

OK, NICK, WHAT ARE YOU DOING HERE?

In the April issue, under my retirement plan, I noted that “in mid-April I switched out of the CREF money-market fund because it is yielding only about 0.8% per year, and I elected to adopt what is supposed to be a ‘market-neutral hedge’ using inflation-indexed bonds and CREF stock. Though it is difficult to determine exactly what the ongoing yield of the two CREF funds is, it appears the ‘hedge’ will give me a yield of about 2.4% per year if the two markets go essentially nowhere for the next few months. Even if one market tanks and the other soars, there is protection until one of them goes to an extreme. Now, this ‘hedge’ is valid only for as long as the deflationary scenario persists and bonds continue to rise whenever stocks fall. Should we enter into 1970s-style ‘stagflation’, where both bonds and stocks simultaneously suffer as consumer prices soar, it will fail. But as you know, I expect some variation of Japanese financial history 1989-2003 to occur in the U.S.; this asset deflation is far from over.

“At the end of the month stocks had risen so the original balancing of 86% inflation-indexed bonds and 14% stocks (using what was previously in the money-market fund) was slightly skewed toward stocks, so I skimmed off a little from stocks (into the money-market fund), done in two transactions because of minimum-transfer-amount restrictions. I expect to do more of this as stocks oscillate from overbought to oversold. The percentage shown is the part of the total retirement portfolio that was ‘captured’ in the money-market fund.”

Since there have been several of these “profit-skims” since, I thought it might be better to demonstrate by example (using actual trades, but fictitious cash in the example) rather than leave you guessing as to just what is going on.

Let’s assume I began with \$100,000 in the CREF money-market fund. (I wish.... not the real amount, but for the sake of the example let’s begin with that nice round amount.)

On April 17, before the market’s close, I established my initial hedge position by shifting the money-market funds into \$14,000 of CREF stock (at \$130.7163) and \$86,000 of CREF inflation-indexed bonds (at \$39.5156).

I found that for the next week and a half both bonds and stocks did well, bonds perhaps a little better, which didn’t surprise me because I thought I might have bought into the bonds at a slightly depressed price coming off the March highs. Anyway, by April 28, after a sharp rise in stocks and before the market close I estimated the valuations would be almost \$14,400 in CREF stock, and more than \$86,150 in bonds. So I decided to “skim off” part of that \$400 in stocks to bring the hedge back into balance in the ratio of 43:7, as long as it could be done without going below the original \$100K invested.

Oops, I hit the “minimum transfer amount” of

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\$1,000. Can't skim off \$350. So I asked to transfer \$1,000 from CREF stock to the money-market fund, on the theory that I could return a smaller amount to stocks the following day.

Nick, you idiot, you got it backwards! The \$1K minimum applies for transfers out of the money-market fund too. You should have transferred \$1,350 into the money-market, then \$1,000 out of the money-market. Haste makes waste.

So the next day, I transferred an additional \$1,000 from CREF stock into the money-market, then on April 30 I transferred \$1,650 back into CREF stock. At this point, the accounts were: CREF stock, \$14,017.60 (at \$134.2296); inflation-indexed bonds, \$86,654.42 (at \$39.8164); money-market, \$350.11 (at \$21.6984); total, \$101,022.13.

But I could see that the minimum transfer amount was going to be a problem, because it meant I would have to speculate on market trends continuing for the following day for the switchback of the lower amount. Now, TIAA-CREF provides two methods of switching: By dollar amounts (minimum, \$1,000) and by percents. I wondered if it would be possible to specify a percentage switch and thereby move amounts less than \$1,000?

I got my chance the next day (May 1), when the bond market continued to rise and I could see the hedge was getting unbalanced on the bond side. Now there is a slight advantage when trading bonds, because the bond market closes at 3PM and the final percentage change (which correlates reasonably well to the CREF inflation-indexed bond unit price change) is known, yet TIAA-CREF lets you trade as late as 3:59:59 PM, same as all the other CREF funds. So I put in for a 1% transfer from inflation-indexed bonds to the money-market.

It worked. Next morning, the balances were: CREF stock, \$14,032.26 (at \$134.3700); inflation-indexed bonds, \$86,075.54 (at \$39.9499); CREF money-market, \$1,219.57 (at \$21.6996); total, \$101,327.37.

