

Where are we today and where will we be tomorrow??

Let's look at some top scoring sectors...

Services moved into the 2nd sector rank position in mid cap on Feb 25th.

MID CAP					
2/25/09	# Stocks	Average score	Median score	% 75 and above	% 25 and below
Basics	45	51.9	52.5	4.44%	4.44%
Services	104	47.0	45	7.69%	16.35%
Healthcare	39	45.9	50	2.56%	10.26%
Consumers	40	45.4	45	12.50%	17.50%
Utilities	7	42.1	45	0.00%	14.29%
Industrials	39	40.8	40	0.00%	7.69%
Financials	53	40.6	40	0.00%	28.30%
Tech	88	37.0	35	0.00%	23.86%

Assorted Retailers since Feb 25th...

AEO	9.74	15.62	60%
CHS	4.36	7.67	76%
KSS	35.25	45.55	29%
WMT	49.21	47.92	-3%
HD	20.31	26.33	30%
LOW	15.37	21.19	38%
BBY	28.2	39.27	39%
AVERAGE			39%
RTH	66.74	79.15	19%
SPY	76.87	86.6	13%
EXCESS			26%

Here are the returns for Specialty Retail since the end of February...

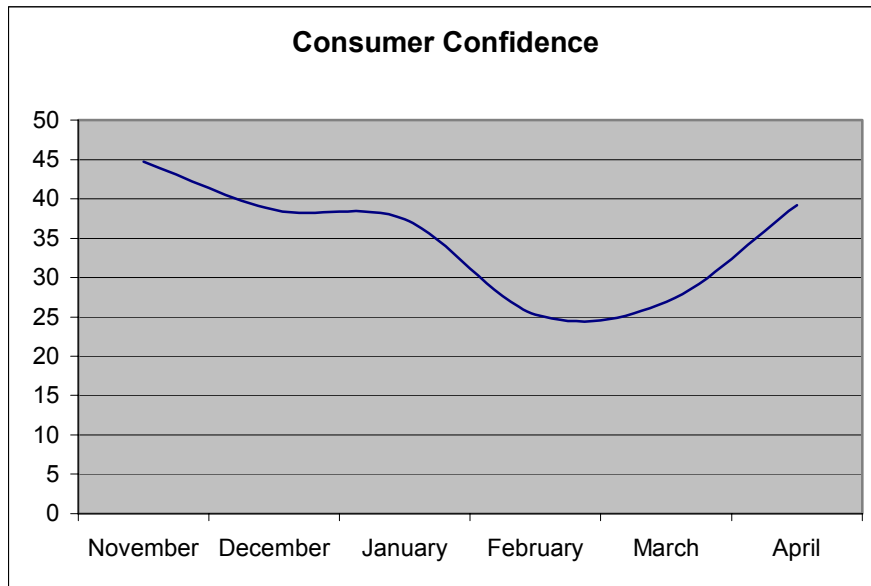
IndexMetrix Specialty	Since 2/28
Apparel	% Return
AEO	59.84%
ANF	15.33%
ANN	3.95%
ARO	41.83%
CHRS	360.00%
CHS	69.32%
FL	43.20%
GES	51.46%
GPS	41.61%
GYMB	29.98%
JNY	177.70%
JWN	67.04%
LTD	43.69%
MW	65.92%
PLCE	56.07%
PSUN	122.70%
ROST	32.22%
URBN	1.92%
AVERAGE	71.32%
rth	19.80%
spx	17.81%

Restaurants moved into the best list on March 4th.

MID CAP SCORE BY INDUSTRY BEST	March 4th AVG. SCORE
DISCOUNT, VARIETY STORES	70.00
EDUCATION & TRAINING SERV	67.50
PROCESSED AND PACKAGED GOODS	63.75
STEEL & IRON	61.67
CHEMICALS - MAJOR DIVERSIFIED	60.00
PROPERTY MANAGEMENT	60.00
RESTAURANTS	58.33
INDUSTRIAL METALS & MINERALS	57.50
OIL & GAS REFINING	57.50
ELECTRONICS WHOLESALE	56.67
INDEPENDENT OIL & GAS	56.00
OIL & GAS DRILLING & EXPL	55.00
WORST	
RESIDENTIAL CONSTRUCTION	30.83
COMMUNICATION EQUIPMENT	30.71
SILVER	30.00

Restaurant returns since March 4th...			
PNRA	\$44.00	\$63.83	45%
CMG	\$50.75	\$82.01	62%
DRI	\$25.49	\$39.88	56%
BJRI	\$11.67	\$16.04	37%
EAT	\$10.74	\$18.59	73%
CBRL	\$22.93	\$33.14	45%
BWLD	\$30.79	\$42.00	36%
AVERAGE			51%
SPY	\$71.73	\$86.95	21%
EXCESS			29%

What were investors sniffing out in late February and early March? Improving consumer confidence (see chart). Don't discount the California affect where residential inventory is at a 3 year low (5 months) and we had the first month-to-month price improvement since 2007.



What about basics..when will that stall?

Which sector jumped to the top of the sector ranking on January 5th? Basics. What were the best performing baskets in Q1? Basics...

