



# Advisor Monthly News



April 2009

## Economic Outlook

The U.S. Gross Domestic Product, (GDP), shrank to annual rate of 6.1% in the first quarter, down from the 6.3% in the fourth quarter of 2008. The Institute for Supply Management reported that its' Manufacturing Index is still indicating contraction, however it rose to 40.1% in April, its highest reading since September 2008. March Factory Orders fell 0.9% as compared to the previous month. Excluding transportation, Factory Orders also fell 0.9%. Chicago's Purchasing Managers' Index rose to 40.1% in April, its largest one-month increase since the series began in 1983. Consumer spending inched lower with a loss of 0.2% in March. Meanwhile, Personal Income also fell 0.3% in March. The S&P/Case-Shiller 20-City Home Price Index fell at an annual rate of 18.6% in February. The Conference Board's Consumer Confidence Index jumped 12 points to 39.2 in April, its highest level since November 2008. The Reuters/University of Michigan Consumer Sentiment Index rose to its final reading of 65.1 in April as compared to the previous month. Jobless claims decreased 14,000 last week to 631,000. U.S. crude oil inventories rose by 4.1 million barrels to 374.7 million barrels last week and oil prices continued to move higher, finally settling at \$53.20.



## Market Data As of March 31, 2009

	Close	Change (Mo)
DJIA	8,168	+ 560
NASDAQ	1,717	+ 189
S&P 500	872	+ 75
Primary Indicators		
NYSE Bullish	Xs: 66% Bull Confirmed	
OTC Bullish	Xs: 46% Bull Confirmed	
Optional Bullish	Xs: 62% Bull Confirmed	
Market Timing Indicator	Bullish	1.69
(< 1 Is Bearish, > 1 Is Bullish)		

### Market Update

In the middle of March, one of the most important indicators on the equity market we follow, the NYSE Bullish Percent, flipped to positive giving us an initial signal that buyers are coming back into the market. This is often called our Master Indicator, or primary indicator. Our MTI (market timing indicator) is our secondary indicator used to confirm the master indicator. In the beginning of April we got confirmation to move back into the market for our Market Timed portfolios, and started adding equities. For the most part we have seen nice moves in these equities as well as the ETF's we hold in our other strategies. Specifically, we have seen marked improvement in the commodity and international equity areas and we have been moving money into these areas as well.



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## Market Perspective

When our primary indicator, the NYSE Bullish Percent, moved to positive in mid March, the level was 20%. This primary risk barometer now stands at 66%. We can assure you that this is a massive move seen in little more than 6 weeks, it would be a large move if it had occurred over 6 months in fact. Thus far, the changes we have seen of late lack any real indication of the market faltering, or of some sort of blow-off rally having transpired. That doesn't mean that Thursday can't mark some sort of top, but there isn't a preponderance of evidence to suggest that is the case. For some perspective on other moves off the bottom, and particularly steep moves off the bottom, we don't have to look any further than 2003 for a comparison with some eerie similarities - and a few major differences as well. Keep in mind that heading into 2003 investors had endured the 2000-2002 period that offered plenty of potholes and the last 6 months of 2002 were replete with fits and starts, much like the period from October 2008-February 2009. After an auspicious start to the year 2003 (The S&P stumbled out of the blocks and was down 9% by March 11th) the market quickly regained its footing as the Gulf War heated up. The NYSE Bullish Percent reversed to offense on April 2nd 2003, doing so at 42%. This reversal coincided with breakouts on the Point & Figure charts in the major market indices, including the S&P 500, and by May 12th (six weeks later) the NYSE Bullish Percent had climbed to 60%. By the time the offensive drive had reached two months in duration (June 4th 2003) the NYSE BP had reached 70%, and it would not stop there. In fact, the investment climate remained supportive of higher prices and the NYSE Bullish Percent would eventually push forward until reaching the 86% level, the highest level that indicator had been in a full 20 years!

From that reversal up in early-2003 the NYSE Bullish Percent was in X's for 349 days, not shifting to defense until March 16th 2004. That is a long

offensive drive and resulted in a one year period where the NYSE Bullish Percent climbed 50% on its chart (March lows were 36% and the peak was 86%) as nearly every corner of the market rallied. Well, let's compare that quickly to the rally we have just experienced ... one lasting 55 days to this point from the March 5th lows, and one where the NYSE Bullish Percent has already climbed 48%! That's right; the NYSE Bullish Percent has experienced in two months what took roughly a year during the 2003 rally.