Then on Friday May 2, stocks were making about a 2% move upward prior to the weekend, so I decided to peel off 2% of the value of my CREF stock to capture that gain, before the day's market close. For the weekend, that left the accounts at: CREF stock,

\$13,927.71 (at \$136.0907); inflation-indexed bonds, \$86,096.01 (at \$39.9594); money-market, \$1,503.84 (at \$21.7000); total, \$101,527.56.

On May 5, bonds rallied strongly and I decided to pick off another 1% from them, leaving the accounts as: CREF stock, \$13,924.39 (at \$136.0588); inflation-indexed bonds, \$85,575.47 (at \$40.1190); money-market, \$2,368.33 (at \$21.7011); total, \$101,868.19.

I could see that I might have overdone it slightly, as both stock and bond funds had fallen below my established minimums (\$14K and \$86K); but the hedge ratio was not terribly out of whack. And on May 6, bonds continued to soar, so I decided to peel off another 1%. However, TIAA-CREF cuts off your electronic trading if you make more than three transfers out of any fund (except the money-market) in a month, and this was #3 for inflation-indexed bonds for May.... so rather than give up my hedge, I put 1% of 99% into the money-market and 99% of 99% into the CREF (corporate) bond fund (leaving 1% in inflation-indexed bonds). This left the accounts as: CREF stock, \$14,063.07 (at \$137.4138); CREF bond, \$84,092.45 (at \$70.6825); inflation-indexed bond, \$858.00 (at \$40.2242); CREF money-market, \$3,217.80 (at \$21.7016); total, \$102,231.32.

The bond rally continued on Wednesday, May 7 and it seemed to me I could pull out another 2% and still bring the dollar amounts back to their minimums. Well, not quite, as it turned out; the rally was bigger in Treasuries than in corporate bonds, and I had no really good way to estimate the correlation before seeing the closing unit prices for the day. So I "overdid" it; too much went into the money-market fund. So this left the accounts as: CREF stock, \$13,999.52 (at \$136.7929); CREF bond, \$82,731.50 (at \$70.9577); inflation-indexed bond, \$864.45 (at \$40.5275); money-market, \$4,906.35 (at \$21.7026); total, \$102,501.82.

On May 8 I got to thinking: I had expected to make 2.4% *per year* on the hedge, but for reasons I couldn't fully fathom, except possibly for the Fed making noises about deflation, both stocks and bonds had rallied, with Treasury rates hitting new 50-year lows. Since corporate bonds weren't behaving as strongly as Treasuries, I decided not to push my luck.

Undoubtedly the divergence in behavior from the usual would end and things would come back into balance, just as they had in late March.

So I decided to “take the money and run”, and wait for possibly another chance to hedge in late May or early June. Before the end of the trading day I transferred all that remained in CREF stock and CREF bonds to the money-market fund, leaving the accounts as: CREF inflation-indexed bond, \$868.11

(at \$40.6991); money-market, \$101,548.28 (at \$21.7028); total, \$102,416.39. I had made my 2.4% at relatively low risk (because of the hedge) in about three weeks. Of course, I subsequently saw that this wasn't the end of the bond rally.... but as I said, I wasn't going to push my luck.

So now you (hopefully) understand the “profit skims” (expressed as a percentage of the entire retirement portfolio) shown in my retirement plan.

QUOTES FOR THE MONTH

One of the little charts I keep concerning the options market has been acting very, very weird all this quarter. Well, today [May 14] finally my curiosity got the best of me, and so I went back through all of my charts back to 1993 and looked. There were only two quarters that had a similar pattern. Now this is where it gets so very interesting. These two times were first quarter of 2000 and third quarter of 2000. Okay, now my heart is really pounding with excitement now. I always had faith in this little indicator, and now it is really paying off. For you. Because I am now declaring, with a foolhardy impetuousness and snotty arrogance that is probably going to get me into big, trouble, that my new Fabulous Mogambo Indicator mandates that not only IS the end near, but I am also now wearing a big sign around my neck that says, "The End Very, Very, Very Near" in my messianic-zeal to save your butt. Well, to be fair I have been saying that for a long time now. But no matter how many times I have said it before, I have not, and pay attention here because I say NOT, ever been quite so strident with this new manic-level insistence, actually setting new Olympic world-records in hysterical over-reaction and pompous, preening self-confidence and conceit, that sometime within the next two months, tops, the Fabulous Mogambo Indicator will be not only be exactly proven right, but that cheering throngs of adoring and grateful people will be carrying me on their shoulders up and down the boulevards of the town, shouting huzzahs to me, "Mogambo! Mogambo!" My whole career has been leading to this moment. And now it is here. How's THAT for momentous and portentous?[May 23] I am still on record as saying that this Fabulous Mogambo Indicator is portending that the market will fall dramatically in the next huge leg downward, and pretty damn soon. It has shown up only twice, and in each case it was within two months of a peak, both in 2000. - Richard Daughty