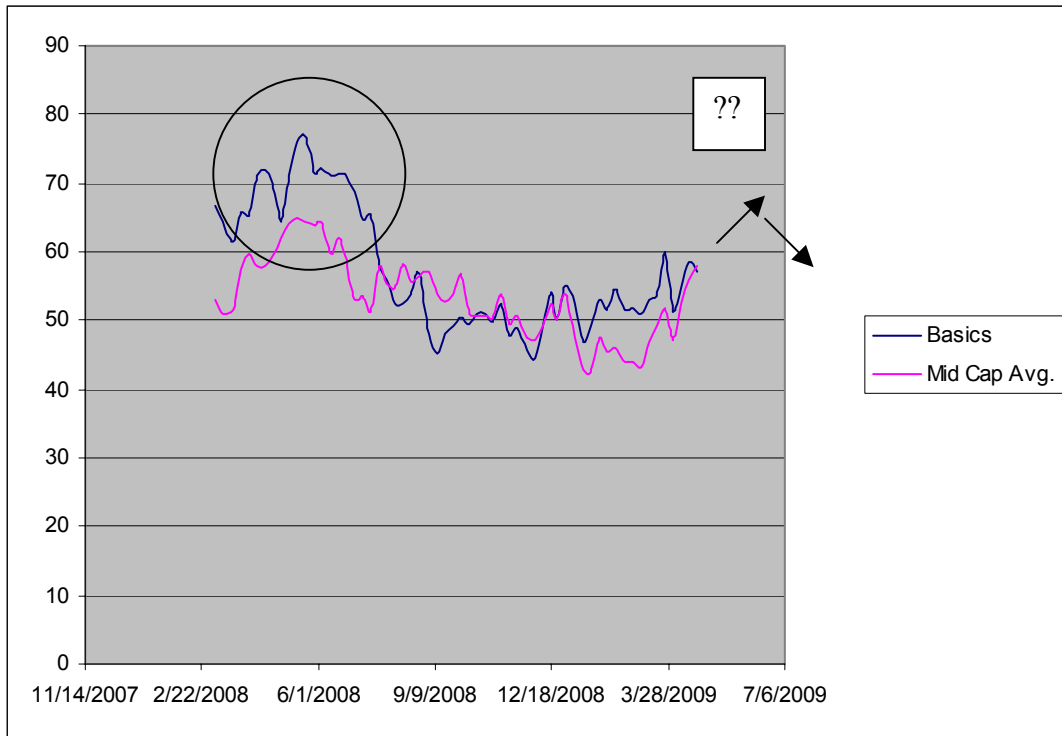
SECTOR	RATIO
Utilities	1.14
Basics	1.02
Healthcare	1.02
Services	1.00
Financials	0.99
Consumers	0.99
Industrials	0.98
Tech	0.86

1/5/2009

Where will basics go from here? Scores peaked last May and prices peaked last July. Historically, seasonal support fades by Q3.

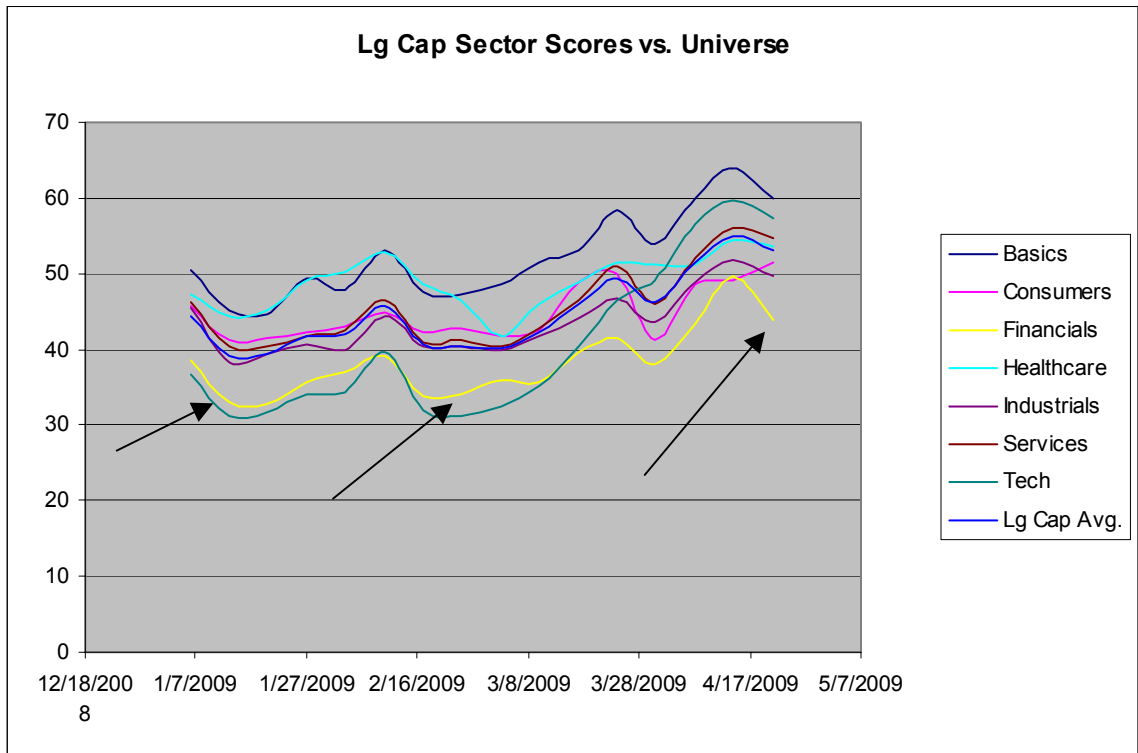
In 08, basics scores peaked on May 21st, within a week of the peak in overall average mid cap scores.