So what can we conclude from all of this data? First, it is interesting how intuitive these bullish percent charts can be. What tends to happen with this important indicator is that the move from 30% to 50% typically happens under the radar without anyone noticing, or at least without many believing, giving you plenty of time to position the portfolio. The move from 50% to 70% starts showing enough return to get people to start noticing and the move above 70% is very dynamic as everything has been swept into that market vortex of rising prices at that point. The same thing happens on the way down. The initial reversal down from above 70%, down to 50%, most often feels no worse than the prick of a needle (think about late-2007). Then as the bullish percent moves from 50% to 30% you realize that you'd better start getting the bandages out, and the move from 30% to 10% is where you need the tourniquet and/or trauma ward.

Second, we try not to read too much into what the market did in 2003 other than to show one example of what "can" happen. Every market has its own nuisances and we can not predict the future. As much as everyone would like to know exactly what will happen, we don't and can't, we can only follow our indicators and trust they provide guidance. What we can control is what is happening today. As long as we are on offense, we have to continue to run plays that give us the best opportunity to score points against the market. With some of the short term indicators at overbought levels we are always proactive in weeding out the weak technical attribute stocks in the portfolio, and taking profits along the way. We plan to continue to scale into positions as sound risk-reward opportunities present themselves as we only look to buy stocks with viable stop loss points.



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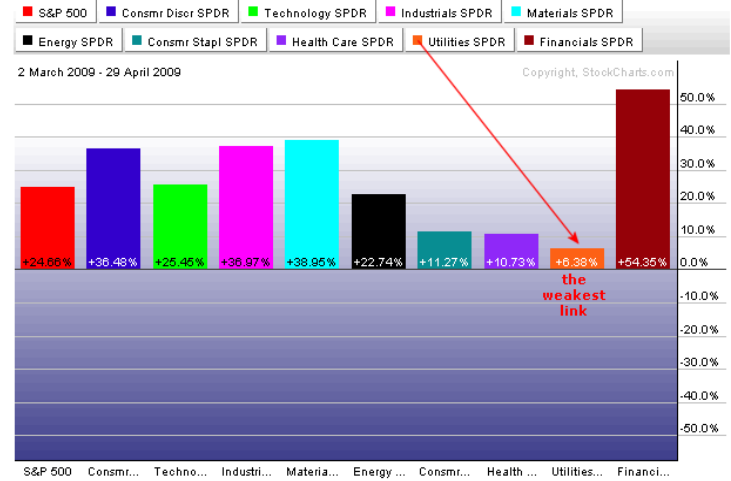
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## Sector Highlights

**UTILITIES Continue showing relative weakness.** The Utilities SPDR (XLU) remains the weakest of the sector SPDRs since early March. In fact, XLU is the only sector that does not sport double digit gains since March 2nd. The Chart to the right shows all nine sector SPDRs and SPY over the last 42 trading days. Eight of the nine are up double digits with XLU up less than 7%.

**S&P 500 – potential head and shoulders bottom?** A "head and shoulders" bottom has three major troughs -- a head surrounded by two shoulders with the head the lowest one. The chart shows the March low falling below the November low. That was accompanied by numerous positive divergences. That raises the likelihood that the November low is a "left shoulder" and the March low a "head". The ensuing rally from the March low (head) should approach the January (but shouldn't exceed it). The flat line over that peak is a potential "neckline". [The exact neckline should be drawn over the January peak and the highest level of the current rebound]. Once the current rebound runs its course, a "right shoulder" should ensue which could take form of a correction of the March/May advance or a period of sideways consolidation. Once the right shoulder is complete, an eventual upside breakout through the neckline would signal a major bottom. Although the current upturn is somewhat over-extended, there's no convincing sign of a top yet. The fact that we've entered the month of May, however, is of some concern.

## Sector SPDR PerfChart



As always please contact us if you have any questions regarding our process, or would like to schedule a review. If you have general account questions, please ask for Julie Miller—client relations.

*The success of our firm is tied to the success of our client's investment accounts. This letter is published periodically with our views on the market, investing and things that seem important to us at the time. Please feel free to share this with anyone you think might be interested. If someone would like to be put on the list just send us an email with his or her email address. You can reach us at: Wespac Advisors LLC (775) 825-4555 or (888) 695-2869 E-mail: renowespac@wespac.net. All information, data, and contents are obtained from sources believed to be correct, but reliability cannot be guaranteed. Data provided by Investors Intelligence, StockCharts.com, and Dorsey, Wright and Associates. Past performance is no guarantee of future performance. Readers of these comments should not take action based on information contained without doing their own research. Comments could pertain to time periods or to trends which are not expected to persist, or could refer to actions not commensurate with other individuals' level of acceptable risk.*