Vol. XVIII, #2 August 31, 2003

POP! GOES THE BOND BUBBLE

I would never claim that the bubble in bonds reached the epic proportions of the stock-market bubble, 1995-2001. Nevertheless, this spring did see a mini-bubble largely induced by Greenspan's Fed intimating that it would pursue unorthodox methods.... i.e., buying long-term bonds.... to keep interest rates low, and the interest-rate curve under control, for the foreseeable future. When the Fed later said this was unworkable (they said.... but I bet they'll try as the deflation progresses) and changed its mind, that was enough to pop the mini-bubble.

Odds are, this is also the end (or very near the end) of the two-decade-long bull market in bonds that got underway in 1982. The very-short-term trend, and unusually rapid rise in long-term rates, is the result of a reassessment by bond investors of the very real risk in holding bonds with low yields in the face of a Fed that's clearly determined to destroy what remains of the purchasing power of the dollar, and of a Treasury that's borrowing with abandon to fund the out-of-control-spending of the government, and of the unwinding of hedges against the risk of mortgage prepayments. Once the "guarantee" of forever-low long-term rates disappeared, bonds had to be almost instantly priced on supply-and-demand factors. And supply is clearly increasing with the budget deficits (and increased borrowing by the states), and demand is slackening as foreign buyers of our bonds and agency debt demand higher rates of return for the increased risk.

The longer term outlook is also poor.... *except,* I expect one more "flight to safety" into government bonds when the next deflationary wave hits stocks sometime (I expect) this fall. In fact, the situation could resemble 1987, when rising interest rates in effect sucked money out of stocks and into bonds, triggering the 1987 Crash. After stocks crashed in 1987, bond yields came down and stocks recovered as the disintermediation corrected. This time around, I would expect a corrective rally in bonds as stocks tank and as there is increased recognition that the asset deflation continues in full force.

But I'm not sure that we'll again exceed the near-3% long-term interest rates reached in June, simply because of increased supply. If we were prodigious savers like the Japanese, we could finance a grossly-distended Federal debt with long-term rates remaining low. But we're not savers, we're profligate borrowers at all levels of society, and we are reliant upon the generosity of retirees and near-retirees (who should be out of debt) and foreigners to keep those dollars-for-debt flowing our way.

One thing is for sure: *Rising interest rates are not bullish for stocks* in a society where people are borrowing money to finance current consumption.

I am surprised at how little attention the bursting bond bubble has received in the popular press. It was big news when the NASDAQ collapsed in the spring of 2000, and big news again when the big-cap stocks

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tanked in the summer of 2002. But for this.... not a peep. Yet a bursting bond bubble is indeed big news, because of its negative impact on economic growth (less borrowing = slower growth or outright decline). One should not ignore bursting bubbles. One should, indeed, treat bursting bubbles with the greatest respect because of their long-term negative consequences. And one should especially treat the popping of the bond bubble with the greatest respect because of its direct tie to the housing bubble.

When the stock bubble popped, the economy stayed more-or-less buoyant because people's perceived loss of wealth was replaced by the perceived gain in wealth in the housing market. But with the bond bubble going, which almost certainly will mean the subsequent popping of the housing bubble, there does not appear to me to be any wealth-replacer (bubble or otherwise). This time around, people really will feel poorer. (If you think you know of another bubble about to show up to replace these, let me know, but I just don't see one on the horizon.)

You may recall a table I ran in the April 2003 issue of **The Contrarian's View** (and reprinted below) which updated to 2003 dollars a table which originally was published in the January 1993 issue.

	Federal Debt	Annual Deficit	Federal Income	Deficit As % of Income
FY1992	$ 5,240	$ 367	$ 1,362	27%
1993	5,607	393	1,403	28%
1994	6,000	421	1,445	29%
1995	6,421	450	1,488	30%
1996	6,870	482	1,532	31%
1997	7,352	514	1,579	33%
1998	7,866	551	1,626	34%
1999	8,418	589	1,675	35%
2000	9,007	631	1,725	37%
2001	9,637	675	1,777	38%
2002	10,312	722	1,830	39%
2003	11,034	773	1,885	41%

The table is based on what I considered to be my most optimistic scenario in 1993: The economy would continue to grow at a 3% pace, and federal revenues would keep abreast.... that is, taxes would be neither increased or cut; interest rates would remain low so the national debt would continue to compound at only a 7% rate (the gap between growth of federal income and debt stays constant at 4%); and no new budget-busting entitlement programs would be voted in.