Wall Street would love for you to think that the next bull market is right around the corner. But the people who really know what's going on -- company insiders -- know this is nothing more than a bear market rally. Here's proof: They're SELLING their own company's shares hand-over-fist -- not buying! In fact, roughly seven out of every 10 recent insider transactions are "sell" orders, according to Market Profile Theorems. That means the "smart" money -- people with inside working knowledge -- are getting out fast! If this were a real bull market, insiders would be buying like crazy, not getting out at record numbers ... In April, there were 31% more companies filing for insider sales than buys, according to InsiderInsights.com. Only 664 companies had insiders who bought shares in April. That's the smallest number since InsiderInsights began keeping records in the mid-90s! Insider buying plunged 40% from March to \$70 million, according to Thomson Financial. This is just the third time since 1998 that insider buying has fallen below \$100 million. - Martin Weiss

The population is aging, and many families are getting near retirement. With the front end of the baby boomers approaching 60, many homeowners should be near to paying off their mortgages. The demographics indicate that mortgage debt should be lower than it has been in prior decades. But on the contrary, many baby boomers are likely to hit retirement—after having just lost much of the wealth in their 401(k)s due to the stock market crash—and discover that their homes are worth much less than they had expected. These older

baby boomers really need to be saving to ensure themselves a sufficient income in retirement, but the illusory wealth created by the housing bubble is preventing them from recognizing this fact. - Dean Baker

When the Treasury Secretary of the United States cheers a weakening dollar, it's time to consider bartering for seashells. What chance does the dollar have when its principal stewards are rooting for it to decline in value? How can the dollar possibly advance when it must navigate the Scylla of reckless musings by Federal Reserve governors and the Charybdis of irresponsible remarks by Treasury Secretary Snow? - Eric Fry

Moral hazard occurs anytime the system encourages effective fraud or accounting magic that allows those in charge to benefit in the short run, leaving others holding the bag. Think about Enron, WorldCom, Ahold, Tyco, National Century, Salomon, Blodget, Rigas, Martha, etc. Anyone who reads the press can imagine hundreds, or even thousands, of people whose pictures belong in the post office, but not on stamps. - Richard Benson

The biggest bubble in the history of the world that we recently experienced was powered by the most incompetent and irresponsible Fed in history. However dangerous you may think the Fed has been historically, the Greenspan Fed takes that to an entirely different dimension. - Bill Fleckenstein

Nowadays, the Fed has about run out of interest rate bullets and is increasingly desperate. The risks, both financial and economic, are myriad and great. Manifestly, the imbalanced U.S. bubble economy is sustained only with unrelenting credit excess. Yet such financial and economic bubbles are acutely susceptible to rising rates – a traditional market response to aggressive “reliquefication,” surging demand for borrowings, and a plunging dollar. So the Fed and Wall Street have cleverly concocted the Deflation Bogeyman, that terrible scourge (recall the Great Depression!) that must be fought and conquered at all cost. Never mind that excessive money supply expansion has been for years unrelenting, that households are taking on new debt at a record pace (double-digit mortgage growth!), that credit availability is today ultra-easy for most borrowers (consumer, government and, increasingly, businesses), that government deficits are exploding, that our current account deficit is at an alarming 5% of GDP and growing, that import prices are up about 7% y-o-y, that the CRB commodity index is up 19% in twelve months, that gold is up 13%, that energy prices have been surging along with insurance, healthcare, tuition, and housing, and that general consumer price inflation is on an unmistakable rise. Don't be fooled. This issue in the U.S. today is anything but “deflationary” pressures that would succumb to the sword of additional monetary stimuli. The Fed has boxed itself into the corner of the above-noted bubbles. It's inflate or die, postpone the day of reckoning at all costs, and hope for a miracle. It's also negligent central banking of historic proportions. - Doug Noland

