

PUT YOUR AFFAIRS IN ORDER. DO IT NOW.

I continue to be fascinated by the enormous discrepancy between conventional stock market indicators, which mostly say we're in a new bull market, and the off-the-wall warnings, such as Richard Daughty's Fabulous Mogambo Indicator and George Ure's Web Bots, which are warning of trouble immediately ahead. These off-the-wall warnings also sync with some of the analyses of post-bubble psychology, especially those by Didier Sornette and by Elliott-wave analysts, particularly Robert Prechter's crew.

So far, the "crackpots" have failed to deliver; what is, at the very least, a powerful bear-market rally and could possibly (though I don't think so) be a new bull market, continues to chug along.

What we do know is that 12 Fed interest-rate cuts have failed to deliver the promised economic recovery, and there is no good reason to expect that recent cut #13 will be any different. In short, the economic-behavior evidence is strongly saying that we are in a post-bubble aftermath of the kind seen only every generation or two (like those after Tulipmania, the Mississippi bubble, the South Seas bubble, canals, railroads, Florida land, 1929 Crash, 1990s Japan, the Internet).

And not all the bubbles have popped yet. The Fed's recent money-printing has created a little bit of a bubble in the bond markets, a bubble in residential real estate, and currently another mini-bubble in tech

stocks. Keep puffing harder, Alan, maybe they won't all pop at once!

The history of post-bubble markets is that they descend for as little as a decade or as long as 60 years in waves of alternating optimism and pessimism by the investing herd. Each succeeding downward wave is a little bigger and takes a little longer than those that preceded it (in scientific terms, of increasing amplitude and duration) during the first half-decade, after which there can be a genuine half-decade mini-recovery, then a secondary depression, then..... history clouds the outlook here, there can be real recovery or a long period of stagnation.

Based on what has already transpired since the beginning of 2000, the next downward wave is likely to take the Dow from, say, 10000 (if the current rally persists for awhile) to somewhere in the 4000s, over a period of a year to a year and a half. As for when it will begin..... well, the next downswing could arrive as late as after the 2004 elections, or the current rally could extend to about the end of 2003 with the downswing beginning in early 2004, or it could begin next week. The historical evidence for *timing* the next downswing is much weaker than for the fact it *will* occur.

Oh, what's that icy cold thing pressing against the side of my head? A water pistol? You say, *pick one*, Nick, or else! Well, I think the most likely scenario is that the rally will be over by the end of the summer,

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and the next downswing will begin in the fall, the usual time for crashes. (Tradition!)

The main reason I selected this particular timing is that I think the next likely "failure" will be in the housing market. It would appear that bond prices have about maxed-out in their two-decade-long bull market, and with long-term interest rates rising again, the home-refinancing boomlet will come to a halt.... within a matter of months, probably. Since two-thirds of the borrowing against houses goes to pay living expenses, consumer spending will slow down and we'll dip back into recession (if we haven't already). It's unlikely that stocks will ignore this economic tragedy.

The leverage in house prices is frightening. U.S. homeowners today collectively have only about 55% equity in their homes, and this percentage is declining at a recent rate of about 8% per year. But since almost 40% of homes are owned outright.... no leverage at all..... that means the other 60% of homeowners have, collectively, less than one-third equity in their homes. A 10% decline in house selling prices would put about a third of mortgaged homeowners under water. A 20% decline, correcting just the boomlet of the last few years caused by the refinancing binge, would put almost all of those with mortgages out-of-the-money. Sort of gives a new meaning to the term "money pit". We'll have to see how people feel about making monthly mortgage payments toward an asset of shrinking value, but they're not likely to look on it any more favorably than they did when the tech stocks in their 401(k)s blew up.

There are other candidates for systemic failure, such

HERE IN WORCESTER F.B.O.A.