Best Returning ETF's	
ETF	Q1
DBB	10.75%
SMH	6.19%
GLD	4.35%
UUP	3.85%
TIP	3.54%
QQQQ	1.95%
MOO	1.65%
XLK	1.36%
OIH	0.62%
MUB	0.15%

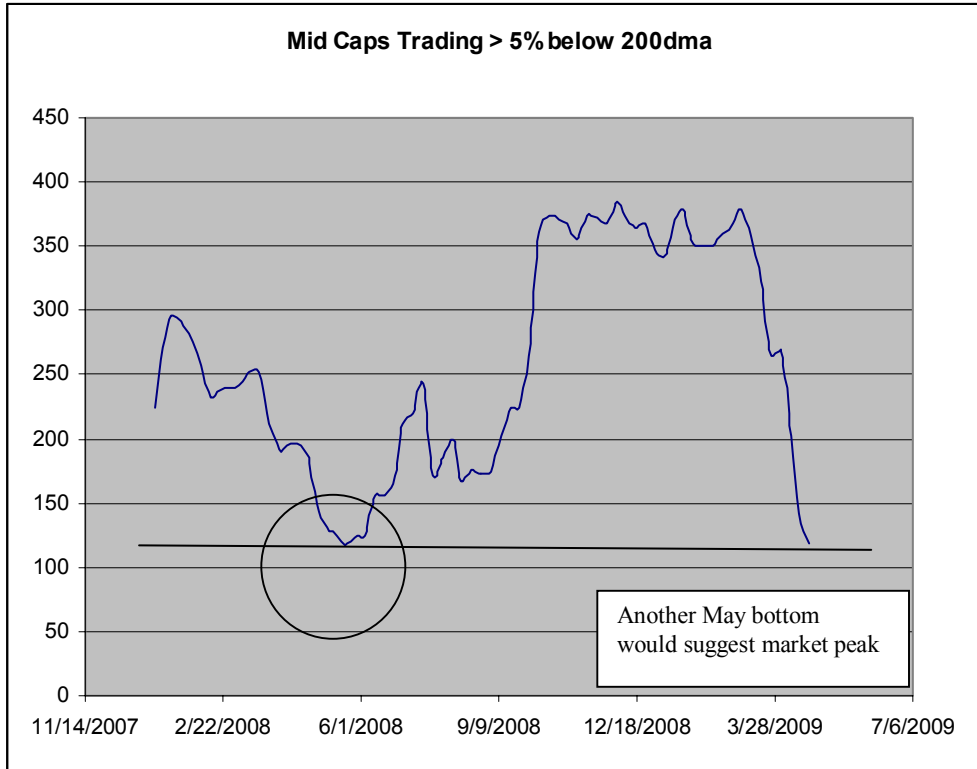


When will financials finally show some score relative strength? Despite rising scores they remain at the bottom of our sector work. Watch defensive baskets once we get closer to Q3 – consumer and healthcare.

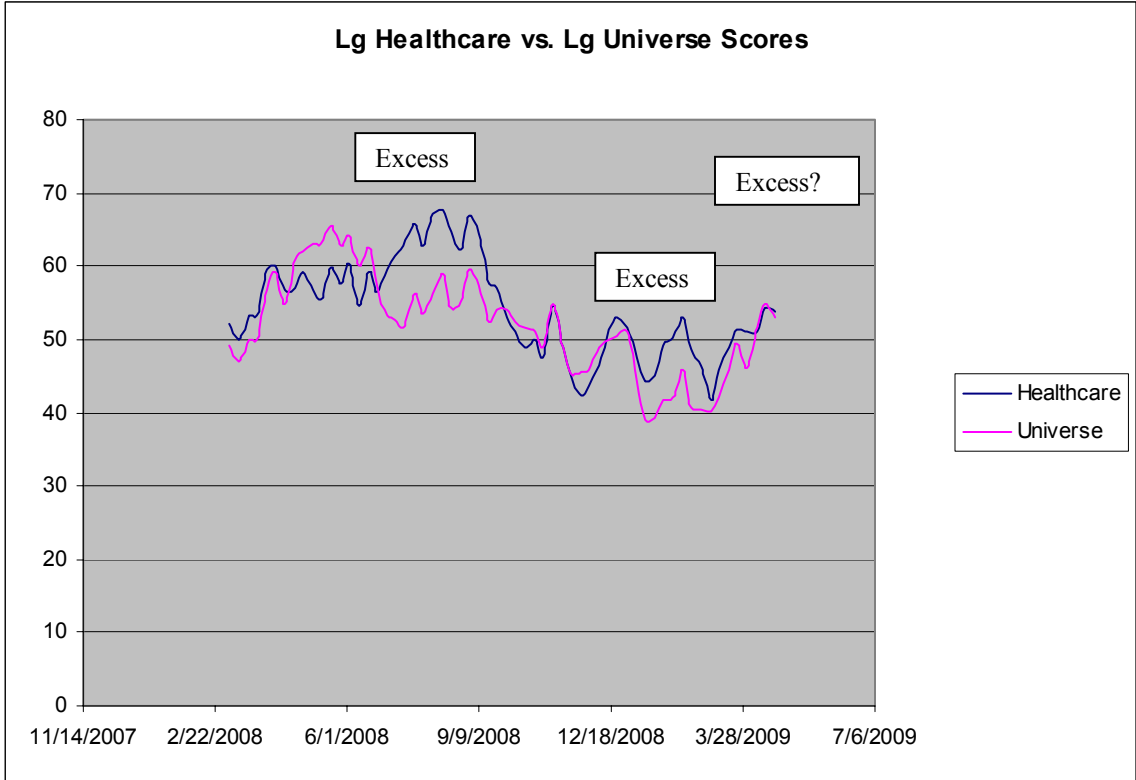
Also consider the technology scores as they leap above competing sectors in March ahead of strong Q2 seasonal support.