Not only did guys like Greenspan, McDonough and McTeer help the Fed power the mania by making up new-era rationalizations for it, since the market peaked in March 2000, they have fomented another bubble, this one in housing prices. This has enabled consumers to continue to live beyond their means, thereby making the ultimate adjustment more protracted. Rather than taking the bubble as a warning sign and urging folks get their financial house in order, the Fed has given folks the shovel, via the housing bubble, to dig themselves deeper and deeper in the hole. It's sort of like lending money to somebody who had a margin call, rather than making him meet the margin call, and then lowering margin requirements as well, so he can buy more. That is, in essence, what has occurred in the housing market, as many people have increased their mortgages as housing prices have gone up. - Bill Fleckenstein

I think that at some point, the exact moment being unknowable, folks will recognize that the Fed has ruined the financial system, the Fed is powerless to stop the bear market, and the Fed is powerless to fix an economic bust precipitated by the misallocation of capital that occurred in the mania. That realization, I believe, will cause folks to lose confidence, and that loss of confidence will set off an avalanche in stock prices, forcing them to be valued as the fractional shares of businesses that they are, instead of the conceptual fantasy lottery tickets that they have become. - Bill Fleckenstein

Islamic terrorists may not, in fact, be whiling away eternity in the passionate embrace of virgins. Rather, if a controversial new translation of the Koran is correct, successful suicide bombers may receive little more than a complimentary fruit basket upon arrival to the afterlife. According to the work of a German philologist, standard expressions in the Koran like "big-eyed virgin" may actually read "fruit as white as crystal." Admittedly, a fruit basket is probably better than whatever hell has to offer. Even so, as eternal rewards go, a pristine apple hardly compares to a nubile virgin...If this new translation has any merit, the alleged misinformation perpetrated by the ancient Koran scribes has class-action lawsuit written all over it. - Eric Fry

STOCK MARKET OUTLOOK

How many times in the past three years has Alan Greenspan indicated that economic recovery is just a few months away? (I've lost count.) The current economic and stock market malaise does not fit any of the conventional economic theories espoused by most economists and which are taught in today's colleges. The Keynesians had their shot when Japan's bubble burst in 1990; if their popped-bubble-conquering strategies really worked, then Japan should be experiencing a rip-roaring recovery right now. Instead, thirteen years later, Japan is still gripped by deflation (especially asset deflation), government debt is 130% of GDP, interest rates are effectively 0%, and the government is warning of a financial crisis that could strike at any time.

If the monetarist theories.... just print more money and deflation can't possibly happen.... were correct, then the Fed's rapid response to the bubble-popping in 2001 and 2002 should have quickly brought an end to the recession and pulled us out of what appeared at the time to be a relatively mild postwar recession. Well, in July 2002 the stock market, in no uncertain terms, told us that wasn't going to happen.

The school of economic thought that seems to most accurately describe what will happen in a popped-bubble environment is the so-called "Austrian" school (Friedrich Hayek.... whom, incidentally, I had as a professor when I was in college.... Ludwig von Mises, Murray Rothbard, Kurt Richebächer).

The Austrians essentially say that a post-bubble deflation is impossible to avoid because it is the inevitable result from the distortions and excesses of the preceding boom. Efforts by central planners to soften the crash, and especially by the central bank to mitigate defaults, are doomed to failure because they merely postpone the needed readjustments in the allocation of capital that must occur before recovery

comes.

Of course, officials pay no attention to the Austrians because, after all, what bureaucrat or politician wants to admit he or she is powerless to alter (improve) the course of economic events? They will gravitate to the economic theories that tell them they *can* have an impact on the economy (other than to make things worse).

But you, with a portfolio to protect, don't have to believe this lie, any more than the Japanese need have heeded the protestations of their economists and government officials in the 1990s. In fact, if you want a roadmap for what likely lies ahead, it would profit you to review what happened in Japan in the 1990s, which has followed classic Austrian-school post-bubble behavior.

