiled some year/year statistics that suggests that Secretary Geithner's recovery exists on some other planet than Earth.

	June 2009	June 2010	Change
Civilian Labor Force	154.7 million	153.7 million	-1 million
People Employed	140 million	139.1 million	-900,000
People Unemployed	14.7 million	14.6 million	-100,000
People Out of the Workforce	80.8 million	83.9 million	+3.1 million
People working part-time for economic reasons	8.9 million	8.6 million	-300,000
Discouraged Workers	793,000	1.2 million	+407,000
People unemployed 27 weeks or greater	4.4 million	6.7 million	2.3 million

Data Point	2009	2010	Change
Food Stamp Usage	June 2009: 34.4 million	June 2010: 40.8 million	+6.4 million
Mortgages underwater	1Q09 15.20 million	1Q10 14.75 million	-450,000
Personal bankruptcies	YTD '09: 802,000	YTD '10: 908,000	+106,000
Mass Layoffs (layoffs of 50 or more people at a time)	2,519	1,861	-658
Foreclosure filings	1.75 million 1H09	1H10: 1.9 million	+150,000

The consumer continues to reduce their outstanding credit balances although the decline in June was only \$1.3 billion.

	Data displayed as month-to-month change in level					
Released on	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Released for	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Consumer Credit (\$billions)	\$3.4	-\$7.8	-\$5.1	-\$14.2	-\$5.3	-\$1.3

Data Source: Haver Analytics

Financial News

Today's news saw the US dollar index continue its decline closing at \$80.34. Since early June, the US dollar index has fallen about 10%. Interest on the 10 year US Treasury note fell to 2.8%, another record low. Gold closed higher at \$1,205.20/oz as did silver at \$18.46/oz. Copper declined slightly to 334.35 and West Texas crude oil was lower at 80.86/bbl.

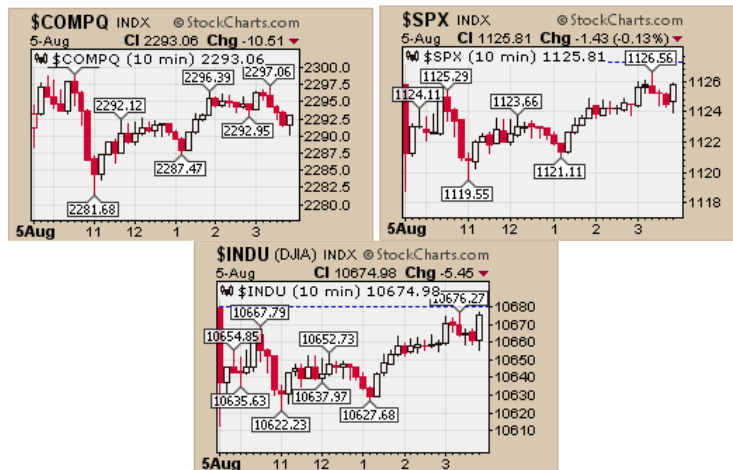




Portfolio Comments

We made no changes in the portfolios today.

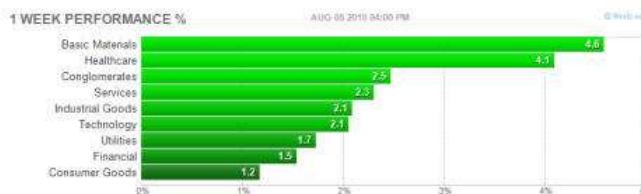
8/5/2010 After the Close



More bouncing ball

Markets Diary			
	6:12 p.m. EDT 08/05/10		
Issues	NYSE	Nasdaq	Amex
Advancing	1,296	885	216
Declining	1,763	1,757	245
Unchanged	97	113	40
Total	3,156	2,755	501
Issues at			
New 52 Week High	253	54	22
New 52 Week Low	19	30	4
Share Volume			
Total	875,852,097	1,774,305,772	10,718,491
Advancing	361,121,045	611,738,975	3,798,446
Declining	508,469,242	1,094,659,584	6,573,845
Unchanged	6,261,810	67,907,213	346,200

Another day of the bouncing ball ... up one day, down the next. Is the market just waiting on the July employment report. Declining issues and volume were dominant in today's trading. New 52 week highs were impressive. For the past week, Monday's gains keep the week's performance in positive territory despite the bouncing ball.