After noting in April the budget-surplus years which made even this scenario too pessimistic, my comment was, "Well, at least we're in much better shape for when the sh*t hits the fan than I thought we'd be ten years ago." I may have to eat those words. The current (2003) budget deficit looks like it will be about $460 billion, and next year's (2004) I estimate to be almost $700 billion (after the economy and stock market turn down again). That would put the budget deficit for 2004 near what I had projected for 2002, so the result of those few surplus years, followed by the popped bubble(s), is that we are only two years "behind" projection. In other words, we are reverting to the long-term debt growth rate established in the 1990s, with current economic growth ominously below long-term trend, and debt growth ominously well above trend.

Because of the surplus years, Federal debt held by the public (currently at $6,789 billion) is about what I had projected for 1996, and thus the deficit is only 24% of current income of $1,940 billion (projected for next year, 35%). So there's a little bit of a cushion as we revert to trend.... a few years, maybe, before the Boomers reach what is now likely to be a postponed retirement.

My fear a few years ago was that, when the stock-market bubble popped and the inevitable recession hit the government would, in true Keynesian fashion, run humongous budget deficits in an effort to spend our way back into prosperity. My opinion of this strategy is, more debt does not create wealth.... this is but an excellent way to ruin a country.

QUOTES FOR THE MONTH

Even when I was constructive on the market earlier this year, I anticipated that, some time into the second half, it would be clear that expectations had risen too high, both for the stock market and the economy. Once that realization sets in, folks will have to ask themselves why they've been disappointed. They'll realize that Alan Greenspan has no magic wand to fix the problems that were caused by the biggest speculation bubble in the history of the world. The consequences of that were delayed by a bubble in bonds and a huge refinancing /housing boom that appears to have run its course. And folks will lose confidence. That will have negative ramifications for stocks, bonds and the dollar and positive ramifications for gold.... In my opinion, the chances of a crash grow with each passing day, though I will note that crashes or massive market dislocations are very low-probability events. But for those of you who weren't around in 1987, the backdrop was similar, in terms of bonds, the dollar and the stock market's flight of fantasy. Denial back then was nowhere near as egregious as it is now. The fear then was runaway inflation, which obviously isn't today's concern. And now, the fallout from the bubble looms far more dangerous than what was haunting the market in 1987. Further, though we don't have portfolio insurance, we do have futures, as well as mutual-fund holders from coast to coast, able to dial 1-800-Get-Me-Out. So, the stage is set for a much bigger accident, should it unfold. But thus far, most players have gone "all in," hoping that the massive bluff will work. What happens when they realize it hasn't? - Bill Fleckenstein

Our longstanding Dow Channel.... clearly indicates a high of around 35,000 by late 2008 or 2009. This is a four-fold increase in valuation.... in less than a decade, a reasonable forecast considering that the Dow advanced six times from 1922 to 1929.... The sharp correction in the technology sector that we have witnessed makes this the single best time to buy equities in the entire 80-year new economy cycle. It's also the best time to buy in the 40-year Spending Wave cycle, an even greater opportunity than in 1987 when the Dow reached the lows of its last extreme correction. Comparing our forecasts for the NASDAQ and the Dow, it is clear that while the entire economy will continue to do extremely well, the greatest investment opportunities are in technology. Don't let this sharp correction in these "new economy" equities dissuade you from buying. The more extreme correction in technology suggests much greater gains in the years ahead. - Harry Dent [Nick's comment: Yeah, sure.]