FACE-LIFT FOR MEDICAL COMPLEX:Thomas D. Manning, vice-chancellor of operations and commonwealth medicine at the [UMass] medical school, said the gray granite façade of the medical school and hospital has to be replaced because the material is deteriorating. Sections of granite were chipping and bowing, he said, requiring repairs during the last five years. "The primary cause was deficiency of material and installation," Mr. Manning said.... The cost of the façade work,

as a declining dollar, foreigners' reluctance to continue financing our deficit spending, or a derivatives failure, but I think the housing-price decline is the most likely to happen. The other possibilities are like waiting for earthquakes or tornadoes to strike.... might happen, will happen eventually, but not on any timetable that can be estimated.

At any rate, we now have this pleasant interlude where, if you haven't already done so, you should get your financial affairs in order. Get out of all consumer debt first, then retire as much as you can of your mortgage debt. Invest your retirement money conservatively. This is a lot harder to do than it was in 1996 to 2000 - the 6%-yielding long-term bank CDs have disappeared, but this is what happens during economic decline; your choices become less palatable. Bite the bullet and do it anyway. If you are thinking of "trading down" to a smaller home, do it now.

OK, Nick, you say, what if you're wrong, the recession is really over? Well, I won't make as much money as I would have if I'd ridden the "new bull market". But for me, that's far preferable to losing a pantload of money if I'm right about this but were invested wrongly. I still say, there's plenty of time to invest *after* the Fed proves it can defeat the tides of history.... if it does, which I think it won't.

Sometimes people ask me where I think we are, economically. I tell them I think we're in the beginning stages of a rather long depression. And I haven't seen any evidence in recent months to cause me to change my view.

estimated at \$55 million.... is financed in its entirety through an intergovernmental transfer from the Federal Medicaid program that was authorized by the Legislature.... [news item, June 27, 2003]

Am I the only person who wonders why *Medicaid* funds, intended to help the indigent secure medical care, are being used to re-face buildings which are now falling apart due to Government Low Bidder Syndrome in their construction three decades ago?

RETIREMENT TSOURIS

“Tsouris” is a Yiddish word which generally translates as “trouble”, but with a twinge of shame or sadness, as in the trouble created by the antics of the black sheep of the family. This is the word that came to mind a few weeks ago when my wife and I visited some of her relatives in Connecticut, including a couple about our age who flew in from Florida for the occasion.

The husband runs an accounting firm and is looking for part-time help, and he said he was overwhelmed by applicants in their 60s and 70s who thought they had retired for good but now find they must go back to work because of the decimation of their retirement portfolios, in some cases by half or more. (Those tech stocks again!)

Then the mother-in-law of my wife’s cousin piped up that her husband was thinking of going back to work for the same reason.... his retirement kitty was also

halved.

I was surprised by this forthrightness, because I really have heard *very little* about how many people have taken a beating in this bear market, and how it has affected their lives. Maybe an occasional article in some newspaper, but nothing in the category of personal confessions, until now. Apparently the problem is much more widespread than I had believed.

It would seem that people are ashamed that they blindly followed the buy-and-hold-forever advice of self-proclaimed “experts” who, in hindsight, have been revealed to have had private opinions that differed from their public pronouncements, and these people have now suffered the consequences. But as word gets around, and people find others in the same boat, anger replaces shame. Misery loves company?

“TAX CUT” TRANSFER

My wife recently received a notice from the Commonwealth of Massachusetts that her monthly retirement income will be increasing slightly due to a decrease in income-tax withholding. If the monthly “tax cut” she is getting is truly indicative of our new tax liability, we figure that her increased paycheck amount, plus the decrease in the monthly cost of a drug I take as a result of a forced switch in HMOs,

will just about cover the increase in our monthly health insurance premiums which took effect in June. I figure that our “tax cut” is about six-tenths of 1% of our gross income, so it would appear that we are not members of one of the favored classes. And they’re relying on people like us to usher in the “economic recovery”? Fat chance.

QUOTES FOR THE MONTH

Web Bot Forecast: Tragic July Looms.... In essence, the second half of July 2003 appears to have a massive scandal developing centered around GSEs - Government Sponsored Entities or a related piece of the financial system - that will reveal massive corruption which in turn will lead to a massive economic decline by late summer. - George Ure [Nick's note: George Ure uses proprietary robotic text searches of the Internet to probe for hints of upcoming economic difficulties, in a VERY GENERAL sense. Whether or not this has any useful predictive value remains to be seen.]