Economic news

New jobless claims were higher than expected rising to the highest level in the past six weeks as census workers filed for unemployment benefits. **Karl Denninger** points out "*the unemployment situation is 17% worse now than it was a year ago, from July 10th to July 17th it deteriorated, and that understates the case, as those who have exhausted the 99 weeks of "benefits" (all but 26 of which are a handout) don't show up in the EUC 2008 line any more either!*"

		Claim levels and changes in thousands					
Released on	Avg Level	7/1	7/8	7/15	7/22	7/29	8/5
Released for	in 2009	6/26	7/3	7/10	7/17	7/24	7/31
New claims	572	475	458	427	468	460	479
Weekly change	NA	16	-17	-31	41	-8	19

Data Source: Haver Analytics

The Monster employment index fell three points in July to 138 showing weakness in demand for construction jobs and jobs in leisure & accommodation.

Retail sales for July were mixed but on average sales were disappointing as consumers remain tight with their spending choices.

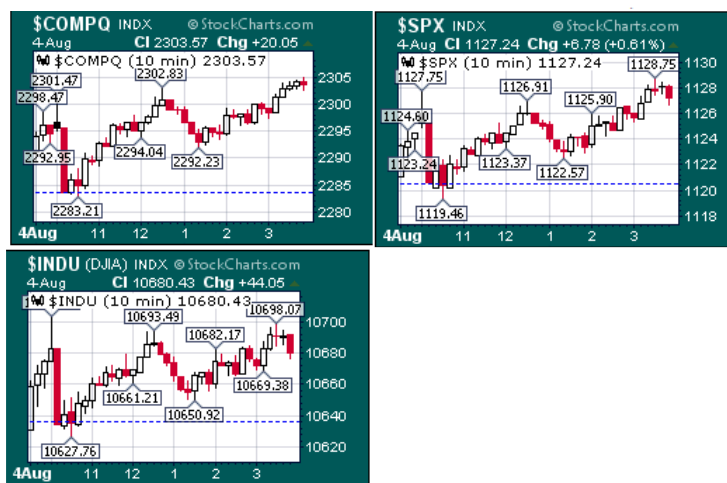
Both the Bank of England and the European Central Bank kept their key interest rates unchanged.

Drought conditions in many parts of the world coupled with Russia suspending exports of wheat drove the price of many agricultural commodities higher in today's trading.

Portfolio comments

We made no changes in the portfolios today.

8/4/2010 After the Close

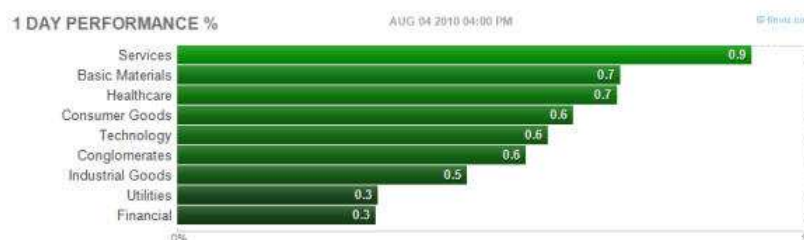


Follow the bouncing ball

Markets Diary			
	6:06 p.m. EDT 08/04/10		
Issues	NYSE	Nasdaq	Amex
Advancing	2,301	1,755	298
Declining	782	885	172
Unchanged	86	122	43
Total	3,169	2,762	513
Issues at			
New 52 Week High	287	54	26
New 52 Week Low	13	23	3
Share Volume			
Total	975,845,051	2,021,984,217	13,878,043
Advancing	660,268,345	1,362,615,460	10,551,249
Declining	295,622,506	607,318,580	2,434,234
Unchanged	19,954,200	52,050,177	892,560

The market is reacting to each piece of news in a knee-jerk reaction based upon only the short-term. Day traders that like market volatility must love this market. Both the ADP employment reading and the ISM Service index report provided stocks with uplift in today early trading before a down-draft moved the indices back to neutral about 10 a.m. Following that swoon caused by a rumor that the Chinese might run a stress test on their banks, the indices recovered and managed to close near their highs for the day after a series of roller-coaster moves. Advancing issues and volume were clearly in control today.

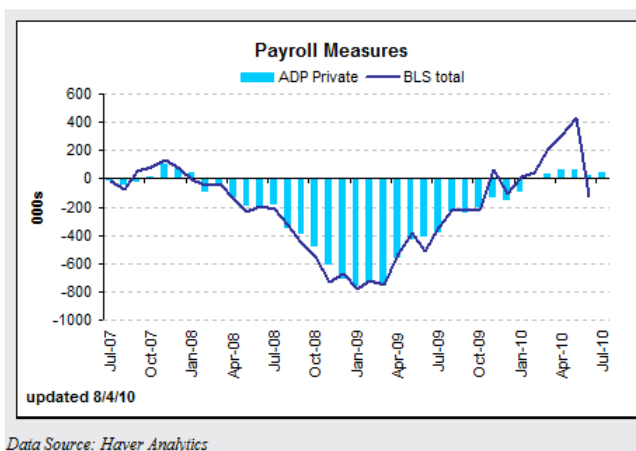
According to finviz.com, the major sectors all ended in positive territory today.