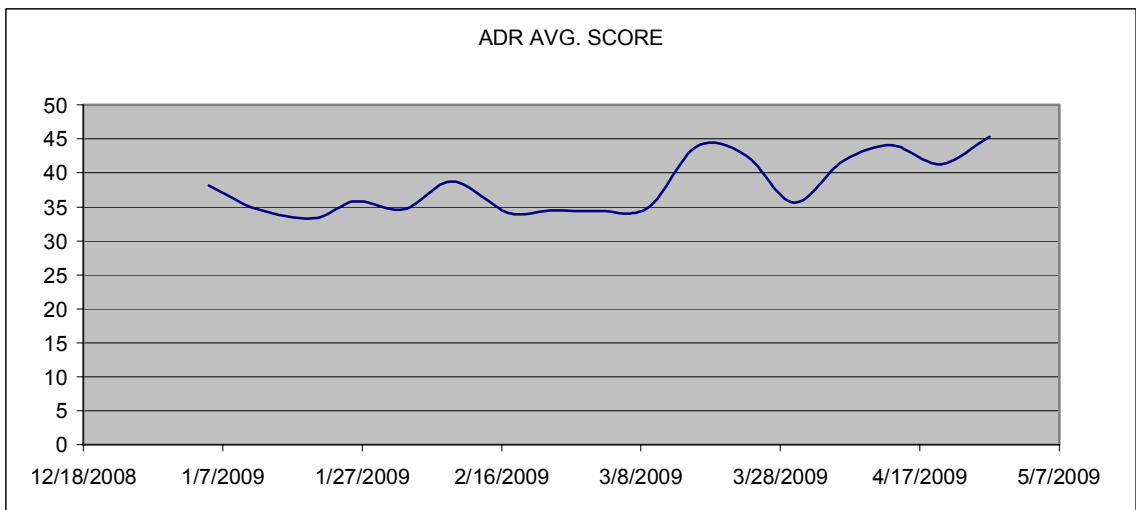
The following chart shows the number of mid cap stocks trading more than 5% below their 200dma. In line with historical Q2 strength, the number bottomed last **May 21st** at 117. We are currently at 119. In 07, the number bottomed out on **May 23rd** (at 49).



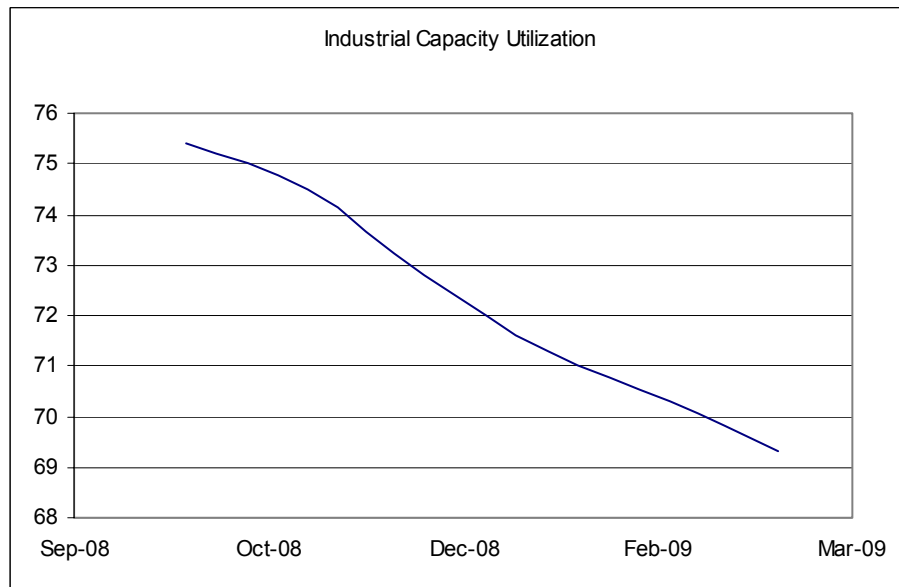
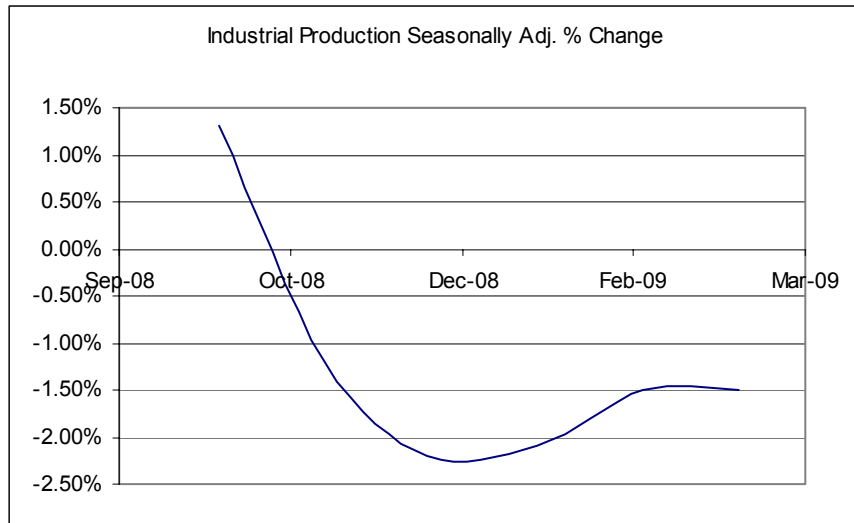
Will healthcare lead again **in Q3**? We think so...seasonal support broadens for healthcare in Q3..kicking off with biotech in July. Use end of Q2, early Q3 to hunt good-looking healthcare names.



Don't overlook ADR's..there are a lot of great looking plays..BIDU, NICE, ERIC, KYO, SNDA, WIT, NTES.



Keep a close eye on the trend in industrial production. Currently, there is little support aside from a relatively less dramatic contraction...



The following table shows why industrial production is important. The table shows the Great Depression, the 70's recession, the Internet Bubble Recession and the current recession. As you can see, years dominated by "red" (contracting industrial production) coincided with negative market returns. Given the "red" start to 09, we have to root for a 1975 type strengthening over another 1930 or 2001 type period. Clearly, a strengthening would support the rally continuing..last time we had 3 down GDP quarters = 1974.