It used to be that the economy drove the markets. Now, the markets drive the economy, and the Fed is behind the wheel! The new market-driven economy is based on managing expectations always upward and manipulating markets to keep asset prices up, and the appearance of wealth high. This is designed to keep businesses and households spending. This economic model, however, has an air of desperation about it. At present, corporate cash flows, and the rate of capacity utilization does not justify any meaningful pick-up in corporate investment or hiring. The household sector continues to spend beyond its means and is sustained only by the extraordinary increase in annual mortgage debt. It is clear that if consumers began to pay down their debts and actually save, the US economy would have a massive recession that would shatter the overgrown financial system – the current $32 Trillion of debt could not be serviced, and the $160 Trillion of financial derivatives insure that the financial system is one large Long Term Capital. The Fed is desperate because it knows that a dollar saved is a dollar not spent. - Richard Benson

I admit to being surprised when I looked at the latest figure for M-3, the broad money supply. For the week ended August 4, M-3 grew by an astounding $49.9 billion. At that rate, M-3 would be up over $2.5 trillion during a 12 month period. Fed Chief A. Greenspan isn't just opening the spigots, he's ripped the spigot right *off the bathroom sink. This is a flood. If it was my bathroom, I'd make an emergency call to the nearest plumber.* - Richard Russell

Up until now, low real interest rates have been the glue that has held America's post-bubble economy together -- providing atypical support to consumer durables and residential construction and fueling a "refi cycle" that has provided even broader support to personal consumption. Absent the real interest rate prop, a deflation-prone US economy could well be in serious trouble. In my view, the recent sharp back-up in long-term nominal interest is a warning shot that should not be ignored. - Stephen Roach

A few months ago when the Fed was talking about deflation and buying Treasury Notes and Bonds to "peg interest rates", interest rates kept falling and all the carry trade players thought they could sleep soundly and safely at night. When the Fed cut interest rates by only 1/4% and began to talk about a strong economy and said there would be no need to peg interest rates, disaster struck. Just about every major Wall Street firm, bank, and hedge fund that has been active in the carry trade, went to hedge at the same time. It's not possible to hedge several Trillion of market value overnight. The 10-year Treasury Note lost 11%, and the average mortgage security lost 8%. If the carry trade can be run on 5% equity, and bonds lost 8% - 11%, there are probably some big players that are gone; we just haven't missed them yet. - Richard Benson

Financials are now the most heavily weighted group by far in the Standard & Poor's 500, representing about 21% of the index. That's why the stock market is much more vulnerable to soaring interest rates than most folks realize. Now that the bond market bubble is bursting, we should expect to see the "echo-bubble" in the stock market's financial sector lose some air as well. - Eric Fry

For those readers old enough to remember the prime rate and Treasury Note yields in the high teens, and Savings and Loans dropping like flies, the inherent problems of funding long-term mortgages with short-term money need not be explained. However, even for these savvy old-timers, the modern version of the problem is of a totally different order of magnitude. In the old mortgage market before almost all mortgages were turned into liquid tradable securities, rising interest rates would slowly drain a thrift. The effect was a bit like being slowly drained of blood by a swarm of mosquitoes. Now that most mortgages are in mortgage securities and financed in the "carry trade", the effect of rising interest rates is a bit more like being stripped of all flesh by hungry Piranhas in a matter of minutes. - Richard Benson

The U.S. economy may be broken. That's different from saying that the economy is - or isn't - improving. It is like saying it can't improve. And the idea that the nation's business cycle is "broken" is a lot more troubling than what you are hearing economists and politicians arguing about these days. First, let me say that I hope I'm wrong about this. But the way in which interest rates have behaved over the past month or so should be causing serious concern that the country has gotten itself into a fix that can't be remedied in any conventional way. - John Crudele

Ultimately, all questions about a sufficiently robust U.S. economic rebound boil down to one single question: whether this will jump-start business fixed investment. Consumer spending, bolstered by the house-price and bond bubble, has so far prevented the economy's relapse into recession, but it completely lacks the necessary thrust for a sustained and self-reinforcing recovery. - Kurt Richebächer

There comes a point in every current account deterioration when enough is enough -- when foreign investors demand a premium to keep funding a saving-short economy. History tells us that such a breaking point usually occurs when the current account deficit hits 5% of GDP. That's the threshold that typically triggers the classic current account adjustment process -- characterized by a weaker currency, higher real interest rates, and slower domestic demand that sparks a rebuilding of national saving.... America is at that threshold right now. Its current account deficit hit 5.1% of GDP in 1Q03; in dollar terms, that equates to some $544 billion annualized, requiring foreign capital inflows of around $2 billion per business day. Moreover, the *outlook is even more disconcerting. Courtesy of large and expanding federal government budgets deficits, the US external gap seems likely to rise into the 6.5% to 7.0% range by the end of 2004; that would require capital inflows of nearly $3 billion per business day.* - Stephen Roach

