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TO "B" OR NOT TO "B"?

The time is not too far off when I will be thrown into the government's antiquated Medicare system. Looking ahead, I commented to my wife that when I sign up for Medicare our monthly HMO health-insurance premium cost would drop, because the taxpayers would picking up part of the cost of our health insurance.

You're just assuming our premiums will go down, she told me. You don't really know that's what will happen. You had better check with somebody.

As frequently happens more often than I like to admit, she was right.

Although she took early retirement from her school librarian's job (she continues as an occasional sub), the Town of Oxford continues HMO health insurance for its retirees, with the town picking up half the premium cost and the retiree the other half (the town pays 90% of the premium for employees).

When my wife went to work in the Oxford school system, we decided to get health-plan coverage through her employer rather than through Assumption College, where I work (or with individual plans), because of the coverage for retirees. (Assumption has no retiree health coverage, so when I retire Medicare would cover me but she would have been without, as she is younger than I am.)

Anyway, we are signed up with Tufts Health Plan. So I called their service line and, after negotiating the usual dreadful voicemail menus, eventually was connected with a sweet young dipshit who didn't seem to know the answers to any questions beyond the most basic.

My question to her was, I'm covered under my wife's insurance (she is a retiree), and when I sign up for Medicare Part B, how much do the monthly premiums go down because Medicare is paying part of the cost?

When I sign up for Medicare, she said, Medicare becomes the primary payer and Tufts the secondary payer, picking up the rest of the cost of my medical expenses.

Yes, I said, I already knew that. But how much do we save on the premiums?

There was silence on the line while she checked with somebody else in the organization. When she returned: Your premium doesn't change, she said. As long as I (we) are enrolled in Tufts Health Plan we pay the standard monthly premium (as negotiated with Tufts by the Town of Oxford).

Well, I said, somebody is making out like a bandit, because the various web sites about Medicare indicate the Part B benefit is worth about $200 per month. You mean to tell me that I'm supposed to pay an additional $700-plus per year for Medicare Part B

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coverage, and we don't get any break on the HMO premium?

That's right, she said. I could either sign up for Medicare and Tufts' Medicare supplemental coverage plan, or remain in the Tufts HMO (with or without Medicare Part B). But if I stay in the HMO, the premium doesn't change.

So then I wondered, am I *forced* to take Medicare Part B (when I become eligible) to remain in the Tufts HMO? She said she'd check and get back to us.

A few days later we got a reply on our answering machine. Along with the usual primary/secondary payer gobbledygook came the more-or-less clear answer: As long as my wife is enrolled in the Tufts Health Plan (as a retiree) and the Town of Oxford is willing to continue retirees' coverage, I am free to remain in the plan and I am not forced out nor am I forced to sign up for Medicare.

I still found it hard to believe that Tufts had no provision for giving Medicare beneficiaries a break inside its HMO. I thought about it, and thought about it..... and I could come to only one conclusion: Tufts *saves no money* when its participants sign up for Medicare. The additional paperwork created by having to deal with the government bureaucracy eats up any possible savings. For all I know, it might actually cost Tufts extra for its Medicare-covered HMO participants.

So I ran the question by our family doctor. Why, I asked him, should I sign up for Medicare Part B at $700-plus per year when I don't get any reduction in the HMO premium?

He thought for a long time. (And that's somewhat unusual.... usually he has a ready answer for most all questions.) And then he gave me two sensible reasons why these things work the way they do. The first was: HMOs are designed for *workers*.... retirees are just an "appendage" in a handful of plans, and there just aren't enough retirees with older, Medicare-eligible spouses to make it worthwhile to do the paperwork to set up special plan provisions for them.

His second, less charitable answer was: This is just another way the HMOs screw seniors, because most of them don't bother to "comparison-shop" as I had been doing. (What shocked me most about this answer was not that a "gatekeeper" should make such an honest assessment of the HMOs who pay his fees, but his use of the word "seniors". I don't think of myself as a "senior citizen". Those are the *old folks....* you know, the ones who sit on the bench in the sun playing checkers, the ones with much extra time on their hands. The pre-nursing-home material. Me, why, I'm still young, even if my body does tell me differently when I get up every morning. OK, a year or so ago one of my (much younger) co-workers did say to me, "Boy, Nick, you really are *old."* Sigh. I guess when I finally retire, I'll have to admit I'm "old", even if my brain still thinks I'm in my late 30s.)

Our doctor also pointed out that the HMOs don't deal with Medicare much (at least, not in our type of plan). It's the health-care providers.... doctors' offices, hospitals, etc.... that are stuck with the expense and delays of double-billing, first to Medicare and then to the HMO. When I told him that, as things currently stood, I probably would not sign up for Part B Medicare, he was *extremely* grateful. He didn't quite bend down and kiss my feet, but it felt like he wanted to. I assume this is because I will thus be kept out of Medicare's price-fixing system, and this means he will be fairly reimbursed for his work (and I probably will get better medical care).