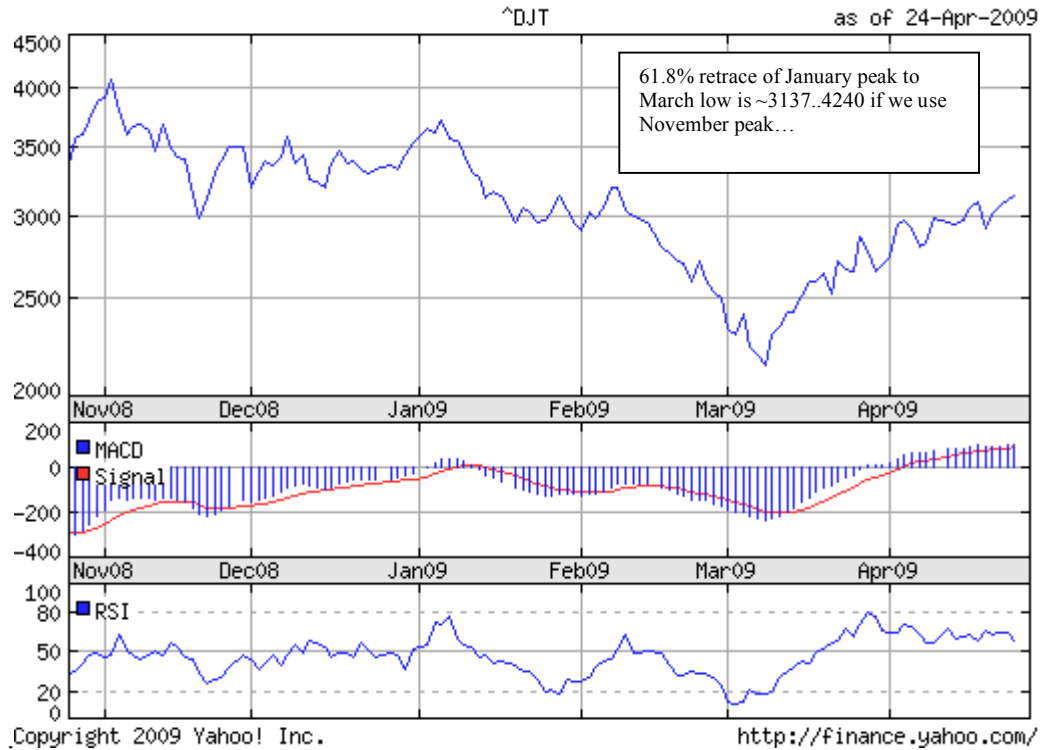
Industrial Production - Historical Prior Significant Periods												DJIA	
Yellow indicates month to month up change. Red indicates month to month down change.												% Return	
1928	7.2749	7.335	7.3952	7.3651	7.4553	7.5154	7.6056	7.7559	7.816	7.9663	8.1167	8.267	
1929	8.3872	8.3571	8.3872	8.5375	8.6878	8.748	8.8682	8.778	8.7179	8.5676	8.1467	7.786	-17.17%
1930	7.786	7.7559	7.6357	7.5755	7.4553	7.2449	6.9142	6.7639	6.6436	6.4633	6.313	6.1626	-33.77%
1931	6.1326	6.1626	6.2829	6.313	6.2228	6.0725	5.9823	5.7718	5.5013	5.2909	5.2307	5.2007	-52.67%
1973	49.1607	49.9221	49.9085	49.8171	50.168	50.2121	50.4271	50.3357	50.7826	51.13	51.3693	51.2457	-16.58%
1974	50.8909	50.7566	50.7423	50.6271	50.9715	50.932	50.9239	50.4538	50.5021	50.3186	48.6566	46.9378	-27.57%
1975	46.3024	45.2098	44.731	44.7621	44.6709	45.0047	45.4923	45.9195	46.5145	46.7003	46.8201	47.3838	38.32%
1976	48.074	48.5115	48.5547	48.8553	49.0661	49.0693	49.3535	49.6908	49.821	49.8746	50.6214	51.1445	17.86%
1999	97.4849	97.8947	98.0864	98.2949	99.0314	98.8656	99.4962	99.9767	99.6093	100.9459	101.5527	102.395	25.22%
2000	102.465	102.8375	103.2423	103.8999	104.1433	104.2873	104.032	103.8104	104.2642	103.8077	103.8208	103.475	-6.17%
2001	102.748	102.1625	101.8291	101.5704	100.8683	100.2266	99.7613	99.4021	98.9667	98.4163	97.8874	97.8399	-7.10%
2002	98.3224	98.3983	99.1081	99.4718	99.9772	100.9301	100.6212	100.7317	100.7395	100.446	100.8772	100.377	-16.76%
2007	109.779	110.5181	110.4036	110.953	110.9686	111.3551	112.0024	111.9712	112.2598	111.8262	112.2962	112.386	6.43%
2008	112.57	112.2604	112.0235	111.44	111.21	111.28	111.23	109.8	105.22	107.13*	105.71	103.2	-33.83%
2009	100.3	98.8	97.4										-8.63%

* September and October data affected by Hurricanes and BA strike

Will the DJ Tranny's continue higher with volumes falling?

U.S. Freight Rail traffic was down 17.1% in March YoY. Q1 YTD down 16.2%. They must be getting better in April, right? U.S. railroads originated 255,269 cars during the week, down 24.3 percent from the comparison week in 2008. See the graphs at www.aar.org