The collapse of world socialism changed circumstances overnight. U.S. labor now faces direct competition in global labor markets. The excess supply of labor in these markets will drive down wages, salaries and employment in the United States. As the dollar is likely to lose value under pressure from our growing trade deficit, the decline in wages will not be compensated by a decline in prices, and U.S. living standards will fall.... Economists dismiss as "anecdotal evidence" the news reports of millions of high-paying U.S. white-collar jobs being moved overseas and filled by foreigners. American high school and college students are far more realistic than economists, as they search for careers that cannot be shipped out or given to foreigners on work visas.... U.S. corporations have made a strategic decision to move jobs abroad. What corporations will employ the displaced U.S. employees? - Paul Craig Roberts

People consistently focus on cut costs as one of the reasons that earnings will gain leverage once demand picks up. Tech workers have some of the highest incomes in the U.S. And as those incomes erode due to cost cutting/outsourcing, I think it becomes a major factor in the so-called consumer-spending recovery. I have read with interest.... how individuals have driven some of the consumer-spending cycle through home refinancing. This allows them to maintain their lifestyles. Well, in info-tech, that is certainly the case. And its effects are hard to quantify, because I know few if any in the tech industry who feel they are moving forward in terms of salary. Yet repeatedly I find people who are trying to hold onto pre-bubble-popping lifestyles. I think as job loss from the outsourcing picks up (it has only scratched the surface), this invariably has some effect on the economy. All this bothers no one, of course, because I believe they are extrapolating a virtuous cycle to everything and everyone. - IT insider

When capitalism went digital, the first casualties were manual laborers. Now that skilled engineering jobs are being transferred offshore, the middle class is in the firing line, and this poses a very real crisis for a large and not-entirely unimportant section of society. Go to college, learn tech skills and - oops, sorry - you're job has just gone offshore. Please accept this redundancy slip and some small token that your worthless (hard-earned) contribution has enriched the global economy.... Technology once promised us vistas of endless prosperity, and saw itself aloof from the obligations of political economy or globalisation. Now these pigeons are coming home to roost, and "technology" is more of a liability than it is a blessing. - Andrew Orlowski

Since the 'recovery' began, over a million people have lost their jobs. Go back 18 months, and the number rises to 3 million. In all, some 9 million Americans are jobless...more than a million have given up looking for work...and about 4 million more are scraping by in part- time jobs, when they would prefer to be fully employed. That's a hefty 14 million people - 9.9% of the U.S. labor force - sitting on the sidelines during the 'recovery.' - Addison Wiggin

Info tech is a tool, in the end, to increase productivity, through data management, faster processing, etc. And right now, we have more than enough. PC replacement cycles are and never have existed like Wall Street imagines.... We basically are telegraphing our intention not to increase IT spending regardless of profits, due to the fact that we do not NEED new equipment (we are already productive). Yet no one listens. They think a profit recovery leads to an IT spending recovery. They think that things are looking great in tech because the stocks look great. They do not care about the fact that the bubble we went through was largely centered in IT spending. Despite the fact that IT spending is not coming back (again, understand intentions vs. spending), it's automatically extrapolated and assumed that things are going to grow, that we suddenly will just increase our budgets.... Things have stabilized; yes, they have, and it's undeniable. But stop extrapolating stabilization with growth. Again, it's not that we do not have the money to spend. It's that we do not need or want to spend it. - IT insider

Is it ethical, even logical, that I have to work my whole life to make say a million dollars when the Federal

Reserve can, in a minute, create billions of the same fiat dollars that I work so hard for? The system defies logic and defies reality. It's a scam. But because there is no limit to the fantasy-dollars that the system has created, the system has simultaneously created a giant edifice of debt. Nobody is certain how much debt has been built into the US structure, but the accepted figure is around $38 trillion. If you figure that the average interest on this debt is 5%, then you are talking about $2 trillion a year needed to service that debt. - Richard Russell