The other day I received a phone call from a potential investor that sums up the current state of the market. This individual had lost half of his net worth in the stock market decline of the last three years. He still held on to his tech stocks such as Cisco, Intel, AOL and a few Internets and Biotech stocks. He was encouraged by what he was now starting to see in the price of these shares. What he wasn't able to do and why he sought out my counsel was that he had no control over his emotions. Therefore, what he wanted me to do was speculate in the market for him. He felt that a professional would be able to buy and sell at just the right time. Somehow he felt that we professionals were in possession of a magic black box that enabled us to buy at

bottoms and sell out at tops. His goal was that he wanted me to win back all of his losses. That is what I believe is now going on in the market. Danny Day Trader, Herbie Homeowner, Larry Lawnmower and Slick Speculator are going back in the market again hoping to roll 7s. - Jim Puplava

The NYSE Members have been big net sellers here lately, meaning in the last month. And the Specialists have become markedly more bearish as time goes by, and are accumulating large short positions.... I am operating under the assumption that when you get to make the rules, when you get to know all the big players by their first names, when you have spent your entire working life with the same people doing the same thing, when you get to the point where you know where a lot of the bodies are buried, that you get a kind of feel as to how things are going to unfold, if you catch my drift. - Richard Daughy

The outbreak of irrational exuberance is being fueled by hedge funds and mutual funds that are gambling with other people's money. Some of these managers would never invest their own money in this way but are now playing craps with investors' life savings in a game of trying to beat the averages and outdistance their peers. Given the poor quality of today's earnings the present bout of irrational behavior is even worse than 1999. - Jim Puplava

I can't stress enough that the current rally is as bogus as any that I have seen since I started [the Fiend SuperBear] web site. It is appalling to see people lining up to get sheared again. This is why I think the bear market has much further to go. By the time it is over it is going to take a lot more than just a three-month rally to get the speculative juices flowing again. - Marc Sexton

In the investment management business you can never get in trouble by following the crowd. If your peers are speculating and buying overpriced stocks — as long as you do the same — you can never lose your job. - Jim Puplava

The country at large might be more optimistic about the economy, but the people we see in our stores are still very cautious about how they spend their money. - Mona Williams [Wal-Mart spokeswoman]

As I figured, budgets are not expanding in any way to support the idea of a second-half technology-spending rebound. This comes not just from me but from many people I speak to in the industry. It's just flatness and stabilization in terms of money spent.... It's still sad to see many who believe otherwise, and who would believe that the hypergrowth rates of the past might return, but the corporate spending budgets just are not there to support the idea. - IT insider

Mr. Greenspan has been hailing the wonderment of the U.S. economy's new resilience, both to the bursting of the stock market bubble and to the various shocks from terrorists and the Iraq war. But the cause is obvious. What, for the time being, has prevented a deeper and longer recession in the United States is more and more of the very same consumer-borrowing-and-spending bubble, which has been propelling U.S. economic growth over the past several years. Yet two things have changed. The first one is the collateral behind the consumer borrowing and spending binge. Rising stock prices have been replaced by rising house prices. The second is that it needs more and more rampant credit and debt creation to muster just marginal GDP growth. - Kurt Richebacher

The financial powers-that-be think the danger of deflation is very, extremely, definitely and altogether remote - they say. That's why their guy at the top, for the 13th time now, has taken out "cheap insurance" against a problem that he can't dare to mention by name in his policy statements. For what it's worth, the insurance isn't "cheap" any longer, especially if you're invested in one of the hundreds of money market funds that are paying yields below one percent. Lots of these funds now face the strong possibility of paying yields that actually fall below the cost of the annual fund fee. Money market funds like these, of course, are supposed to be "safe" -- so don't be surprised by the screaming you hear at the end of next quarter, when money market

fund shareholders open their statements. - Robert Folsom

If I were setting odds on deflation in the U.S., the probability wouldn't reach 0.1%. I see no prospect of real deflation like we had in the U.S. and other countries in the 1930s. - Paul Volcker