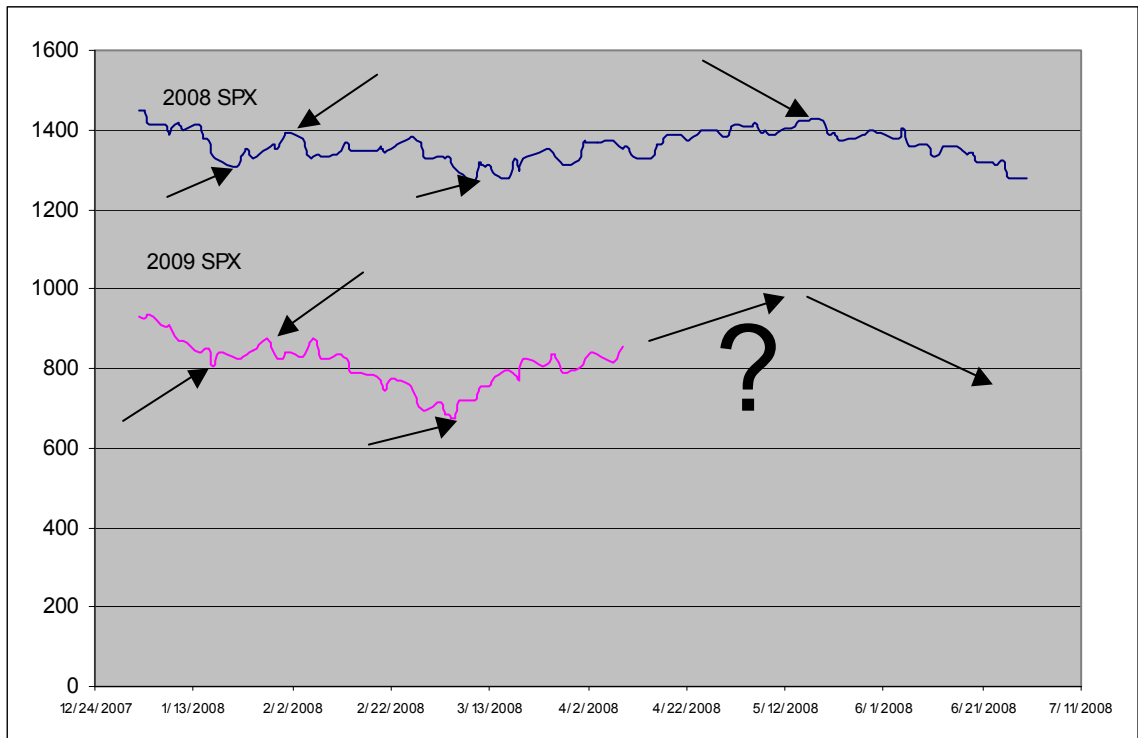
At what point will 08 de-stocking result in restocking. GDP was reduced by 3% by inventory cuts. Watch the rail data.



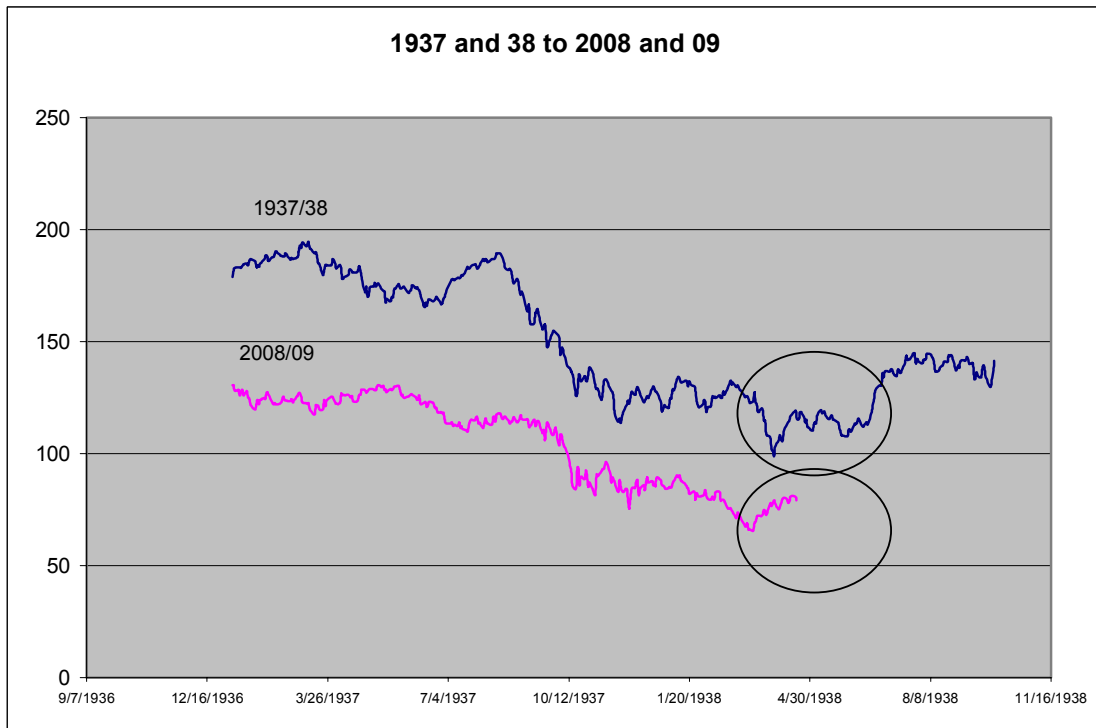
Is the auto industry dead? The average score of our global auto universe is 63..ABOVE the entire universe average score of 55. Again..don't forget this group because there are a lot of good looking stocks...