As far as "comparison-shopping" goes, I did look at our current (Oxford-subsidized) premium cost in relation to what I would pay if I were enrolled in Medicare Part B plus the Tufts supplemental plan. The monthly cost of the latter arrangement (for me as an individual) would be not quite half what we're paying for the HMO, but the drug benefit is poor.... only $50 per month, after which we would bear the full cost of any drugs.

And this brings us into the political arena. It looks like the Medicare landscape is about to undergo substantial upheaval. There is no new Medicare law in effect as I write these words, but there may be when you read them.

As best I can figure out, under the prescription drug benefit that's likely to become law, Medicare would cover about half of the first $2500 per year of drug costs, nothing of the next $1400, and $950 of every additional $1000 thereafter (that is, over $3900 per year). Adding the cost of the drug benefit to the cost of Medicare Part B plus Tufts supplemental would put my individual health-care-plan cost at about two-thirds of what we currently pay, if I were to stay just below the "gap" in Medicare drug coverage. If I hit the "gap", the monthly cost would rapidly escalate to more than what my wife and I currently pay for our combined HMO coverage, as I approached the upper limit of the "gap".

In short, there doesn't seem to be any economic benefit for me to sign up for Medicare Part B, either as it currently exists or under the (proposed) new law, as long as the Town of Oxford continues to subsidize our coverage. So I probably won't.

The risk I take is that, after I decline Part B coverage, the politicians screw up things enough that the drug benefit is dropped from our HMO plan. (Probably unlikely, because it is a *workers'* plan, but it could happen.) Medicare penalizes you with a 10%-per-year premium increase when you delay signing up, so I could be forced to sign on in a later year at much higher rates. But, considering that in the interim my medical care is likely to be much better, it might be worth taking that risk.

(If any reader of these words has thoughts on the best choices for me to make, I'd like to hear them.)

RIDING STOCKS

In early November my wife and I were at her high school 41st reunion (which, by the way, was the best reunion I've ever attended), and at an impromptu luncheon I conversed with one of her classmates, who is a newspaperman and radio-show host, and the subject drifted to retirement planning. After I had delivered my usual I-don't-do-bubbles lecture, he allowed that, even though he had taken a bath in stocks in 2000-2002, the only way he could see meeting his retirement objectives was to ride the current bull market (as he sees it) in stocks. So he's invested, in tech stocks, yet! Didn't anybody learn from the 2000 NASDAQ bust?

Ah, the myth.... that stocks will return 10%-plus per year returns *ad infinitum*.... dies hard. Sure, that may work over the span of a generation, but when your anticipated retirement date is less than a decade away you need to pay attention to whether or not you are buying stocks at a fair price, because the odds that stock prices will revert to their historical mean in a decade's time are very high.

My comment to him was that I wasn't very confident that this would work out for him as he expected. If he were lucky, he might get four good years, but then the demographic bias would kick in, as the baby-boomers (of which he is one) begin to retire in large numbers and start cashing in their portfolios to pay for living expenses.... and I just couldn't see stocks making any real gains against this powerful demographic headwind. (Sell? To whom?)

Regardless, he said, he felt he had to take the risk, because there simply were no alternatives with which he could reach his objectives. And there we have the rationale for the current bubble in stocks.... people are being driven into the market because the Fed has absolutely killed off any viable alternatives for savers with its policy of artificially-low interest rates. My feeling is, it's painful, but grin and bear it, the interest-rate picture will change eventually. But apparently many people can't stand the pain and are willing to risk taking yet another beating in the market, even after the torture they suffered in the popping of the 1990s bubble.

QUOTES FOR THE MONTH

Ask Greenspan and Ben Bernanke what's to stop them and their monetary hoodlum friends from printing up money and spending it. I'll save you the trouble and expense of making a long-distance call, and merely tell you that the answer is: Nothing at all. Oh, maybe lots of angry people rioting in the street from all the price inflation, but since when did the Fed give a rat's ass what we proletariat bozos like or don't like? Marie

Antoinette, another government jackass, famously said of the rioting masses, "Let them eat cake." Messrs. Greenspan and Bernanke say "Let them eat low interest rates." - Richard Daughty

I picture a frozen pond, seeing and hearing cracks all over the place. One day, the ice will give way and the crack of doom will occur. We can follow the bouncing ball from the mania to the post-mania period, where the Fed has moved heaven and earth in terms of rate cuts. But were it not for the refi game (and tax cuts) that allowed folks to live beyond their means, we already would have been deep into recession and the cleansing process that comes after the boom. So, the Fed and the government (via the tax cuts thrown at us) have seen fit to postpone the readjustment, at the same time engendering massive speculation. When the inevitable readjustment occurs, it will only be more severe because of this intervention. Without even taking into consideration our massive external current-account/trade-deficit problem, our excess-capacity economy and wildly leveraged speculators are literally a recipe for disaster. - Bill Fleckenstein