I've been looking at financial statistics for half a century, so I seldom gasp when I see a new figure. But I gasped today when I saw the latest statistic on the broad M-3 money supply. For the week ended June 20, M-3 exploded to the tune of \$63.1 billion. Adding that to the two previous weeks of \$20 billion each, and you have a bit over \$100 billion added to M-3 over the last three weeks. That's at an annualized rate of around \$1.7 trillion. Greenspan must be in a panic, because he's opening the liquidity-spigot wide and then some.... What's behind the veritable explosion in the US money supply? The answer is that Greenspan obviously believes that deflation is a continuing threat. So let's face it, the creation of money in the US has gone totally wild. - Richard Russell

The only way an economy such as ours can heal itself is by an extended period of "digestion" of its current debt levels. However, this Federal Reserve seems to feel that high debt levels, overconsumption and overcapacity caused by plentiful credit in the past can be fixed by more of the same. Greenspan and Company are obviously of a mind that they can fight both the laws of nature and of simple mathematics by using a bulldozer to push on the string. In the end it still won't work, any more than it has worked in Japan, even if in the near term we see some continued reinflating in the stock market. - Chris Temple

Massive amounts of debt have been built into the US economy. In fact, the debt structure is now so incredibly high (over \$30 trillion) that there is no room for correction, backing off, normal retrenchment following the great bubble boom. So it's the old story... INFLATE OR DIE. And so... we better inflate. - Richard Russell

In its inflation-fighting days, financial markets learned never to doubt the Fed. In its deflation-fighting role, markets are giving the Fed the same benefit of the doubt. My biggest fear is that the Fed's skill-set is asymmetrical -- that the central bank is much better in fighting inflation than deflation. If I'm right, that could spell a tough reality check for the US economy and for ever-optimistic financial markets. - Stephen Roach [Nick's comment: The Fed isn't good at fighting either one.]

The total debt of America is now \$31 trillion. That is three times the GNP of the U.S. That is unprecedented in a major nation. No nation has ever had such a big debt as America has, and it's bigger than it was at the peak of the stock market boom. Think of the dangers involved. Almost everyone has a home mortgage, and some are 89% of the value of the home.... If home prices start down, there will be bankruptcies, and in bankruptcy, houses are sold at lower prices, pushing home prices down further.... After home prices go down to one-tenth of the highest price homeowners paid, then buy. - John Templeton

Our analysis finds that the US real estate market is still far from an instability and that there are no significant risks for a crash this year. The situation is the opposite for the U.K. housing market as two unambiguous signatures show that an unsustainable bubble started years even before the end of the stock market bubble in 2000. These signatures have been found to be reliable predictors of past crashes in financial markets. - Didier Sornette

This mortgage-refinancing binge has had two effects. One is the change in net new borrowing by the consumer, which rose by a record amount of \$768 billion during 2002. The other effect is the amount 'saved' by private households through the refinancing of existing mortgages on their interest payments. Considering that 30-year fixed rates for mortgages have plunged by more than two percentage points over the past 12 months, from well over 7% to almost 5%, these savings have played an important role in bolstering disposable consumer incomes. Pondering where all this money went, we took a look at the pattern of consumer spending from 2002's first quarter to 2003's first quarter. What we found greatly surprised us.

