



Advisor Monthly News



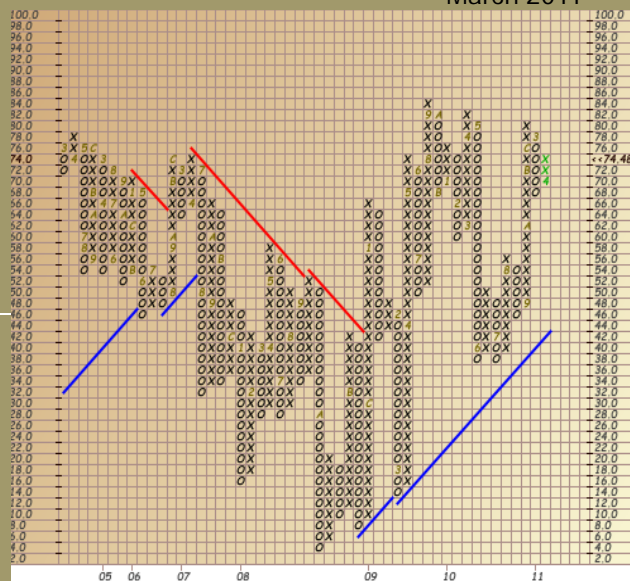
March 2011

Market Data As of March 31, 2011

	Close	Change (Mo)
DJIA	12,319	+ 93
NASDAQ	2,781	- 1
S&P 500	1,325	- 2

Primary Indicators

NYSE Bullish	Xs: 74%	Bear Alert - Overbought
OTC Bullish	Os: 54%	Bull Correction
Optional Bullish Os:	64%	Bear Alert
Trend Timing Indicator	Bullish	1.14



Market Commentary

The month of March saw some return of higher market volatility as we absorbed news from the tsunami in Japan and continued unrest in the Middle East including military action in Libya. The S&P 500 was up 0.04% for the month. The earthquake and subsequent tsunami in Japan did enormous damage and could impact the global economy considerably. Damage to their nuclear power plants has lead to some radiation leakage and we are all hoping that it will not worsen. The material damage is estimated to be \$300 billion, but the ultimate cost including the impact to GDP could be much higher.

Unrest in the Middle East continues with military action in Libya and the price of oil is trending higher with a 7.79% gain in the USO for March. As we mentioned in last month's newsletter, oil shocks in the past have always lead to a recession so the price of oil is something we monitor closely.

Precious metals continued their upward climb with Gold up 0.93% and silver up a whopping 9.5% for the month. Gold and silver are considered to be some of the best inflation hedges.

In spite of the turmoil in the last month we continue to get some good news on the economic front. Last month payrolls increased by 216,000 jobs and unemployment came down to 8.8%. The underemployment rate is still too high; Gallup has it over 20%. Pimco's Bill Gross says that the decline in unemployment shows that QE2 is working, but is cautious about what the effect will be when QE2 ends. He went on the say that our entitlement programs are unsustainable, that the US has an unrecorded debt of \$75 trillion which is close to 500% of GDP. He believes that the US will experience inflation, currency devaluation and low-negative interest rates after accounting for consumer price gains if we don't reform our entitlement programs. One negative factor in the jobs report was that incomes are not keeping up with inflation. Income growth is stagnant while we are all paying more at the gas pump and grocery store.

This week we'll be watching for some agreement on the federal budget, right now the debate is still on. There is potential for a government shut down next week if the debt ceiling isn't raised and a budget agreed upon.



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Strategy Update

(only strategies with changes for the month will be listed)

Sector Rotation: For the month of March the Financial sector was sold and replaced by a Copper index based on relative strength readings. This follows the theme during the past few months showing increasing strength in the commodity complex vs. most other asset classes.

ETF Covered Call Strategy: The strategy is designed to provide total return from a highly diversified ETF portfolio with relatively low volatility. Call options are written monthly to provide cash flow. For the month of March the strategy sold the Japanese Yen and replaced it with the Swiss Franc due to relative strength readings.

Blended Strategies

Tactical ETF: This is a tactically managed blend of Relative Strength rotation strategies designed to provide exposure to the leading global markets. For the month of March we saw a change in Relative Strength among asset classes, whereby commodities became favored over international markets. This prompted a tactical change within the strategy to overweight commodities and decrease international exposure.

Global Multi Strat: This is a tactically managed blend of Relative Strength rotation strategies designed to provide exposure to the leading global markets with lower volatility. Based on the Relative Strength changes in asset classes, International exposure was decreased in favor of commodities. This includes broad commodity exposure as well as subsector exposure in Oil, and Oil exploration.

Balanced Equity Growth: This strategy is comprised of a core holding in our Growth & Income model, combined with a tactically managed blend of Relative Strength rotation strategies. For the month of March we increased commodity exposure due to the increase in Relative Strength and decreased our international exposure.



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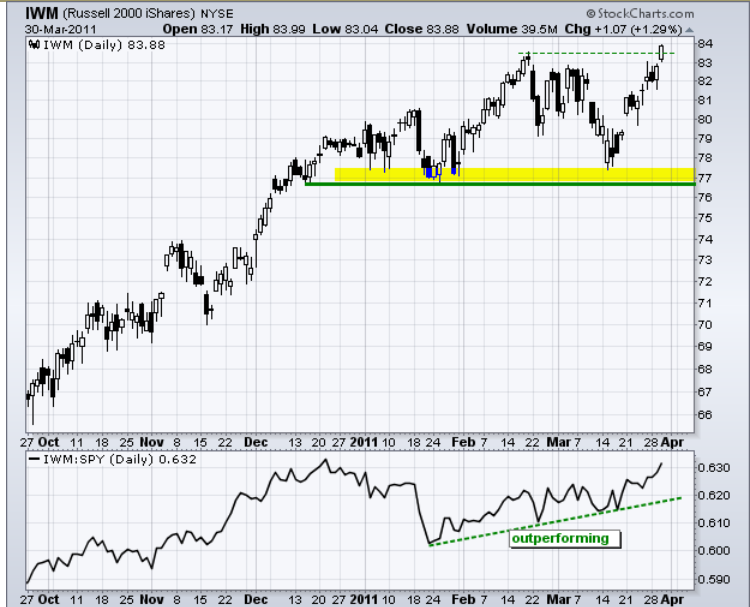


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Monthly notable technical changes

RUSSELL 2000 ETF exceeds February high. Small caps continue to show relative strength as the **Russell 2000 ETF (IWM)** became the first major index ETF to break its February high. The **Dow Industrials SPDR (DIA)** is next in line as it trades near its February high. The first quarter is drawing to a close and we could be seeing some end-of-quarter window dressing from underinvested portfolio managers. Whatever the reason this is bullish for the broader market because small-caps are more sensitive to the domestic economy. The indicator window in the chart shows the IWM/SPY relative strength ratio rising since late January. Even though this Price Relative has yet to exceed its January high, a steady 8-9 week rise shows small caps are stronger. On the price chart, IWM marked out a clear support zone around 77. The major trend is up as long as this zone holds.

Bond Yields jump. The March jobs numbers reported U.S. payrolls jumping by 216,000 which was higher than estimates. In addition, the unemployment rate declined to a two-year low of 8.8%. Bond yields are climbing on the jobs report. The chart shows the **10-Year T-Note Yield** hitting a one-month high after clearing its 50-day line earlier in the week. Rising bond yields are bad for bond prices (which trend in the opposite direction of yields) but are generally good for stocks. That's because rising bond yields are symptomatic of a strengthening economy.



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