Our age in finance is an age of heresy. Budgets go unbalanced, currencies go un-collateralized, current-account deficits go uncorrected, securities go unanalyzed and bubbles go un-popped (until too late).... We see the S&P 500 or the dollar.... and we imagine a kind of anvil suspended by dental floss. - Jim Grant

Overvalued markets are like a ball suspended above a water fountain. The ball has no problem at all staying aloft as long as the water pressure under it from the fountain's jets remains sufficient to levitate it. But, if the fountain's flow is slowed to a relative trickle, the suspended ball will tumble out of the air as gravity over-comes the weakened jets' support. The ball can only stay floating in the air if the water pressure supporting it remains adequate. Vastly overvalued markets, similarly, can only remain aloft when fresh money is constantly thrown at them. The ultimate fountainhead of this new currency in our modern paper world is central banks like the Fed. If the Fed cannot keep the fountain pressure high enough to support the levitating markets via enormous inflationary "liquidity injections", basically outrageous M3 growth, then the markets will ultimately come tumbling down to fundamentally fair-valued levels just like the ball suspended above the water fountain. Perhaps 6% annual M3 growth, near the lowest levels witnessed in about 8 years, and the unprecedented in the bubble years -1.3% [recent 10-week] *M3 shrinkage will indeed prove to reduce liquidity pressure low enough that the US markets will be unable to levitate near their current unnaturally high levels approaching 30x earnings any longer.* - Adam Hamilton

Now that the supply of money is contracting, there is less money to keep the economy and the markets expanding. This will become critical in the months ahead because this is a liquidity-driven market... As the supply of money and credit contracts, so will the markets. - Jim Puplava

Stocks do not always go up in the long run. The reality is that most companies go out of business in the long run. - Marc Faber

Following the third phase of the great bull market, 1996 to 2000, the Fed decided that there should be no pain - the Fed would just attempt to skip the pain by keeping the nation in a state that I would term as "high." The Fed did this by flooding the system with liquidity and driving short rates down to 45-year lows. Today a T-bill will bring you less than a 1% yield - money market funds even less. In a "normal" market, you have a number of sensible or reasonable choices. You can buy stocks, a home, bills, notes, bonds or all of them. But look at our choices today. Because the Fed has driven short rates to ridiculous lows and because the Fed has flooded the system with liquidity, the Fed has forced investors either to speculate or to forego anything resembling reasonable income. The Fed has, as I see it, declared war on investors and particularly on savers. - Richard Russell

After this bear market is finally over, almost no one will remember the Pollyanna psychology that existed in the summer of 2000, the spring of 2002, or the fall of 2003. The S&P and Nasdaq will look like one big slide with a few rallies along the way, and historians will probably not even imagine that investors could have been *stark raving bullish during any one of them.* - Robert Prechter

The bottom line is, we are in a box because we had a mania. Post-mania, the best possible behavior would have been to admit our mistakes, let the markets clear, clean up the dead wood, hunker down for a while, and create the foundation for a long-lived recovery. The path chosen by the Fed, the government and, apparently, most people was to pretend the mania didn't happen, and try to power past it, still believing in the tooth fairy. This has caused only further misallocations of capital and other problems that will have to be sorted out prospectively. The idea that a short and sweet recession could close the book on our epic bubble is strictly a fairy tale. - Bill Fleckenstein

My own view, for what it's worth, is that the modest rise in long term interest rates since June, and the consequent sharp deceleration in mortgage re-financings, are about to have a sharp effect on consumer spending, and thus on the economy as a whole. Third quarter GDP growth was artificially high at 7.2 percent, boosted by mortgage re-financings to June and by the tax rebates in July and August. Going forward, we can expect consumer spending to drop. We can also expect more of the true 5 percent per annum inflation rate to show up in the official figures. This in turn will have a huge effect on the Treasury bond market, and on interest rates generally -- to get a real rate of return of 2 percent (the historic minimum), if inflation is 5 percent, nominal interest rates must rise to 7 percent from their current 4.34 percent on the 10 year bond. This would be very bad news indeed for the housing industry, for the banking industry (which will lose both on its bond investments and through an increase in loan losses) and for the economy as a whole. - Martin Hutchinson

Actually, I think as far as mutual funds go, we're still in the early stage of the downward slope of the cycle. The general investing public has not recognized the full role that mutual funds as well as other institutional investors have had in the meltdown we've been watching for the last couple years. There is still a lot of denial going on. A lot of assumption that things will get better in a short period of time and that professional money managers know what they are doing. We will need to see more disgust with the idea of mutual funds and anger directed at the people who run the funds before the downward part of the cycle can be completed. There are a few signs that this might starting. I see, for example, that Mutual Funds Magazine, which gave my book a rather vicious review in 1995, just went out of business. I see also that shareholder lawsuits are starting against mutual fund companies for mishandling fund money.... I would expect to see many, many more of these suits before the fund industry starts a round of reforms to regain investor confidence. This was the pattern in the past when the fund industry enjoyed periods of enthusiastic mania and had following periods of dishonor. The past periods of mania were during the late 1920s and late 1960s. The 1930s and 1970s were grim times for the mutual fund idea. We're not there yet, but we'll get there. - Don Christensen [October 2002]