Apart from a temporary, minor surge in the sale of motor vehicles, expenditures on consumer durables were flat over the year. Among nondurable goods, the major increases in spending were on food, gasoline and fuel. Actually, 63% of the higher consumer spending was on services, and mainly on housing and medical care. It was a discovery that has shocked us - because we learned that the American consumer's heavy borrowing is largely financing expenditures on essentials. The other, equally important conclusion to be drawn from these facts is that consumer spending, despite ever-new records in borrowing, is not able to lead a sustained recovery. So far, it has prevented a deepening recession, but it is much too weak for more than that. - Kurt Richebächer

Spending on IT gear is unlikely to ever in my lifetime achieve the levels that it did in the late '90s. Anybody who's got a business plan where they're holding their breath until those days return is likely to die of asphyxiation. - Bill Gates

My mood is very dark. The reason is simplicity itself; when one knows what the future will hold, as I and the other Austrian economists do, it is one thing to laugh and make jokes at the impending calamity and the laughable ineptitude of governmental forces, and university eggheads that caused it. Nowadays, my eyes exhibit a blank, glassy stare and my vocabulary is reduced to incoherent mumbling and raw obscenities, because everything is fine when you say the words, but it is quite another thing to make jokes when you see the rising stress on those you love. - Richard Daughty

STOCK MARKET OUTLOOK

Technically, we're in a new bull market. That is, the technical indicators, such as the drying up of selling pressures, the Coppock Guide (as maintained by InvesTech Research), the monetary easing by the Federal Reserve, stock averages' breaking of downward trend lines, even my own "Timers Trend" indicators, say the path of least resistance is upward. So why am I cautious?

Because, with any set of technical indicators, you have to ask yourself, what is being measured? Most of the indicators technicians follow have been developed post-World War II, and they are derived from the underlying assumption that the Federal Reserve is in control, that when the Fed (and the Treasury) start easing the economy and consumer sentiment will eventually improve.

But as we learned last July (and subsequently) in this post-stock-bubble-popping environment, the Fed is not in control; instead, a different set of dynamics is operative, and one needs to be extremely suspicious of any traditional indicators being able to point to anything more than a powerful bear-market rally.

In such an environment, in my opinion, indicators showing extremes of sentiment are far more relevant in anticipating future stock-market movements than the more mechanical technical indicators.... and we

have them. In June, the ratio of bulls to bears, both professional money managers and individual investors, reached extremes typically seen at market tops - while corporate insiders were selling to these optimists at levels also typically seen at tops. Such extremes in investor sentiment are not accurate for timing.... a bullish move may still have a few more months in it.... but they usually indicate the end is near.

The idiot Greenspan has also popped the bond bubble he created by indicating the Fed will likely not buy long-term treasury bonds to "fight deflation".... after hinting in the spring that it would. Long-term interest rates have corrected rather quickly since.... a 26% rise in a few weeks' time is a pretty sharp adjustment.... and this will stop the home-refinancing boom dead in its tracks. And since two-thirds of mortgage refinancing proceeds have recently gone into consumer spending, it's only a matter of months before the consumer cuts back on purchases.

Thus, the current rally is herd mentality at work following the lightning war in Iraq. It's not sustainable in light of rising interest rates (which choke off consumer purchases). Of course some bounce is to be expected when the Fed suddenly accelerates its printing of gushers of money and the government starts mailing "refund" checks to people

with kids. But these actions don't provide a long-term, sustainable solution to our economic woes or to the overhanging asset deflation.

Though the Iraq-war rally has been a powerful one, I didn't expect it to make much headway this summer because of the powerful deflationary pressures it would be fighting.... so I have been only marginally

bullish for the summer. Short-term, I think we might have a minor correction in early August, followed by marginal new rally highs later in the month or in early September. After that, I expect the next major deflationary wave to hit stock prices, with the Dow descending at least into the 6000s, and possibly into the 4000s, and the NASDAQ into triple digits, by mid-2004.

PORTFOLIO REVIEW

Prices shown are as of July 30, 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	20.28	1,216.80
50	Barrick Gold .11	{ABX/nyse}	14Nov96			1466.01	17.07	853.50
30	BP .417	[BP/nyse]	26Jan99			1292.50	41.79	1,253.70
100	Nokia OYJ ADR ..2973	[NOK/nyse]	14Jun01			2233.00	15.28	1,528.00
45	PolyMedica Corp.	[PLMD/otc]	26Jun02	1Jul03	1702.61	1070.35		
444	Prudent Bear Fund (444.138sh)	[BEARX]	10Oct02			3500.00	6.36	2,824.72
277.6	Prudent Global Income (277.567sh)	[PSAFX]	17Apr03			3200.00	11.99	3,328.03
100	Xerox Corp.	[XRX/nyse]	1Aug02	1Jul03	1031.00	685.00		
	CASH & money market					4699.94		4,699.94
	Totals					18,146.80		15,704.69

SUMMARY - "PIG":

Original cost:	\$ 9,899.00
Present value:	\$15,704.69
Increase:	\$ 5,805.69 [+58.65%]

COMMENT on "PIG": After the PIGs successfully bailed out of Elan before its (recent) troubles hit, I noticed that PolyMedica was also starting to go parabolic, and I suggested to the PIGs that we sell enough shares to recoup our original investment, and let the rest ride. But before the PIGs could get their act together, PolyMedica announced that the SEC had chastised it for capitalizing certain sales costs, and the stock tanked. My feeling is, any company that capitalizes its costs of sales probably has other accounting shenanigans going on, and it's better to get rid of the whole thing. So we did. Also on my suggestion, we sold the Xerox because Xerox is making a secondary offering of stock, which will keep the share price from going anywhere for awhile.

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	11Dec2001	i-bond@33.28	eq-idx@67.95 [6.19%]
29Apr1992	MM @ 13.48	bond @ 31.19	17Dec2001	i-i bond@33.13	RIEst@168.75 [9.94%]
19Jun1992	bond @ 32.14	MM @ 13.55	17Dec2001	bond@61.54	RIEst@168.75 [9.26%]
29Jun1992	MM @ 13.57	stock @ 56.74	31Dec2001	i-i bond@33.50	eq-idx@68.74 [8.21%]
24Jul1992	stock @ 56.76	MM @ 13.61	25Mar2002	bond@62.43	TIAA Traditional [9.13%]
29Oct1992	MM @ 13.72	stock @ 58.61	26Mar2002	bond@62.63	eq-idx@68.76 [3.39%]
23Dec1992	stock @ 61.48	MM @ 13.78	July-Aug2002	many whipsaw switches, not calculated yet	
16Jan1995	MM @ 14.83	equity-idx @ 26.44	Oct-Nov2002	switches between MM and i-i bond	
20Jan1995	eq-idx @ 26.19	MM @ 14.84	2Dec2002	i-i bond@37.68	eq-idx@56.93 [13.22%]
30Oct1997	MM@ 17.24	bond@47.56 (27.17%)	2Dec2002	i-i bond@37.68	mm@21.62 [13.22%]
30Oct1997	MM@ 17.24	i-i bond@26.12 (27.17%)	31Jan2003	eq-idx@ 52.45	mm@21.66 [12.22%]
11Feb1998	bond@ 48.84	MM@17.52 (27.17%)	17Apr2003	mm@21.69	i-bond@39.52 [21.72%]
11Feb1998	li-i bond@ 26.23	MM@17.52(27.17%)	17Apr2003	mm@21,69	stock@130.72 [3.54%]
16Jun1998	MM@ 17.84	TIAA Traditional (45.87%)	28-30Apr2003	0.0889% "profit-skim"	stock to mm@21.70
23Sep1999	MM@18.99	I-I bond@27.56 (53.32%)	1May2003	0.2184% "profit-skim"	i-bond to mm@21.70
17-18May2000	rate adjustment to 7.25% in SRA		2May2003	0.0714% "profit-skim"	stock to mm@21.70
12-13Jul2000	rate adjustment to 7.5% in SRA		5May2003	0.2167% "profit-skim"	i-bond to mm@21.70
8Jan2001	TIAA Traditional	bond@58.62 [22.77%]	6May2003	0.2127% "profit-skim"	i-bond to mm@21.70
8Jan2001	TIAA Traditional	eq-idx@75.79 [4.56%]	7May2003	0.4225% "profit-skim"	bond to mm@21.70
1Feb2001	i-i bond@31.78	eq-idx@80.84 [26.76%]	8May2003	-0.4757% "profit-skim"	stk&bd to mm@21.70
20Sep2001	bond@61.99	eq-idx@58.42 [2.44%]	27-30Jun2003	0.0155% "profit-skim"	i-bond to mm@21.73
21Nov2001	i-i bond@33.80	eq-idx@67.52 [4.35%]	8-10Jul2003	0.0523% "profit-skim"	i-bond to mm@21.73