GLOBAL AUTO				4/27/2009
Company Name	Symbol	Sector	Industry	Quant Rating
CUSTOM				
Spartan Motors	SPAR	Consumer Goods	TRUCKS & OTHER VEHICLES	110
SORL AUTO PARTS	SORL	Cyclical Consumer Goods and Services	AUTO MANUFACTURERS - MAJOR	90
Borg Warner	BWA	Consumer Goods	AUTO PARTS	90
LKQ Corp	LKQX	Services	AUTO PARTS WHOLESALE	90
HONDA MOTOR CO LTD	HMC	Cyclical Consumer Goods and Services	AUTO MANUFACTURERS - MAJOR	85
Autonation	AN	Services	Auto Dealerships	85
Cooper Tire and Rubber Co	CTB	Consumer Goods	RUBBER AND PLASTICS	85
Group 1 Auto	GPI	Services	AUTO DEALERSHIPS	85
CHINA YUCHAI INT'L	CYD	Industrials	AUTO ENGINES	75
TATA MOTORS LTD	TTM	Cyclical Consumer Goods and Services	AUTO MANUFACTURERS - MAJOR	75
Paccar	PCAR	Consumer Goods	Trucks and Other Vehicles	65
TOYOTA MOTOR CORP	TM	Cyclical Consumer Goods and Services	AUTO MANUFACTURERS - MAJOR	60
CHINA AUTOMOTIVE SYS	CAAS	Cyclical Consumer Goods and Services	AUTO PARTS	60
TOMKINS PLC	TKS	Cyclical Consumer Goods and Services	AUTO PARTS	60
FORD MOTOR	F	Cyclical Consumer Goods and Services	AUTO MANUFACTURERS - MAJOR	55
Oshkosh Truck	OSK	Consumer Goods	TRUCKS AND OTHER VEHICLES	55
NISSAN MOTOR CO LTD	NSANY	Cyclical Consumer Goods and Services	AUTO MANUFACTURERS - MAJOR	50
AVERAGE OF GLOBAL AUTO UNIVERSE				63
Avg. of All Stocks				55

History doesn't repeat..but it does rhyme. Will 09 end up following 2008's path?



Not sure? Will it follow 1937/38's path? Either way suggests a May/June stall-out.



What clues come from Seasonality? Seasonal support is strong for basics and tech through quarter end.

Notably strong Q2 ETF's and Odds and Ends								
ETF'S (& sundries)	%	Profit- Q2 (of 5)	Q2 2004	Q2 2005	Q2 2006	Q2 2007	Q2 2008	Q2 Average
XLE	100%	5	7.70%	4.01%	4.31%	14.80%	19.79%	10.12%
OIH	100%	5	3.01%	6.15%	1.88%	20.06%	27.20%	11.66%
XNG	100%	5	9.03%	7.75%	5.16%	6.74%	23.92%	10.52%
WTI Crude	100%	5	3.51%	3.99%	13.18%	11.66%	26.96%	11.86%
DBC	100%	3			5.66%	1.27%	25.19%	10.71%
DBA	100%	2				4.79%	11.60%	8.20%
UUP	100%	2				0.37%	0.40%	0.38%
MOO	100%	1					15.56%	15.56%
KOL	100%	1					52.03%	52.03%
MUB	100%	1					0.39%	0.39%
UNG	100%	1					29.84%	29.84%
IWM	80%	4	0.59%	4.55%	-5.43%	4.55%	1.11%	1.07%
MDY	80%	4	0.79%	4.43%	-3.57%	5.69%	5.71%	2.61%
IYM	80%	4	2.02%	-8.78%	0.37%	9.28%	14.14%	3.40%
QQQQ	80%	4	5.31%	0.69%	-7.46%	9.43%	3.37%	2.27%
XLK	80%	4	2.70%	1.83%	-8.17%	9.87%	2.56%	1.76%
IYT	80%	4	11.51%	-5.70%	7.83%	5.98%	3.61%	4.65%
IBB	60%	3	-2.83%	6.85%	-11.75%	3.20%	1.63%	-0.58%
IYH	60%	3	2.38%	4.73%	-4.95%	4.24%	-1.23%	1.04%
SMH	60%	3	-4.15%	3.72%	-9.20%	14.28%	3.64%	1.66%
PPH	60%	3	2.95%	2.53%	-0.85%	5.83%	-2.42%	1.61%
SPY	60%	3	1.64%	1.44%	-1.53%	6.39%	-2.54%	1.08%
DIA	60%	3	1.13%	-1.64%	0.93%	9.10%	-6.78%	0.55%
^HCX	60%	3	2.34%	3.61%	-5.39%	4.57%	-1.73%	0.68%
^NBI (nasdaq biotech)	60%	3	1.17%	-2.35%	11.23%	13.72%	-19.95%	0.76%
USO	50%	1				-0.66%	39.70%	19.52%
IHF	50%	1				2.76%	-4.72%	-0.98%
RTH	40%	2	-2.37%	3.40%	-2.06%	3.81%	-2.65%	0.03%
IYJ	40%	2	7.46%	-2.58%	-1.51%	9.99%	-5.49%	1.57%
XLF	40%	2	-2.28%	4.42%	-0.07%	2.09%	-17.81%	-2.73%
RKH	40%	2	-1.49%	2.32%	1.83%	-1.18%	-22.58%	-4.22%
XLV	40%	2	-2.36%	-3.92%	4.76%	7.42%	-16.36%	-2.09%
LQD	20%	1	-4.26%	3.50%	-0.47%	-1.15%	-3.19%	-1.12%
TLT	20%	1	-5.50%	9.44%	-1.80%	-2.43%	-3.36%	-0.73%
TIP	20%	1	-4.68%	1.79%	-0.01%	-0.87%	-0.89%	-0.93%
ITE	0%	0					-2.03%	-2.03%
XHB	0%	0			-23.99%	-6.98%	-23.78%	-18.25%

What about Q3, are things going to change? Basics support, which began at the start of Q1, ends and tilts negative while healthcare weakness turns to strength.