Last week's release of third quarter GDP gave further evidence that the economy has been stimulated beyond anything healthy. The fact that the Federal Reserve continues to sit on its hands provides proof that it knows this growth is not healthy. If the economy was able to grow at 7.2% due to underlying economic strength, interest rates would be allowed to rise. The current impetus to economic growth stems from the fact that money is cheap. The constant demand for borrowing, especially from consumers, is proof that current interest rates do not reflect the true market price. - Chad Hudson

We have realized that this prevailing optimism about the U.S. economy owes everything to a number of indexes that we call artificial data, such as the Conference Board, Institute for Supply Management, the University of Michigan consumer sentiment, including in particular the stock market, all ranking as early indicators. American economists and investors are unusually obsessed with the idea of spotting a change in the economy before it happens. In the past few months most of these early indicators have been grossly upbeat in comparison to the official data. Just recently, the Federal Reserve published its production index for August. It inched up from 110.1 to 110.2, and was 1% below its level a year ago. The output of consumer *goods even dipped 0.2%. There was a single big increase y-o-y: defense equipment, up 6.5%. This protracted stagnation of production, fully two years after the recession ended, compares with steep increases by 7-8% during the first two years after recessions in past cycles.* - Kurt Richebächer

But what really happened.... during the first half of 2003, being generally hailed as the start of the U.S. economy's final recovery? Let us look at the changes in aggregate GDP. Measured in current dollars, it grew by $99.6 billion in the first quarter and by $105.5 billion in the second quarter, hardly an acceleration. Looking at the demand components, growth of consumer spending, its biggest component, slowed between the two quarters from $87.1 billion to $83.1 billion. Nonresidential fixed investment dipped in the first quarter, but recovered in the second quarter to its earlier level. From first to second quarter, the growth of government spending slowed from $40.7 billion to $33.6 billion, and that of residential investment from $21 billion to $6 billion. Not one single GDP component rose. The sharply rising trade deficit subtracted $11.1 billion from GDP growth in the first quarter and $23.8 billion in the second. But this dismal picture, measured in current dollars, radically changed for the better after the statisticians had treated the numbers with their price indexes. GDP growth, measured in chained dollars, surged from $33.8 billion to $73.5 billion. Growth in consumer spending, down in current dollars, went steeply up from $33 billion to $62.4 billion, and growth in government spending even shot up from $1.7 billion to $31.7 billion. Yet by far the single biggest contributor to this sudden surge in real GDP growth from the first to second quarter came from the calculation of the price deflator for computers. Measured in current dollars, this investment inched up by $0.8 billion in the first quarter and by $6.3 billion in the second quarter, but the hedonic deflator boosted the two numbers in real terms to $15.3 billion and $38.4 billion. Hedonic pricing of computers in the first quarter accounted for 43% of real GDP growth and for 44% in the second.... In its absence, nonresidential investment remained dead in the water across the board. - Kurt Richebächer

Only a few of the 116,000 private sector jobs created in October provide good incomes: 6,000 new positions in legal services and accounting – activities that reflect corporations gearing up to protect their top executives from Sarbanes-Oxley. The remainder of the 116,000 new jobs consist of temps, retail trade, telephone marketing, and fund raising, administrative and waste services, and private education and health services. Physicians' offices hired 9,000 people to cope with Medicare and insurance company paperwork. Nursing and residential care facilities hired 5,000, childcare services hired 6,000, and hospitals hired 3,000. Many of the new jobs do not pay enough to support a family. The temp and retail jobs are 40 percent of the total. All of the new jobs are in services. None of the new service jobs are capable of producing export earnings to bring balance to our massive trade deficit. - Paul Craig Roberts

So far, the recovery has cost 13 interest rate cuts, 3 tax cuts, and, a war! In addition, it has created a real estate bubble (the likes of which the world has never seen before), a reflation of the stock market bubble, and a policy designed to have average citizens support both bubbles by taking unprecedented personal risks when investing. Indeed, never before has a central bank cut rates so many times, nor has a federal government spent so much money resulting in such a small economic improvement, other than boosting consumer spending. - Richard Benson

Right now, American consumers are more deeply in debt than any other population in the history of mankind. But instead of helping people find a way to dig themselves out of debt, our government is perpetually looking for new ways to get them to borrow, spend and speculate more. - Martin Weiss

For nearly 100 years, the ratio of debt to GDP was between 120% and 160%. Only in the 1929 bubble did it ever become really grotesque...peaking out at 260%. Guess what it is today? Over 300% and growing. - Bill Bonner