Already in this country a third of the people contribute more than half their incomes to housing, and the run-up in prices is going to make that lugubrious statistic worse. And now there are more people who have been priced out of housing altogether, which makes homelessness worse. Plus the people who used the appreciation in the market value of their homes to borrow will realize that all they did was to go farther into debt, so they will be worse off, too. And the governments that received ramped-up revenues got bigger and more expensive, so that cancerous drain on the national weal is now worse. And if the mortgage market has truly burst, then a lot of investors will suffer losses, so that is worse. And banks. And mortgage companies. And since everyone will be paying more and more for houses as the results of this bubble persist for awhile, everyone will have less disposable income with which to buy all the other things in life that make up GDP and final sales for businesses, so the retail industry will be worse off, too. In short, the damnable Fed and the damnable GSE's have perpetuated a housing bubble in which everyone and nation as a whole will be a net loser in the long run, although there were lots of winners in the short run. Nice going, jackasses. - Richard Daughty

Franklin Roosevelt was without a doubt the worst president in America's history. After destroying the solid golden foundation of the US dollar, he built the immoral foundations of the modern Welfare State which steals 50% of the income of the productive today to subsidize the lazy and unproductive in order to bribe them for votes. Almost all of the huge financial and debt problems America faces today would have never happened if Franklin Roosevelt hadn't betrayed the very US Constitution that he swore to protect. May history curse him and his blighted memory forever. - Adam Hamilton [Nick's comment: I can hear my father saying these same words from his grave, except my father would add that he did believe Roosevelt kept the US from turning communist. (The Depression was a very trying time.)]

STOCK MARKET OUTLOOK

The wad is shot.

We've had several economic stimuli at the same time.... a lightning victory in Iraq (which is now degenerating into guerilla warfare with the Sunnis); "refund" checks from the Treasury; a gusher of fiat money from the Fed; and a gusher of borrowed-and-spent money from refinancing homes. Well, with the start of the school year, the refund money is gone; the refinancing boom has gone kaput; the Fed's printing-press largesse has caused a mini-bubble in tech stocks; and Iraq continues to cost $10 billion per month. (May be money well spent, but it's still too early to tell.) And colder weather is coming (in the northern hemisphere), which "seasonal effect" frequently leads to autumnal market lows in years when stocks are ridiculously overpriced.

So, I would say we are within a week or two of the final highs (for this cycle) in the market indexes, if we haven't already kissed them goodbye. The spring stock market told us how promising the current economic statistics would be; the summer labor market is telling us how grim the economy will be looking by next year.

Sometimes I wonder if the Fed deliberately popped its own bond-market bubble in June (by saying it was impractical for it to buy long-dated Treasuries). After all, it would have known a little earlier than the rest of us that the economy would be perking up, and it might have calculated that things would improve to the point where the mortgage-refinancing boomlet would no longer be needed.... business investment would finally kick in and jump-start the so-called recovery. All that's needed for the illusion of prosperity, and to keep consumer confidence from collapsing, is *one* good bubble.... in this case, it's the stock market again.

The problem with continually trying to keep a bubble going somewhere (especially after the big kahuna popped in 2000) is that the resulting malinvestment leads to some sort of financial accident.... something going wrong somewhere.... because we *are* on the downside of a popped superbubble. You can't predict what the accident will be, or exactly when it will happen; you can only say that such an accident is likely to happen because of where we are in time. These bubble-aftermaths have to run their course. (My guess would be for something to screw up in connection with mortgage refinancing and the large government-supported mortgage-lending enterprises; but that's only an educated guess.)

The Fed people may think they're geniuses for (so far) successfully navigating the economy through the treacherous post-bubble shoals. My opinion is, there shouldn't be anybody in this business of trying to manipulate the economy, and especially not the government.

Recall that the clever Japanese tried this sort of thing several times in the 1990s, most notably in 1995. In that year, it looked like the Japanese were really trying to clean things up. The cross-holdings would be unwound, the banks were to write off their bad loans, and more money was to be put into peoples' pockets. This caused a nice bounce in the Nikkei and a nice bounce in the economy, but all without lasting effect.