Values, 30Jul2003: stock, 147.30; equity-index, 61.59; MM, 21.74; bond, 69.75; inflation-indexed bond, 39.67; real estate, 180.56; TIAA current yield in SRA, about 6.1% (new money at 3.00% through February 29, 2004). As of July 30, 2003, my retirement portfolios were invested: 51.71% in TIAA, 22.89% in TIAA Real Estate, 0.05% in CREF inflation-indexed bonds, and 25.35% 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%

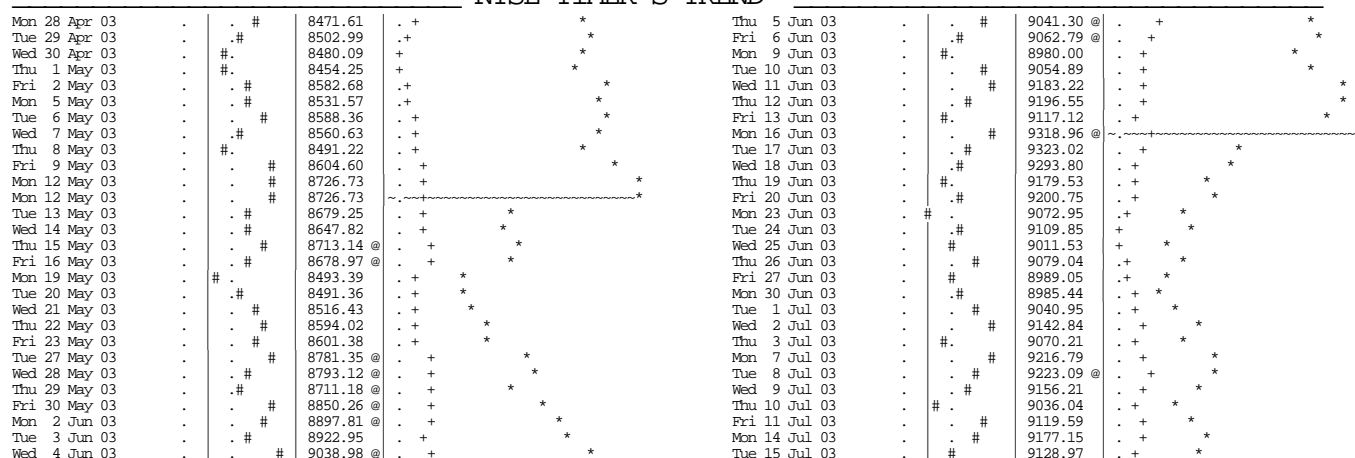
Compound annual rate of return: 8.59%

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



Wed 16 Jul 03	. # .	9094.59	.+	*	Thu 24 Jul 03	. I .#	9112.51	.+	*
Thu 17 Jul 03	. #I .	9050.82	.+	*	Fri 25 Jul 03	. .#	9284.57	.+	*
Fri 18 Jul 03	. I . #	9188.15	.+	*	Mon 28 Jul 03	. I .#	9266.51	.+	*
Mon 21 Jul 03	. #I .	9096.69	+	*	Tue 29 Jul 03	. & .	9204.46	.+	*
Tue 22 Jul 03	. I . #	9158.45	+	*	Wed 30 Jul 03	. I #	9200.05	.+	*
Wed 23 Jul 03	. I .#	9194.24	+	*	Thu 31 Jul 03	. I #	9233.80	.+	*