How can it be that the most aggressive monetary and fiscal stimulus in the history of the nation, at tremendous cost, and paid for by guaranteeing more horrifically punishing costs later on, NOT be having a *powerful positive effect? Where is the damn cost/benefit ratio? How can it not be having ANY freaking effect? Well, to answer my own question, it IS having a positive effect; it has kept the bloated and cancerous American economy from imploding and then exploding in flames.* - Richard Daughty

And.... my loudmouth opinion is that it is entirely possible for a sustained economic recovery to commence while savings are literally zero. I think it is even possible for a sustained economic recovery to commence while savings are less than zero. All you have to do is modify your definition of "recovery." If you define "recovery" to mean that healthy growth and a naturally self-sustaining economy will commence, and happy little children are playing with adorable little puppies, and all the adults are sitting on the porch in a self-satisfied and comfortable life without cares or worries, then no, it is not possible. But if you define it to mean some misshapen Frankenstein monster of an economy, where money is being borrowed and spent willy nilly by a profligate government and a heavily indebted private sector in a bizarre, idiotic and desperate attempt by witless and scared people and businesses to temporarily postpone bankruptcy and complete ruination, then yes, it is entirely possible. All the government has to do is print and spend money, which will work its way into the general economy, because that is where the printed-and-spent money goes. It's as simple as that. - Richard Daughty

I have visited manufacturing plants throughout the world during my life. My first factory tour was with my father when I was five years old and I still remember the train trip to Iowa. I remember the mighty machine tools in the plants that made the products. Machines with names like "LeBlond", "Lodge and Shipley", "Cincinnati", and "Bridgeport" were everywhere on the factory floor. Now I can not even pronounce the names on the machine tools. Our machine tool industry is now gone. We are not only losing our factories but we have lost our ability to build new factories. - Larry LaBorde

As we all know, productivity is calculated by dividing domestic unit production by the number of labor hours required to produce it.... what happens when a company that previously manufactured its own parts starts to outsource the making of those parts to a foreign country, and then imports them for inclusion in the final product (still assembled in the U.S.)? It seems to us that the unit production for this company remains the same as before, but that the labor hours are reduced since we don't include foreign labor hours in domestic statistics. When we divide the production by the reduced labor hours, we get the illusion of vastly expanded productivity although nothing has really changed except for the exclusion of labor hours that were previously in the equation. Maybe we are missing something here, but it seems to us this could be a big part of the explanation as to why this so-called big burst of productivity is not showing up in better economic growth and why the recovery has been accompanied by a massive loss of jobs for the first time in the post-World War ll period. - Minter & Weiner

Of course, since the government keeps telling us, and telling us, and telling us, that there is no inflation in anything, then I guess it is quite presumptive of me to say that this looks like inflation to me. But I am not to be trusted on what things look like to me, since I think I look exactly like Paul Newman in his prime, which always makes everybody laugh out loud for some reason. And it looks like we have roaring inflation in houses and stocks and bonds and lots and lots of other stuff, too. But then I am just a regular idiot off the street, and I am aware that my little low-horsepower pea-brain is dragging down the average IQ of the whole country, so I am obviously not nearly as smart as brilliant government people. So while the prices of damn near everything you can name are rising and rising, you can take it from those government people that it is just a mirage, it is just your imagination, or it is something other than inflation because, as they take so much time trying to drill it into my thick little skull to no avail, prices going up, and up, is NOT inflation. It is something else that I am, to my dismay, entirely too stupid to comprehend, and that is why it looks like inflation to me. Now, the British and the Australians have lower price inflation than we do, and they are raising interest rates to keep it from getting out of hand. But here in the USA, we laugh at them - hahaha! - and say "Hey, morons! Just because prices are going up doesn't mean you are having inflation! Don't you have any government people to explain it to you?" - Richard Daughty

STOCK MARKET OUTLOOK

My wife and I have a friend who was laid off from a midlevel managerial job a little less than a year ago, and with her severance pay gone and her unemployment benefits (26+13 weeks) about to expire, she is looking into substitute-teaching to bring in some money until a permanent job comes along. I must confess, a while back I read her resumé and I found it inscrutable, and she's in my field! (computers). As far as I can tell, she was an information technology project manager, seeing that programming projects were properly designed and hewed to their budgets and schedules. But her work was so specialized, I simply didn't recognize most of the terminology in her work history, which appeared to apply mostly in the banking and insurance spheres. And those folks are still merging, laying off employees, and outsourcing their projects to India or the Philippines, so I think the odds of her finding employment in her area of expertise anytime in the near future are close to nil. (Though I wish it weren't so.)

Now, my question to those of you who know how the statisticians count is: When she's off unemployment and subbing, is she counted as employed? Or is she still counted as unemployed, because she's not working in her field? Or is she simply not counted at all, because she's dropped out of "the system"?