You've enjoyed the recent upper; now, get ready for the next downer.

PORTFOLIO REVIEW

Prices shown are as of August 29, 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	22.61	1,356.60
50	Barrick Gold .11	{ABX/nyse}	14Nov96			1466.01	20.21	1,010.50
30	BP .417	[BP/nyse]	26Jan99			1292.50	41.72	1,251.60
100	Nokia OYJ ADR ..2973	[NOK/nyse]	14Jun01			2233.00	16.29	1,629.00
444	Prudent Bear Fund (444.138sh)	[BEARX]	10Oct02			3500.00	6.49	2,882.46
277.6	Prudent Global Income (277.567sh)	[PSAFX]	17Apr03			3200.00	11.98	3,325.25
	CASH & money market					4700.76		4,700.76
	Totals					16,392.27		16,156.17

SUMMARY - "PIG":

Original cost:	$ 9,899.00
Present value:	$16,156.17
Increase:	$ 6,257.17 [+63.21%]

COMMENT on "PIG": There is no change from the July issue.

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

Date	Sold	Bought	Date	Sold	Bought
2Dec2002	i-i bond@37.68	eq-idx@56.93 [13.22%]	2Dec2002	i-i bond@37.68	mm@21.62 [13.22%]

Date	Sold	Bought
31Jan2003	eq-idx@ 52.45	mm@21.66 [12.22%]
17Apr2003	mm@21.69	i-ibond@39.52 [21.72%]
17Apr2003	mm@21,69	stock@130.72 [3.54%]
28-30Apr2003	0.0889% "profit-skim"	stock to mm@21.70
1May2003	0.2184% "profit-skim"	i-ibond to mm@21.70
2May2003	0.0714% "profit-skim"	stock to mm@21.70
5May2003	0.2167% "profit-skim"	i-ibond to mm@21.70
6May2003	0.2127% "profit-skim"	i-ibond to mm@21.70
7May2003	0.4225% "profit-skim"	bond to mm@21.70
8May2003	-0.4757% "profit-skim"	stk&bd to mm@21.70
27-30Jun2003	0.0155% "profit-skim"	i-ibond to mm@21.73
8-10Jul2003	0.0523% "profit-skim"	i-ibond to mm@21.73
25-26Aug2003	0.0109% "profit-skim"	i-ibond to mm@21.75

Values, 31Aug2003: stock, 150.93; equity-index, 63./12; MM, 21.75; bond, 69.59; inflation-indexed bond, 39.90; real estate, 181.95; TIAA current yield in SRA, about 6.1% (new money at 3.00% through February 29, 2004). As of August 28, 2003, my retirement portfolios were invested: 51.41% in TIAA, 23.30% in TIAA Real Estate, 0.04% in CREF inflation-indexed bonds, and 25.25% 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 August 12.

NYSE TIMER'S TREND

```
Mon 21 Jul 03        . #I  .       | 9096.69  |+.        *
Tue 22 Jul 03        .  I  . #     | 9158.45  | +         *
Wed 23 Jul 03        .  I  .#      | 9194.24  | +          *
Thu 24 Jul 03        .  I  .#      | 9112.51  | .+       *
Fri 25 Jul 03        .  |  .   #   | 9284.57  | .+            *
Mon 28 Jul 03        .  I  .#      | 9266.51  | . +          *
Tue 29 Jul 03        .  &  .       | 9204.46  | .+          *
Wed 30 Jul 03        .  I  #       | 9200.05  | .+          *
Thu 31 Jul 03        .  I  #       | 9233.80  | .+           *
Fri  1 Aug 03        .# I  .       | 9153.97  |+.         *
Mon  4 Aug 03        . #I  .      {| 9186.04  + .          *
Tue  5 Aug 03       #.  I  .       | 9036.32  |-.      *
Wed  6 Aug 03        .  &  .       | 9061.74  |-.       *
Thu  7 Aug 03        .  I  #       | 9126.45  |-.        *
Fri  8 Aug 03        .  I  .#     ]| 9191.09  + .          *

Mon 11 Aug 03        .  I  . #     | 9217.35  |+.             *
Tue 12 Aug 03        .  |  .   #  }| 9310.06  | .+              *
Wed 13 Aug 03        .  |  #       | 9271.76  | . +            *
Thu 14 Aug 03        .  |  . #     | 9310.56  | . +             *
Fri 15 Aug 03        .  |  .#      | 9321.69  | . +             *
Mon 18 Aug 03        .  |  .  #    | 9412.45  | .  +               *
Tue 19 Aug 03        .  |  .  #    | 9428.90  | . +                *
Wed 20 Aug 03        .  |  .#      | 9397.51  | .  +              *
Thu 21 Aug 03        .  |  .  #    | 9423.68  | .  +               *
Fri 22 Aug 03        .  | #.       | 9348.27  | . +              *
Mon 25 Aug 03        .  | #.       | 9317.64  | . +             *
Tue 26 Aug 03        .  |  #       | 9340.45  | .+               *
Wed 27 Aug 03        .  |  .  #    | 9333.79  | .+              *
Thu 28 Aug 03        .  |  .   #   | 9374.21  | . +               *
Fri 29 Aug 03        .  |  .   #   | 9415.82  | .  +               *
```