The general pattern is: Things (asset values, the economy, job creation) trend downward for a decade or more in alternating waves of optimism and pessimism which do not appear to be very predictable, though many (including me) make a stab at it. I find it intriguing that the most interesting efforts in trying to project the deflationary future are occurring not in economics, but in geophysics (Didier Sornette) and in "socioeconomics" (Robert Prechter), where the analysis focuses on the *psychology of herd behavior* and its economic consequences.

For the short term, the Federal Reserve has been making noises about deflation primarily, I think, to (successfully) float a rapidly-growing Treasury debt. But it has a point: In Japan, (consumer price) deflation appeared in earnest about 3-1/2 years into their post-bubble environment and, if we follow a similar pattern, we should begin seeing serious deflation sometime next fall or winter.

With the successful military campaign in Iraq winding down, and consumer confidence rebounding, and stock prices recovering, and even with both "Timer's Trend's" pointing upward, there is a plethora of bullish sentiment abounding. So you want to know: Hey, Nick, how come you are not a raving bull right now? Well, I still have this problem.... with overvaluation. Even though a lot of gas has come out of stocks, they are still valued at about 80% of GDP, which was the *peak* in 1929 (mean: 48% of GDP). They still trade at three times book value (typically, twice book at bull-market peaks, below book value at bear-market bottoms). The dividend yield is still under 2.5%, in spite of the new more favorable tax treatment (typically, 3% at market peaks, 6% at big bear bottoms). And just where do you think the Dow would be headed if this were a new bull market? 11000? 12000? 13000? Do you really think the bubble will return? Not bloody likely.

So I remain *marginally* bullish.... really, just a hair above neutral.... for the next few months. Sometime in the summer, or maybe in the early fall, stocks might trade as high as 950-1000 for the S&P 500, and in the high 8000s to mid-9000s for the Dow.

But I won't be dogmatic about this, because during

almost the entire post-WWII period stocks have reflected a 3% to 4% "inflation premium" in their pricing, and once the deflation arrives in earnest investors will remove this "inflation premium" from stock prices, and they will tumble. And the onset of the obviousness of deflation (and the obviousness of the impotence of the Federal Reserve) is not especially predictable, though the Japanese experience suggests to me we have a few more months to go before it arrives.

In comparison, Didier Sornette's latest projections show that the next downwave could begin anytime from about now to the end of the year; and the "socioeconomists" and other practitioners of Elliott-wave analysis (which attempts to track herd behavior) appear to be expecting an imminent downdraft.

For my retirement plan, where "cash" is earning in excess of 6%, staying with "cash" is an easy choice. But if you have your dough in a money-market fund whose yield just barely outweighs the management fees and expenses, taking a short-term flyer in stocks might be more appealing than sitting tight and waiting for cheaper stock prices six months to two years down the road. Your choice.

PORTFOLIO REVIEW

Prices shown are as of May 23, 2003.

A. "Professors' Investment Group (PIG)" - investment club portfolio.

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
60	Apple Computer Inc.	[AAPL/otc]	26Jun02			1034.80	18.32	1,099.20
50	Barrick Gold .11	{ABX/nyse}	14Nov96			1466.01	18.16	908.00
30	BP .417	[BP/nyse]	26Jan99			1292.50	41.11	1,233.30
250	Elan Corp. PLC ADR	[ELN/nyse]	1Aug02			585.00	5.93	1,482.50
100	Nokia OYJ ADR ..2973	[NOK/nyse]	14Jun01			2233.00	16.74	1,674.00
45	PolyMedica Corp.	[PLMD/otc]	26Jun02			1070.35	34.00	1,530.00
444	Prudent Bear Fund (444.138sh)	[BEARX]	10Oct02			3500.00	6.58	2,922.43
275.4	Prudent Safe Harbor F (275.387sh)	[PSAFX]	17Apr03			3200.00	12.34	3,398.28
100	Xerox Corp.	[XRX/nyse]	1Aug02			685.00	10.54	1,054.00

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
	CASH & money market					88.31		88.31
	Totals					14,120.17		15,390.01

SUMMARY - "PIG":

Original cost: \$ 9,899.00
Present value: \$15,390.01
Increase: \$ 5,491.01 [+55.47%]

COMMENT on "PIG": There is no change from last month.