And you want to know, just how does this relate to the direction of stocks? Well, my friend's experience, and the extreme reluctance of the economy to pick up steam.... as measured by a pickup in hiring, not with the government's cooked figures.... indicate to me that the deflation (and depression) is beginning to take hold. We see it in the decline of the monetary aggregates since June, particularly in M3, which indicate an unwillingness to invest in and lend for *productive* assets.... specifically business expansion, thus hiring. Conversely, we see the gushers of moolah the Fed has printed going into places where (people think) it can be *stored;* namely, the stock- and housing-market bubbles.

Even so, the gusher of money, tax cuts and war (deficit) spending have given the economy a good short-term goose, and stocks have correctly anticipated that. But as that effect wears off, I expect the long rounding top in the market to continue. So far, the highs in this bullish jag have come in early November, not during September as I originally anticipated, but that does not (for me) change the general outlook.... one of a long rounding top without much further upside progress, though we could see marginal new highs as late as the spring of 2004. (It's more likely we've already seen those highs, or that they will occur no later than the end of this year.) Afterwards, I expect a steep drop in the market into the summer or fall of 2004, followed by a significant bull market in 2005.

I also feel that stocks remain *extremely vulnerable* to any sudden unpleasant surprises, such as a collapse in the dollar or another terrorist attack. The market simply does not currently have the resiliency to bounce back from catastrophe.... it's too overpriced. (This is not a prediction, just a warning of a high-risk situation.)

PORTFOLIO REVIEW

Prices shown are as of November 24, 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	21.15	1,269.00
50	Barrick Gold	.11	{ABX/nyse}	14Nov96			1466.01	21.08	1,054.00
30	BP	.417	[BP/nyse]	26Jan99			1292.50	42.95	1,288.50

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
100	Nokia OYJ ADR ..2973	[NOK/nyse]	14Jun01			2233.00	17.69	1,769.00
444	Prudent Bear Fund (444.138sh)	[BEARX]	10Oct02			3500.00	6.86	3,046.79
278.6	Prudent Global Income (278.569sh)	[PSAFX]	17Apr03			3200.00	12.84	3,576.83
	CASH & money market					4713.32		4,713.32
	Totals					16,404.83		16,717.43

SUMMARY - "PIG":

Original cost: $ 9,899.00
Present value: $16,717.43
Increase: $ 6,818.43 [+68.88%]

COMMENT on "PIG": There is no change from the October 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%]	6May2003	0.2127% "profit-skim"	i-ibond to mm@21.70
2Dec2002	i-i bond@37.68	mm@21.62 [13.22%]	7May2003	0.4225% "profit-skim"	bond to mm@21.70
31Jan2003	eq-idx@ 52.45	mm@21.66 [12.22%]	8May2003	-0.4757% "profit-skim"	stk&bd to mm@21.70
17Apr2003	mm@21.69	i-ibond@39.52 [21.72%]	27-30Jun2003	0.0155% "profit-skim"	i-ibond to mm@21.73
17Apr2003	mm@21,69	stock@130.72 [3.54%]	8-10Jul2003	0.0523% "profit-skim"	i-ibond to mm@21.73
28-30Apr2003	0.0889% "profit-skim"	stock to mm@21.70	25-26Aug2003	0.0109% "profit-skim"	i-ibond to mm@21.75
1May2003	0.2184% "profit-skim"	i-ibond to mm@21.70	15-26Sep2003	0.0636% "profit-skim"	i-ibond to mm@21.76
2May2003	0.0714% "profit-skim"	stock to mm@21.70	2-20Oct2003	-0.0160% "profit-skim"	i-ibond to mm@21.77
5May2003	0.2167% "profit-skim"	i-ibond to mm@21.70	6-13Nov2003	0.0553% "profit-skim"	i-ibond to mm@21.78

Values, 24Nov2003: stock, 160.21; equity-index, 66.56; MM, 21.78; bond, 71.28; inflation-indexed bond, 41.49; real estate, 185.31; TIAA current yield in SRA, about 6% (new money at 3.25% through February 29, 2004). As of November 24, 2003, my retirement portfolios were invested: 50.50% in TIAA, 24.40% in TIAA Real Estate, 0.04% in CREF inflation-indexed bonds, and 25.06% 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.