Comment on NASDAQ "Timer's Trend": We're currently on a BUY signal given August 13. After an indicator whipsaw and some weakness in early August, the NASDAQ has become overbought (@-signs), indicating that we are at or near a top of some significance.

NASDAQ TIMER'S TREND

```
Mon 21 Jul 03        .  I #.       | 1681.41  | .+                *
Tue 22 Jul 03        .  I  .   #   | 1706.10  | .+                 *
Wed 23 Jul 03        .  I  . #     | 1719.18  | . +                 *
Thu 24 Jul 03        .  I  .#      | 1701.42  | . +                *
Fri 25 Jul 03        .  I  .  #    | 1730.70  | . +                  *
Mon 28 Jul 03        .  |  .  #    | 1735.36  | .  +                 *
Tue 29 Jul 03        .  |  .#      | 1731.57  | .  +                 *
Wed 30 Jul 03        .  I  .#      | 1720.91  | . +                 *
Thu 31 Jul 03        .  |  .   #   | 1735.02  | .  +                 *
Fri  1 Aug 03        .  I  #       | 1715.62  | . +                 *
Mon  4 Aug 03        .  I  . #     | 1714.06  | . +                 *
Tue  5 Aug 03        .  I #.      {| 1673.50  | . +               *
Wed  6 Aug 03        .  I# .       | 1652.68  | .+               *
Thu  7 Aug 03        .  I  #       | 1652.18  | +                *
Fri  8 Aug 03        .  I  #       | 1644.03  | +               *

Mon 11 Aug 03        .  I  .   #   | 1661.51  | .+                *
Tue 12 Aug 03        .  I  .    # ]| 1687.01  | . +                *
Wed 13 Aug 03        .  |  . #    }| 1686.61  | .  +               *
Thu 14 Aug 03        .  |  .  #    | 1700.34  | .  +                *
Fri 15 Aug 03        .  |  .#      | 1702.01 @| .   +               *
Mon 18 Aug 03        .  |  .     # | 1739.49 @| .   +                 *
Tue 19 Aug 03        .  |  .   #   | 1761.11 @| .   +                  *
Wed 20 Aug 03        .  |  .#      | 1760.54 @| .   +                  *
Thu 21 Aug 03        .  |  .    #  | 1777.55 @| .   +                   *
Fri 22 Aug 03        .  |  .#      | 1765.32 @| .   +                  *
Mon 25 Aug 03        .  |  #       | 1764.31  | .  +                  *
Tue 26 Aug 03        .  |  .  #    | 1770.65  | .  +                   *
Wed 27 Aug 03        .  |  .   #   | 1782.13  | .  +                   *
Thu 28 Aug 03        .  |  .   #   | 1800.18  | .  +                    *
Fri 29 Aug 03        .  |  .   #   | 1810.45 @| .   +                    *
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"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 September. Because there is an August issue this year, and because I put out only 11 issues per year, I probably will skip an issue sometime in the winter. Well, maybe not, maybe I'll be generous and put out 12 issues; but don't count on it.