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

NASDAQ TIMER'S TREND

Mon 28 Apr 03	. #	1462.24	.+	*	Mon 16 Jun 03	. #	1666.58	.+	*
Tue 29 Apr 03	. #	1471.30	.+	*	Tue 17 Jun 03	. #	1668.44	.+	*
Wed 30 Apr 03	. #	1464.31	.+	*	Wed 18 Jun 03	. #	1677.14	.+	*
Thu 1 May 03	. #	1472.56	.+	*	Thu 19 Jun 03	. #	1648.64	.+	*
Fri 2 May 03	. #	1502.88	.+	*	Fri 20 Jun 03	. #	1644.72	.+	*
Mon 5 May 03	. #	1504.04	.+	*	Mon 23 Jun 03	. I# .	1610.75	.+	*
Tue 6 May 03	. #	1523.71	.+	*	Tue 24 Jun 03	. I# .	1605.61	.+	*
Wed 7 May 03	. #	1506.76	.+	*	Wed 25 Jun 03	. I .#	1602.66	.+	*
Thu 8 May 03	. #	1489.69	.+	*	Thu 26 Jun 03	. #	1634.01	.+	*
Fri 9 May 03	. #	1520.15	.+	*	Fri 27 Jun 03	. #	1625.26	.+	*
Mon 12 May 03	. #	1541.40	.+	*	Mon 30 Jun 03	. #	1622.80	.+	*
Tue 13 May 03	. #	1539.68	.+	*	Tue 1 Jul 03	. #	1640.13	.+	*
Wed 14 May 03	. #	1534.90	.+	*	Wed 2 Jul 03	. #	1678.73	.+	*
Thu 15 May 03	. #	1551.38	.+	*	Thu 3 Jul 03	. #	1663.46	.+	*
Fri 16 May 03	. #	1538.53	.+	*	Mon 7 Jul 03	. #	1720.71	.+	*
Mon 19 May 03	. #	1538.53	.+	*	Tue 8 Jul 03	. #	1746.46	.+	*
Tue 20 May 03	. #	1491.09	.+	*	Wed 9 Jul 03	. #	1747.46	.+	*
Wed 21 May 03	. #	1489.87	.+	*	Thu 10 Jul 03	. #	1715.86	.+	*
Thu 22 May 03	. #	1507.55	.+	*	Fri 11 Jul 03	. #	1733.93	.+	*
Fri 23 May 03	. #	1510.09	.+	*	Mon 14 Jul 03	. #	1754.82	.+	*
Tue 27 May 03	. #	1556.69	.+	*	Tue 15 Jul 03	. #	1753.21	.+	*
Wed 28 May 03	. #	1563.24	.+	*	Wed 16 Jul 03	. #	1747.97	.+	*
Thu 29 May 03	. #	1574.95	.+	*	Thu 17 Jul 03	. & .	1698.02	.+	*
Mon 2 Jun 03	. #	1590.75	.+	*	Fri 18 Jul 03	. #	1708.50	.+	*
Tue 3 Jun 03	. #	1603.56	.+	*	Mon 21 Jul 03	. I# .	1681.41	.+	*
Wed 4 Jun 03	. #	1634.65	.+	*	Tue 22 Jul 03	. I .	1706.10	.+	*
Thu 5 Jun 03	. #	1646.01	.+	*	Wed 23 Jul 03	. I .#	1719.18	.+	*
Fri 6 Jun 03	. #	1627.42	.+	*	Thu 24 Jul 03	. I .#	1701.42	.+	*
Mon 9 Jun 03	. #	1603.97	.+	*	Fri 25 Jul 03	. I .#	1730.70	.+	*
Tue 10 Jun 03	. #	1627.67	.+	*	Mon 28 Jul 03	. #	1735.36	.+	*
Wed 11 Jun 03	. #	1646.02	.+	*	Tue 29 Jul 03	. #	1731.57	.+	*
Thu 12 Jun 03	. #	1653.62	.+	*	Wed 30 Jul 03	. I .#	1720.91	.+	*
Fri 13 Jun 03	. #	1626.49	.+	*	Thu 31 Jul 03	. #	1735.02	.+	*

"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 August or September. (Normally there is no August issue, but I may make an exception this year.)