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_____________________________ 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  | .  +            *
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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  | .  +              *
Tue  2 Sep 03        .  |  .    #  | 9523.87 @| .   +                *
Wed  3 Sep 03        .  |  .  #    | 9568.46 @| .   +                 *
Thu  4 Sep 03        .  |  . #     | 9587.90 @| .   +                  *
Fri  5 Sep 03        .  |  .#      | 9503.34 @| .   +               *
Mon  8 Sep 03        .  |  .    #  | 9586.29 @| .   +                  *
Tue  9 Sep 03        .  | #.       | 9507.20  | .  +                *
Wed 10 Sep 03        .  |# .       | 9420.46  | . +               *
Thu 11 Sep 03        .  |  .  #    | 9459.76  | . +                *
Fri 12 Sep 03        .  |  . #     | 9471.55  | . +                *
Mon 15 Sep 03        .  |  #       | 9448.81  | .+                 *
Tue 16 Sep 03        .  |  .    #  | 9567.34  | . +                   *
Wed 17 Sep 03        .  |  .#      | 9545.65  | .  +                 *
Thu 18 Sep 03        .  |  .   #   | 9659.13  | .  +                     *
Fri 19 Sep 03        .  |  .#      | 9644.82  | .  +                    *
Mon 22 Sep 03        .  |# .       | 9535.41  | . +                  *
Tue 23 Sep 03        .  |  .   #   | 9576.04  | . +                   *
Wed 24 Sep 03        .  |# .       | 9425.51  | . +               *
Thu 25 Sep 03        .  |# .       | 9343.96  | +               *
Fri 26 Sep 03        .  &  .       | 9313.08  | +              *
Mon 29 Sep 03        .  |  .  #    | 9380.24  | .+               *
Tue 30 Sep 03        .  | #.       | 9275.06  | +             *
Wed  1 Oct 03        .  |  .    #  | 9469.20  | .+                 *
Thu  2 Oct 03        .  |  .   #   | 9487.80  | . +                 *
Fri  3 Oct 03        .  |  .   #   | 9572.31 @| .   +                 *
Mon  6 Oct 03        .  |  .   #   | 9594.98 @| .   +                  *
Tue  7 Oct 03        .  |  .  #    | 9654.61 @| .    +                   *
Wed  8 Oct 03        .  |  .#      | 9630.90 @| .   +                   *
Thu  9 Oct 03        .  |  .   #   | 9680.01 @| .   +                    *
Fri 10 Oct 03        .  |  . #     | 9674.68  | .  +                     *
Mon 13 Oct 03        .  |  .    #  | 9764.38 @| .   +                       *
Tue 14 Oct 03        .  |  .  #    | 9812.98 @| .   +                        *
Wed 15 Oct 03        .  |  #       | 9803.05  | .  +                         *
Thu 16 Oct 03        .  |  .  #    | 9791.72  | .  +                        *
Fri 17 Oct 03        .  | #.       | 9721.79  | .  +                      *
Mon 20 Oct 03        .  |  . #     | 9777.94  | . +                         *
Tue 21 Oct 03        .  |  . #     | 9747.64  | . +                        *
Wed 22 Oct 03        .  | #.       | 9598.24  | . +                    *
Thu 23 Oct 03        .  |  .#      | 9613.13  | .+                     *
Fri 24 Oct 03        .  |  #       | 9582.46  | .+                    *
Mon 27 Oct 03        .  |  .  #    | 9608.16  | . +                    *
Tue 28 Aug 03        .  |  .   #   | 9748.31  | . +                        *
Wed 29 Oct 03        .  |  .  #    | 9774.53  | .  +                        *
Thu 30 Oct 03        .  |  . #     | 9786.61  | .  +                        *
Fri 31 Oct 03        .  |  . #     | 9801.12  | .  +                         *
Mon  3 Nov 03        .  |  .    #  | 9858.46 @|~.~~~+~~~~~~~~~~~~~~~~~~~~~~~~~*
Tue  4 Nov 03        .  |  #       | 9838.83  | .  +          *
Wed  5 Nov 03        .  |  . #     | 9820.83  | .  +          *
Thu  6 Nov 03        .  |  .  #    | 9856.97  | .  +           *
Fri  7 Nov 03        .  |  . #     | 9809.79  | .  +          *
Mon 10 Nov 03        .  | #.       | 9756.53  | . +         *
Tue 11 Nov 03        .  | #.       | 9737.79  | . +         *
Wed 12 Nov 03        .  |  .    #  | 9848.83  | . +            *
Thu 13 Nov 03        .  |  . #     | 9837.94  | . +           *
Fri 14 Nov 03        .  |  #       | 9768.68  | . +         *
Mon 17 Nov 03        .  |# .       | 9710.83  | .+         *
Tue 18 Nov 03        .  | #.       | 9624.16  | .+      *
Wed 19 Nov 03        .  |  .  #    | 9690.46  | .+        *
Thu 20 Nov 03        .  | #.       | 9619.42  | +       *
Fri 21 Nov 03        .  |  . #     | 9628.53  | .+      *
Mon 24 Nov 03        .  |  .    #  | 9747.79  | . +         *
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Comment on NASDAQ "Timer's Trend": We're currently on a BUY signal given August 13.