Economic News

Challenger's count of layoff announcements totals 41,676 in July vs. 39,358 in June. Overall, employers have announced 339,353 job cuts since the start of 2010, or 64 percent below the 944,048 layoffs announced in the first seven months of 2009.

The ADP/Macroeconomic Advisors private payrolls rose 42,000 in July which was more than expected and the 6th consecutive monthly increase. When measured against the number of new jobless claims each week that run about 10 times higher on a weekly basis ... I don't see the reason to get very excited. The number of private jobs remains about 8.056 million below the pre-recession levels of 2008.



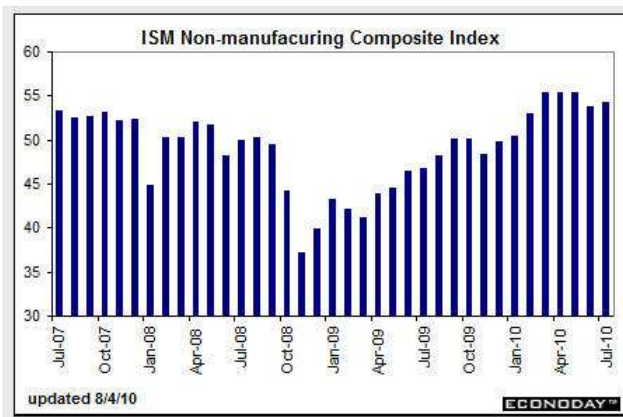
Data Source: Haver Analytics

Is the economy getting better? Those without jobs are finding their prospects dimming. **The American Bankruptcy Institute citing data from the National Bankruptcy Research Center**

reported yesterday that consumer bankruptcy filings rose 9.1% in July vs. the previous month. On a yearly comparison, consumer bankruptcy filings are up 8.9% in July.

The MBA purchase index rose for the third straight week, up 1.3% in the July 30 week. Government purchase applications were up 3.4% while conventional purchase applications were flat. The refinance index was up 1.3% as was the composite index. Refinancing made up 78% of all applications.

The ISM's non-manufacturing index rose to 54.3 in July vs. 53.8 in June which was welcome news. Still it remains below the level of May 2010.



Data Source: Haver Analytics

The indices are moving higher while economic news remains neutral at best, probably, in anticipation of further quantitative easing. The FED remains convinced that they can entice the consumer back into increasing their spending despite the high unemployment rate and a rising savings rate. Increasing numbers of companies and governments at the state and local levels are proposing furloughs instead of layoffs. In effect, wages are being cut although it is not reported as such.

For example, Sub-Zero, which makes refrigerators, freezers and ovens, warned its workers last month that it might close one or more factories in Wisconsin and lay off 500 employees unless they accepted a 20 percent cut in wages and benefits.

Is inflation in commodities going to become a problem. Based upon reports of weather conditions in South America, Eastern China, Russia and the 'stans, the food situation might become critical in the next few months. [Here's a link to global commodity prices.](#) What do you think?

The Browning report published by Fraser Management for August reported in detail on the problem. The current drought in Russia is according to their records the nation's worst in 130 years.

Financial News

Today, the yield on the 10 year Treasury note rose to 2.95% as the US dollar index also moved higher to close at 80.94 although the chart still looks terrible. Crude oil was slightly lower at \$82.47/bbl as BP appears to have been successful in capping the Gulf oil well. Copper made another recovery high while the CRB index also moved higher. Gold closed higher for the 7th day in a row.

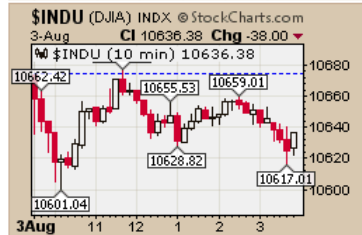
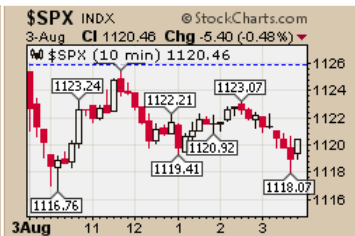
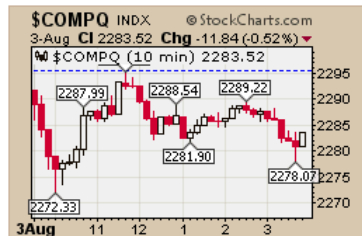




Portfolio comments

In the Aggressive portfolio, we acquired NFLX and CTSH. We made no other changes in the portfolios. The Simple Timing Indicators (STI) both remain positive.