B. TIAA/CREF 403(b) retirement plan; I switch between indexed stock/bond/money funds:

Date	Sold	Bought	Date	Sold	Bought
13Mar1992	stock @ 56.65	MM @ 13.41	21Nov2001	i-i bond@33.80	eq-idx@67.52 [4.35%]
29Apr1992	MM @ 13.48	bond @ 31.19	11Dec2001	i-bond@33.28	eq-idx@67.95 [6.19%]
19Jun1992	bond @ 32.14	MM @ 13.55	17Dec2001	i-i bond@33.13	RIEst@168.75 [9.94%]
29Jun1992	MM @ 13.57	stock @ 56.74	17Dec2001	bond@61.54	RIEst@168.75 [9.26%]
24Jul1992	stock @ 56.76	MM @ 13.61	31Dec2001	i-i bond@33.50	eq-idx@68.74 [8.21%]
29Oct1992	MM @ 13.72	stock @ 58.61	25Mar2002	bond@62.43	TIAA Traditional [9.13%]
23Dec1992	stock @ 61.48	MM @ 13.78	26Mar2002	bond@62.63	eq-idx@68.76 [3.39%]
16Jan1995	MM @ 14.83	equity-idx @ 26.44	July-Aug2002	many whipsaw switches, not calculated yet	
20Jan1995	eq-idx @ 26.19	MM @ 14.84	Oct-Nov2002	switches between MM and i-i bond	
30Oct1997	MM@ 17.24	bond@47.56 (27.17%)	2Dec2002	i-i bond@37.68	eq-idx@56.93 [13.22%]
30Oct1997	MM@ 17.24	i-i bond@26.12 (27.17%)	2Dec2002	i-i bond@37.68	mm@21.62 [13.22%]
11Feb1998	bond@ 48.84	MM@17.52 (27.17%)	31Jan2003	eq-idx@ 52.45	mm@21.66 [12.22%]
11Feb1998	li-i bond@ 26.23	MM@17.52(27.17%)	17Apr2003	mm@21.69	i-bond@39.52 [21.72%]
16Jun1998	MM@ 17.84	TIAA Traditional (45.87%)	17Apr2003	mm@21.69	stock@130.72 [3.54%]
23Sep1999	MM@18.99	I-I bond@27.56 (53.32%)	28-30Apr2003	0.0889% "profit-skim"	stock to mm@21.70
17-18May2000	rate adjustment to 7.25% in SRA		1May2003	0.2184% "profit-skim"	i-bond to mm@21.70
12-13Jul2000	rate adjustment to 7.5% in SRA		2May2003	0.0714% "profit-skim"	stock to mm@21.70
8Jan2001	TIAA Traditional	bond@58.62 [22.77%]	5May2003	0.2167% "profit-skim"	i-bond to mm@21.70
8Jan2001	TIAA Traditional	eq-idx@75.79 [4.56%]	6May2003	0.2127% "profit-skim"	i-bond to mm@21.70
1Feb2001	i-i bond@31.78	eq-idx@80.84 [26.76%]	7May2003	0.4225% "profit-skim"	bond to mm@21.70
20Sep2001	bond@61.99	eq-idx@58.42 [2.44%]	8May2003	-0.4757% "profit-skim"	stk&bd to mm@21.70

Values, 23May2003: stock, 138.04; equity-index, 57.70; MM, 21.71; bond, 71.76; inflation-indexed bond, 41.75; real estate, 178.22; TIAA current yield in SRA, about 6.1% (new money at 4.00% through February 29, 2004). As of May 23, 2003, my retirement portfolios were invested: 51.92% in TIAA, 22.49% in TIAA Real Estate, 0.22% in CREF inflation-indexed bonds, and 25.37% in CREF money market.

Gain, 1988: 18.91%; 1989: 14.48%; 1990: 8.28%; 1991: 27.93%; 1992: 10.20%; 1993: 3.08%; 1994: 4.07%; 1995: 4.80%; 1996: 5.28%; 1997: 5.38%; 1998: 5.72%; 1999: 5.12%; 2000: 9.99%; 2001: 1.11%

Gain, January 1 through March 31, 2002: 0.97% (3.86% annual rate of return)

Total gain since January 1, 1988 (14.25 years): 223.43%

Compound annual rate of return: 8.59%

Gain shown excludes the impact of additional monthly cash contributions.

(Please note that I have not had the time to calculate my rate of return beyond March 2002, and may not get the time until I retire.)
Buying CREF stock on January 1, 1988 and holding it gained 422.38%, for a compound annual rate of return of 11.46%.

Comment on NYSE "Timer's Trend": We are currently on a BUY signal of March 17.

NYSE TIMER'S TREND

Mon 3 Mar 03	. # .	7837.86	-	*	Mon 14 Apr 03	.	. #	8351.10	+	*
Tue 4 Mar 03	# . I .	7704.87	-	*	Tue 15 Apr 03	.	. #	8402.36	+	*
Wed 5 Mar 03	. & .	7775.60	-	*	Wed 16 Apr 03	.	. #	8257.61	+	*
Thu 6 Mar 03	# . I .	7673.99	-	*	Thu 17 Apr 03	.	. #	8337.65	+	*
Fri 7 Mar 03	. # I .	7740.03	-	*	Mon 21 Apr 03	.	. #	8328.90	+	*
Mon 10 Mar 03	# . I .	7568.18	-	*	Tue 22 Apr 03	.	. #	8484.99	+	*
Tue 11 Mar 03	# . I .	7524.06	-	*	Wed 23 Apr 03	.	. #	8515.66	+	*
Wed 12 Mar 03	# . I .	7552.07	-	*	Thu 24 Apr 03	.	. #	8440.04	+	*
Thu 13 Mar 03	. # I #	7821.75	-	*	Fri 25 Apr 03	.	. #	8306.35	+	*
Fri 14 Mar 03	. & .	7859.71	-	*	Mon 28 Apr 03	.	. #	8471.61	+	*
Mon 17 Mar 03	. # . #	8141.92	-	*	Tue 29 Apr 03	.	. #	8502.99	+	*
Tue 18 Mar 03	. # . #	8194.23	+	*	Wed 30 Apr 03	.	. #	8480.09	+	*
Tue 18 Mar 03	. # . #	8194.23	+	*	Thu 1 May 03	.	. #	8454.25	+	*
Wed 19 Mar 03	. # . #	8265.45	+	*	Fri 2 May 03	.	. #	8582.68	+	*
Thu 20 Mar 03	. # . #	8286.60	+	*	Mon 5 May 03	.	. #	8531.57	+	*
Fri 21 Mar 03	. # . #	8521.97	+	*	Tue 6 May 03	.	. #	8588.36	+	*
Mon 24 Mar 03	# . # . #	8214.68	+	*	Wed 7 May 03	.	. #	8560.63	+	*
Tue 25 Mar 03	. # . #	8280.23	+	*	Thu 8 May 03	.	. #	8491.22	+	*
Wed 26 Mar 03	. # . #	8229.88	+	*	Fri 9 May 03	.	. #	8604.60	+	*
Thu 27 Mar 03	. # . #	8201.45	+	*	Mon 12 May 03	.	. #	8726.73	+	*
Fri 28 Mar 03	. # . #	8145.77	+	*	Mon 12 May 03	.	. #	8726.73	+	*
Mon 31 Mar 03	# . # . #	7992.13	+	*	Tue 13 May 03	.	. #	8679.25	+	*
Tue 1 Apr 03	. # . #	8069.86	+	*	Wed 14 May 03	.	. #	8647.82	+	*
Wed 2 Apr 03	. # . #	8285.06	+	*	Thu 15 May 03	.	. #	8713.14 @	+	*
Thu 3 Apr 03	. # . #	8240.38	+	*	Fri 16 May 03	.	. #	8678.97	+	*
Fri 4 Apr 03	. # . #	8277.15	+	*	Mon 19 May 03	.	. #	8493.39	+	*
Mon 7 Apr 03	. # . #	8300.41	+	*	Tue 20 May 03	.	. #	8491.36	+	*
Tue 8 Apr 03	. # . #	8298.92	+	*	Wed 21 May 03	.	. #	8516.43	+	*
Wed 9 Apr 03	. # . #	8197.94	+	*	Thu 22 May 03	.	. #	8594.02	+	*
Thu 10 Apr 03	. # . #	8221.33	+	*	Fri 23 May 03	.	. #	8601.38	+	*
Fri 11 Apr 03	. # . #	8203.41	+	*						

Comment on NASDAQ "Timer's Trend": We're currently on a BUY signal given April 7.

NASDAQ TIMER'S TREND

Mon 3 Mar 03	. # I .	1320.29	-	*	Mon 14 Apr 03	.	. #]	1384.95	+	*
Tue 4 Mar 03	# . I .	1307.77	-	*	Tue 15 Apr 03	.	. #	1391.01	+	*
Wed 5 Mar 03	. # I .	1314.40	-	*	Wed 16 Apr 03	.	. #	1394.72	+	*
Thu 6 Mar 03	# . I .	1302.89	-	*	Thu 17 Apr 03	.	. #	1425.50	+	*
Fri 7 Mar 03	. # I .	1305.29	-	*	Mon 21 Apr 03	.	. #	1424.37	+	*
Mon 10 Mar 03	# . I .	1278.37	-	*	Tue 22 Apr 03	.	. #	1451.36	+	*
Tue 11 Mar 03	# . I .	1271.47	-	*	Wed 23 Apr 03	.	. #	1466.16	+	*
Wed 12 Mar 03	# . I .	1279.24	-	*	Thu 24 Apr 03	.	. #	1457.23	+	*
Thu 13 Mar 03	. # I #	1340.77	-	*	Fri 25 Apr 03	.	. #	1434.54	+	*
Fri 14 Mar 03	. # I #	1340.33	-	*	Mon 28 Apr 03	.	. #	1462.24	+	*
Mon 17 Mar 03	. # I #	1392.27	+	*	Tue 29 Apr 03	.	. #	1471.30	+	*
Tue 18 Mar 03	. # I #	1400.55	+	*	Wed 30 Apr 03	.	. #	1464.31	+	*
Wed 19 Mar 03	. # I #	1397.07	+	*	Thu 1 May 03	.	. #	1472.56	+	*
Thu 20 Mar 03	. # I #	1402.77	+	*	Fri 2 May 03	.	. #	1502.88	+	*
Fri 21 Mar 03	. # I #	1421.84	+	*	Mon 5 May 03	.	. #	1504.04	+	*
Mon 24 Mar 03	# . I .	1369.78	+	*	Tue 6 May 03	.	. #	1523.71	+	*
Tue 25 Mar 03	. # I .	1391.01	+	*	Wed 7 May 03	.	. #	1506.76	+	*
Wed 26 Mar 03	. # I .	1387.45	+	*	Thu 8 May 03	.	. #	1489.69	+	*
Thu 27 Mar 03	. # I .	1384.25	+	*	Fri 9 May 03	.	. #	1520.15	+	*
Fri 28 Mar 03	. # I .	1369.60	+	*	Mon 12 May 03	.	. #	1541.40	+	*
Mon 31 Mar 03	. # I .	1341.17	+	*	Tue 13 May 03	.	. #	1539.68	+	*
Tue 1 Apr 03	. # I .	1348.30	+	*	Wed 14 May 03	.	. #	1534.90	+	*
Wed 2 Apr 03	. # I .	1396.72	+	*	Thu 15 May 03	.	. #	1551.38 @	+	*
Thu 3 Apr 03	. # I .	1396.58	+	*	Fri 16 May 03	.	. #	1538.53	+	*
Fri 4 Apr 03	. # I .	1383.51	+	*	Mon 19 May 03	.	. #	1492.77	+	*
Mon 7 Apr 03	. # I .	1389.51	+	*	Tue 20 May 03	.	. #	1491.09	+	*
Tue 8 Apr 03	. # I .	1382.94	+	*	Wed 21 May 03	.	. #	1489.87	+	*
Wed 9 Apr 03	. # I .	1382.74	+	*	Thu 22 May 03	.	. #	1507.55	+	*
Thu 10 Apr 03	. # I .	1365.61	+	*	Fri 23 May 03	.	. #	1510.09	+	*
Fri 11 Apr 03	. # I .	1358.85	+	*						

"Timer's Trend" is based on 4% and 10% exponential moving averages of the New York Stock Exchange or NASDAQ advance/decline lines (that is, the ratio of advancing to declining stocks). There are many symbols shown above, but the ones that count are the braces: {, } = "Timer's Trend" (4% exponential confirmed by 10% exponential) SELL ({} or BUY ({} signal.

NEXT ISSUE - will appear in late June or early July.