NASDAQ TIMER'S TREND

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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 @| .   +                    *
Tue  2 Sep 03        .  |  .    #  | 9523.87 @| .    +
Wed  3 Sep 03        .  |  .  #    | 9568.46 @| .    +            *
Thu  4 Sep 03        .  |  . #     | 9587.90 @| .   +              *
Fri  5 Sep 03        .  |  .#      | 9503.34 @| .   +          *
Mon  8 Sep 03        .  |  .    #  | 9586.29 @| .   +              *
Tue  9 Sep 03        .  | #.       | 9507.20  | .  +           *
Wed 10 Sep 03        .  |# .       | 9420.46  | . +        *
Thu 11 Sep 03        .  |  .  #    | 9459.76  | . +         *
Fri 12 Sep 03        .  |  . #     | 9471.55  | . +          *
Mon 15 Sep 03        .  |  #       | 9448.81  | .+          *
Tue 16 Sep 03        .  |  .    #  | 9567.34  | . +               *
Wed 17 Sep 03        .  |  .#      | 9545.65  | .  +             *
Thu 18 Sep 03        .  |  .   #   | 9659.13  | .  +                  *
Fri 19 Sep 03        .  |  .#      | 9644.82  | .  +                  *
Mon 22 Sep 03        .  |# .       | 9535.41  | . +             *
Tue 23 Sep 03        .  |  .   #   | 9576.04  | . +               *
Wed 24 Sep 03        .  |# .       | 9425.51  | . +        *
Thu 25 Sep 03        .  |# .       | 9343.96  | +      *
Fri 26 Sep 03        .  &  .       | 9313.08  | +    *
Mon 29 Sep 03        .  |  .  #    | 9380.24  | .+       *
Tue 30 Sep 03        .  | #.       | 9275.06  |~+~~*~~~~~~~~~~~~~~~~~~~~~~~~
Wed  1 Oct 03        .  |  .    #  | 9469.20  | .+                    *
Thu  2 Oct 03        .  |  .   #   | 9487.80  | . +                    *
Fri  3 Oct 03        .  |  .   #   | 9572.31 @| .   +                      *
Mon  6 Oct 03        .  |  .   #   | 1893.46 @|~.~~~+~~~~~~~~~~~~~~~~~~~~~~~
Tue  7 Oct 03        .  |  .   #   | 1907.85 @| .    +       *
Wed  8 Oct 03        .  |  . #     | 1893.78 @| .   +       *
Thu  9 Oct 03        .  |  .   #   | 1911.90 @| .   +        *
Fri 10 Oct 03        .  |  .  #    | 1915.31 @| .   +        *
Mon 13 Oct 03        .  |  .   #   | 1933.53 @| .   +         *
Tue 14 Oct 03        .  |  .   #   | 1943.19 @| .   +          *
Wed 15 Oct 03        .  |  . #     | 1939.10 @| .   +         *
Thu 16 Oct 03        .  |  .  #    | 1950.14 @| .   +          *
Fri 17 Oct 03        .  |# .       | 1912.36  | .  +         *
Mon 20 Oct 03        .  |  .  #    | 1925.14  | .  +          *
Tue 21 Oct 03        .  |  .   #   | 1940.90  | .  +           *
Wed 22 Oct 03        .  |# .       | 1898.07  | . +         *
Thu 23 Oct 03        .  I #.       | 1885.51  | .+          *
Fri 24 Oct 03        .  I #.       | 1865.59  | .+         *
Mon 27 Oct 03        .  |  .   #   | 1882.91  | .+          *
Tue 28 Aug 03        .  |  .   #   | 1932.26  | .+            *
Wed 29 Oct 03        .  |  .  #    | 1936.56  | . +           *
Thu 30 Oct 03        .  |  . #     | 1932.69  | .  +          *
Fri 31 Oct 03        .  |  . #     | 1932.21 @| .   +         *
Mon  3 Nov 03        .  |  .   #   | 1967.70 @| .   +           *
Tue  4 Nov 03        .  |  .#      | 1957.96  | .  +           *
Wed  5 Nov 03        .  |  . #     | 1959.37  | .  +           *
Thu  6 Nov 03        .  |  .   #   | 1976.37  | .  +            *
Fri  7 Nov 03        .  |  . #     | 1970.74  | .  +            *
Mon 10 Nov 03        .  | #.       | 1941.64  | . +            *
Tue 11 Nov 03        .  I #.       | 1930.75  | . +           *
Wed 12 Nov 03        .  |  .     # | 1973.11  | .  +            *
Thu 13 Nov 03        .  |  .#      | 1967.35  | . +             *
Fri 14 Nov 03        .  |# .       | 1930.26  | .+            *
Mon 17 Nov 03        .  I# .       | 1909.61  | .+           *
Tue 18 Nov 03        .  I #.       | 1881.75  | .+          *
Wed 19 Nov 03        .  I  .#      | 1899.65  | +           *
Thu 20 Nov 03        .  I #.       | 1881.92  | +           *
Fri 21 Nov 03        .  I  .#      | 1893.88  | +           *
Mon 24 Nov 03        .  |  .    #  | 1947.14  | . +            *
```

"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 December.