8/3/2010 After the Close



Closed lower today.

Markets Diary		5:55 p.m. EDT 08/03/10		
Issues	NYSE	Nasdaq	Amex	
Advancing	1,185	948	243	
Declining	1,863	1,711	228	
Unchanged	108	108	41	
Total	3,156	2,767	512	
Issues at				
New 52 Week High	214	64	17	
New 52 Week Low	7	33	3	
Share Volume				
Total	1,000,543,900	1,997,039,607	9,160,800	
Advancing	288,015,394	499,196,957	5,552,950	
Declining	691,118,516	1,477,350,739	3,143,450	
Unchanged	21,409,990	20,491,911	464,400	

Monday's upward lift failed to continue today as disappointing news sobered investors. Personal income and consumer spending were flat in today's report. Apparently, the consumer remains unconvinced that the economy is strengthening.

		data displayed as monthly percent changes					
Released on:	Percent	Mar-10	Apr-10	May-10	Jun-10	Jul-10	
Released for:	of Total	Feb-10	Mar-10	Apr-10	May-10	Jun-10	
Personal Income	100.0%	0.1%	0.4%	0.4%	0.3%	0.0%	
Wages & salaries	51.0%	0.0%	0.2%	0.4%	0.4%	-0.1%	
Disposable income	90.8%	0.1%	0.4%	0.5%	0.3%	0.0%	
Real disposable income	81.9%	0.1%	0.3%	0.5%	0.4%	0.2%	
Consumer Spending (nominal)	100.0%	0.5%	0.5%	-0.1%	0.1%	0.0%	
Durable goods	10.4%	1.1%	3.5%	-1.1%	-0.3%	0.1%	
Nondurable goods	22.5%	0.8%	0.2%	-0.5%	-0.9%	-0.4%	
Services	67.0%	0.3%	0.1%	0.2%	0.5%	0.1%	
Consumer spending (real)	100.0%	0.4%	0.3%	-0.1%	0.2%	0.1%	
Durable goods	12.4%	1.3%	3.4%	-0.9%	0.0%	0.4%	
Nondurable goods	22.3%	0.9%	0.3%	0.0%	-0.2%	0.1%	
Services	65.3%	0.1%	-0.1%	0.0%	0.3%	0.1%	
PCE price index	NA	0.0%	0.2%	0.0%	-0.1%	-0.1%	
Core PCE price index	NA	0.1%	0.2%	0.1%	0.1%	0.0%	
Market Based PCE	NA	0.0%	0.1%	0.0%	-0.1%	-0.1%	

Data Source: Haver Analytics

Factory orders in June fell for the second straight month adding to investors concern about a possible double-dip in the economy.

Released on	Percent	Apr-10	May-10	Jun-10	Jul-10	Aug-10
Released for	of Total	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Factory Orders	100.0%	0.4%	1.7%	1.0%	-1.8%	-1.2%
Durable Goods	46.3%	0.5%	0.1%	2.9%	-0.7%	-1.2%
Nondurable Goods	53.7%	0.4%	3.1%	-0.6%	-2.7%	-1.3%
Topical Series:						
Construction Materials & Supplies	10.0%	1.7%	3.2%	1.1%	-1.4%	-0.1%
Information Technology	6.5%	-0.8%	7.1%	-0.7%	1.0%	0.2%
Capital Goods	18.0%	6.9%	-5.7%	6.3%	-0.8%	-2.4%
Nondefense	15.4%	9.0%	-6.7%	8.1%	-0.4%	-2.0%
Defense	2.6%	-4.3%	0.0%	-3.1%	-3.4%	-5.3%
Consumer Goods	41.4%	-1.4%	3.3%	-1.2%	-2.9%	-1.0%
Durables	5.8%	-6.4%	2.0%	-0.4%	-0.6%	1.1%
Nondurables	35.6%	-0.6%	3.5%	-1.3%	-3.3%	-1.3%
Addendum:						
Shipments	NA	-0.5%	2.6%	0.6%	-1.8%	-0.8%
Unfilled Orders	NA	0.5%	-0.1%	0.4%	0.3%	0.0%
Inventories	NA	1.0%	0.5%	0.6%	-0.4%	-0.1%

Data Source: Haver Analytics

Pending home sales index fell 2.6% in June to 75.7. Year-on-year the index is down 18.6%. Mary Ann Hurley of D.A. Davidson comments on the home outlook:

"The expiration of the tax credit for homebuyers has had a major negative effect on housing. With home prices expected to face further pressures, tight credit, high unemployment and weak consumer confidence/sentiment, housing will continue to face stiff headwinds."

This weekend, I was asked on multiple occasions about the high level of cash being held by U.S. Corporations after people had seen an article in the USA Today newspaper commenting on the subject. Remember the old adage ... verify and verify again!

According to the Federal Reserve, nonfinancial firms borrowed another \$289 billion in the first quarter, taking their total domestic debts to \$7.2 trillion, the highest level ever. That's up by \$1.1 trillion since the first quarter of 2007; it's twice the level seen in the late 1990s.

The debt repayments made during the financial crisis were brief and minimal: tiny amounts, totaling about \$100 billion, in the second and fourth quarters of 2009.

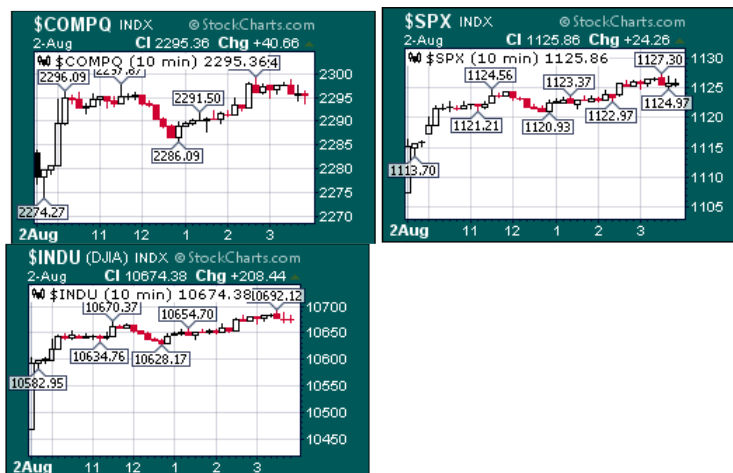
It would seem that the reporter should have looked at both sides of the balance sheet.

Portfolio comments

In the Conservative portfolio, we acquired FFIV and VRX shortly after the open on buy stops placed while we were headed home to Dallas. There were no other changes in the portfolios today.

It is good to be back home.

8/2/2010 After the Close

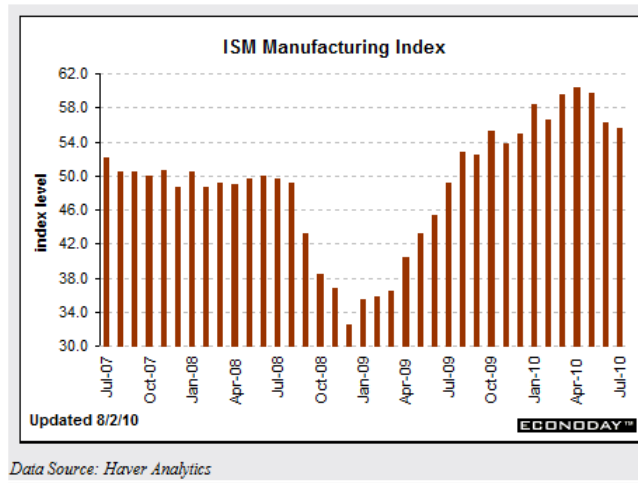


Early lift moved indices up 2% but low volume.

Markets Diary			
	6:00 p.m. EDT 08/02/10		
Issues	NYSE	Nasdaq	Amex
Advancing	2,626	1,917	299
Declining	484	770	183
Unchanged	74	116	31
Total	3,184	2,803	513
Issues at			
New 52 Week High	307	100	17
New 52 Week Low	5	24	2
Share Volume			
Total	1,035,840,124	1,953,209,708	10,645,666
Advancing	957,171,700	1,638,906,669	7,650,856
Declining	66,717,004	297,693,594	2,685,810
Unchanged	11,951,420	16,609,445	329,000

European bank earnings helped the market move higher today but on lower volume as the DJIA rose 2%. After the opening lift, the market failed to make much headway.

The ISM manufacturing report, however, was a negative factor as it showed new orders slowing. Public activity helped construction spending increase but the housing sector continues to have problems.



The US dollar index continued to fail while oil rose over \$80/bbl.

This report was prepared late Monday night in Texarkana, TX where we stopped after midnight to rest after driving for 16 hours. Home tomorrow after almost three weeks on the road and about 7,500 miles of driving.

- **Fred Richards / Strategic Investing**

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