Notably strong Q3 ETF's and Odds and Ends								
ETF'S (& sundries)	%	Profit-						
		Q3 (of 5)	Q3 2004	Q3 2005	Q3 2006	Q3 2007	Q3 2008	Q3 Average
ITE	100%	2				3.84%	2.13%	2.99%
IHF	100%	3			6.45%	1.10%	0.07%	2.54%
TLT	80%	4	6.77%	-3.63%	7.30%	5.41%	3.50%	3.87%
IBB	80%	4	-6.88%	13.39%	1.49%	6.25%	5.88%	4.03%
IYH	80%	4	-4.81%	1.95%	8.39%	2.06%	0.95%	1.71%
LQD	60%	3	5.01%	-1.21%	4.63%	2.28%	-10.67%	0.01%
TIP	60%	3	2.67%	-1.83%	3.30%	4.46%	-4.59%	0.80%
SMH	60%	3	-20.02%	9.88%	4.62%	0.98%	-16.33%	-4.17%
IYM	60%	3	4.77%	4.53%	-4.61%	5.96%	-32.15%	-4.30%
RTH	60%	3	0.07%	-1.75%	2.90%	-3.92%	1.78%	-0.18%
QQQQ	60%	3	-6.91%	7.26%	4.89%	8.07%	-13.80%	-0.10%
XLK	60%	3	-7.47%	4.93%	8.45%	5.54%	-13.05%	-0.32%
SPY	60%	3	-2.01%	3.68%	5.42%	1.91%	-8.84%	0.03%
DIA	60%	3	-3.13%	3.46%	4.99%	4.04%	-3.83%	1.11%
XLF	60%	3	0.12%	0.74%	7.67%	-4.41%	-0.90%	0.64%
RKH	60%	3	3.36%	-1.87%	7.58%	-3.01%	20.30%	5.27%
XLE	60%	3	11.41%	21.09%	-5.48%	8.70%	-28.23%	1.50%
OIH	60%	3	13.28%	21.85%	-12.98%	9.96%	-33.80%	-0.34%
XNG	60%	3	9.68%	22.48%	-1.80%	2.90%	-32.60%	0.13%
HCX	60%	3	-5.74%	1.07%	9.76%	0.63%	-0.01%	1.14%
WTI CRUDE	60%	3	20.80%	16.40%	-10.08%	18.40%	-22.24%	4.66%
^NBI (nasdaq biotech)	60%	3	4.33%	9.12%	0.40%	-9.73%	-0.81%	0.66%
XLV	60%	3	4.23%	6.05%	3.64%	-6.06%	-1.40%	1.29%
DBA	50%	1				11.76%	-25.74%	-6.99%
UUP	50%	1				-3.32%	8.67%	2.67%
IWM	40%	2	-3.28%	4.53%	0.69%	-3.22%	-1.30%	-0.52%
IYJ	40%	2	-1.43%	4.07%	-1.23%	3.27%	-10.55%	-1.17%
IYT	40%	2	1.45%	7.00%	-9.52%	-4.78%	-6.19%	-2.40%
XHB	33%	1			-3.06%	-29.02%	20.31%	-3.92%
DBC	33%	1			-5.31%	9.36%	-24.32%	-6.76%
USO	33%	1			18.30%	18.02%	-27.85%	-9.38%
PPH	20%	1	-8.48%	-3.65%	11.57%	-1.29%	-0.74%	-0.52%
MDY	20%	1	-2.26%	4.78%	-0.86%	-1.07%	-11.15%	-2.11%
MOO	0%	0					-40.60%	-40.60%
KOL	0%	0					-49.24%	-49.24%
MUB	0%	0					-1.44%	-1.44%
UNG	0%	0				-13.56%	-47.09%	-30.32%

What about history..what does it say about Q3?

Something to keep in mind as we navigate the coming two quarters: since 1988, Q2 has returned 2.82% on average while Q3 has returned -0.71%. Q3, overall, has been up 57% of the time since '88, well below the 80.95% success rate of Q4.

From '88 to '08 there have been 6 down years. Q2 was only positive in two of them (1990 and 2001) and both preceded a down Q3. Of those 6 down years, 0 posted positive returns in both Q2 and Q3.

1988-2008	S & P 500		
	Q2	Q3	Q4
Avg. Return	2.82%	-0.71%	4.95%
# Up	14	12	17
# Down	7	9	4
% Up	66.67%	57.14%	80.95%

1950-2008 S & P 500

	Q2	Q3	Q4
Avg. Return	1.80%	0.24%	3.88%
# Up	36	34	46
# Down	23	25	13
% Up	61.02%	57.63%	77.97%

If we consider the 13-year span of 1970-1982, there were 5 negative SPX years –none of which posted both a positive Q2 and positive Q3.

	Q2	Q3	Q4
Avg. Return	1.80%	0.24%	3.88%
# Up	36	34	46
# Down	23	25	13
% Up	61.02%	57.63%	77.97%

Days to Cover Short: By Sector in Large Cap									
	4/28/2009	4/14/2009	3/10/2009	2/24/2009	1/1/2009	11/18/2008	Since 3/10 Change	YTD Change	From Nov. Low
Basic Materials	1.47	1.33	1.51	1.5	1.37	1.01	-0.04	0.10	0.46
Conglomerates	2.32	1.91	2.4	2.59	2.06	1.39	-0.08	0.26	0.93
Consumer Goods	2.70	2.32	2.81	2.55	2.44	2.05	-0.11	0.26	0.65
Financial	2.24	1.74	2.41	2.35	3.06	2.2	-0.17	-0.82	0.04
Healthcare	2.52	2.04	2.51	2.37	2.07	1.94	0.01	0.45	0.58
Industrial Goods	3.11	2.57	2.8	3	2.61	2.02	0.31	0.50	1.09
Services	3.20	2.94	3.32	3.42	3.32	2.83	-0.12	-0.12	0.37
Technology	2.22	2.24	2.23	2.17	2.17	1.65	-0.01	0.05	0.57
Utilities	2.15	1.41	1.99	1.87	1.63	1.41	0.16	0.52	0.74

In conclusion, watch for the following trends and if they emerge take action:

A market peak and correction coinciding with the seasonally weak Q3.

A rollover in previously strong seasonal baskets, re. basics, services and technology.

A rise/accumulation of healthcare stocks – beginning with biotech.

Now its time for some charts: