

# Point & Figure Update

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## TECHNICAL INDICATOR CHART

INDICATOR	BULLISH PERCENT LEVEL	TREND
NYSE	50.47	↓ ●
OTC (NASDAQ)	56.8	↓ ●

SYMBOL	LEGEND: RISK LEVEL	RESPONSE
●	High	Defense
●	Caution	Plan
●	Low	Offense

TACTICAL ALLOCATION PROCESS						
ASSET CLASS	DOMESTIC EQUITIES	COMMODITY	INTERNATIONAL EQUITIES	CURRENCY	FIXED INCOME	CASH
RISK LEVEL	●	●	●	●	●	●
EMPHASIS	EQUAL WEIGHT SMALL CAP GROWTH	PRECIOUS METALS ENERGY	EMERGING MARKETS EUROPE (EMERGING)	SWISS FRANC NEW ZEALAND DOLLAR AUSTRALIAN DOLLAR	CORPORATE BONDS INTERNATIONAL FIXED	

### DEFENSIVE POSTURE CONTINUES?

Both of the primary market indicators, the NYSE and OTC Bullish Percents, remain on defense for the sixth consecutive week. The defensive team is on the field and we will continue to recommend you employ "wealth preservation" strategies.

Remember being on defense is not predicting the market will fall. We leave that to the pundits on CNBC, and other media outlets. Being on defense is about preserving your wealth.

When the charts change we will change. The offensive team will take the field and depending on the field position we will run the appropriate plays for 'wealth accumulation.

When will this happen? Your guess is as good as mine.

But for today, the "defensive team" stays on the field.

### SECTOR WATCH

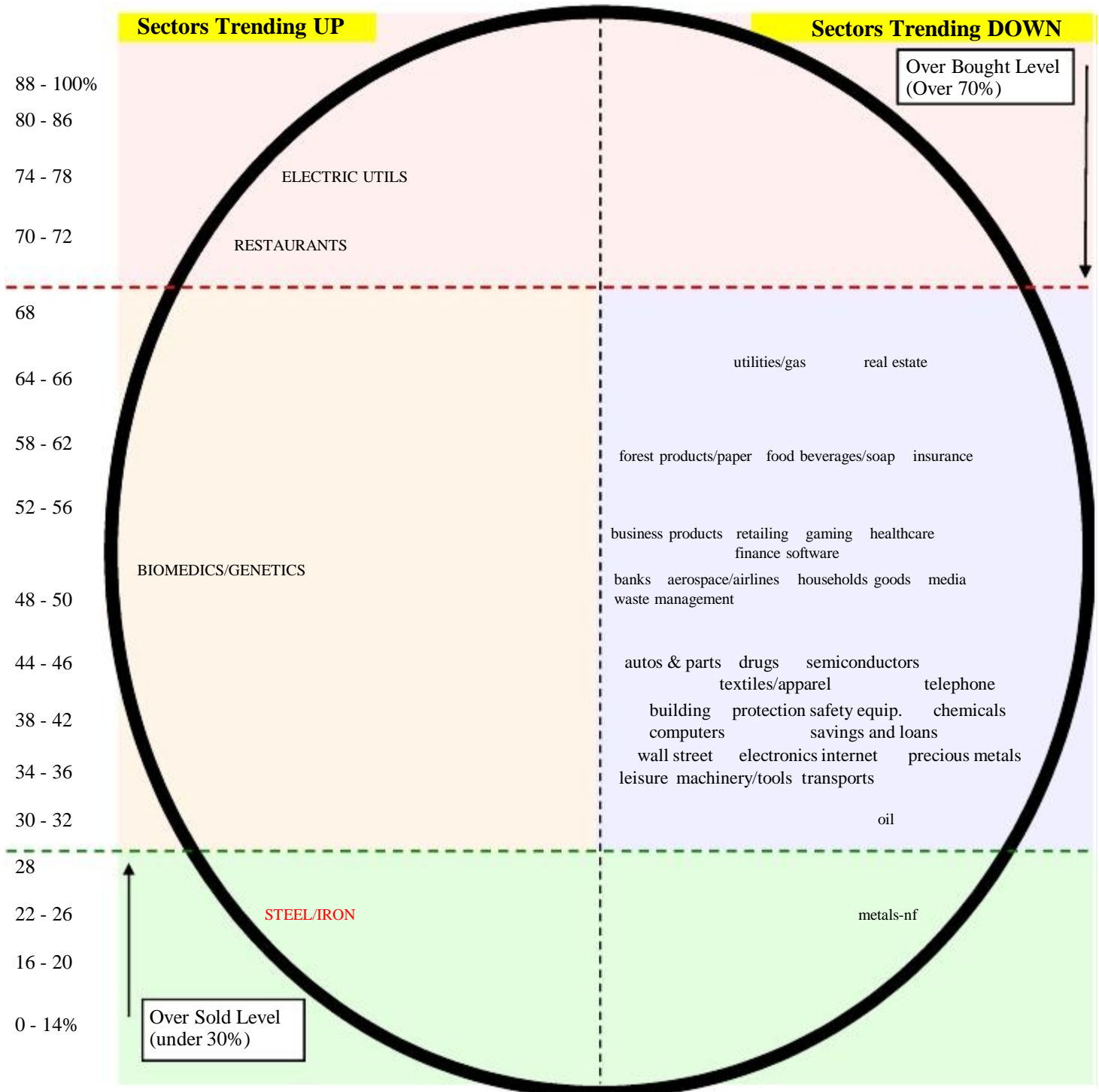
In the past week 25 BP charts changed. The activity was mostly to the downside with 24 bullish percent charts moving lower. Only one sector reversed this week. Steel/Iron which moved into a column of X's at at 26% good field position. With all of the action over the past week there are now 4 sectors in total that are now in a column of Xs which is up 1 from last week. The average BP reading fell this week to 46.41, this is down -1.72% for the week. The Biomedics/Genetics sector is only .97% from a reversal to Os at 44%.

### TACTICAL ALLOCATION PROCESS

US Equities and Commodities are the top two asset classes. However Cash is emphasized over commodities because it fails the cash bogey check. (Step 4) This does not mean you should not have exposure to commodities, just that cash should be overweighted vs. commodities in a conservative portfolio.

# Sector Rotation Chart

Based on Sector Bullish Percents, as of June 25, 2011.



Sector Bullish Percent is the percentage of stocks on a point and figure buy signal, calculated by dividing the number of stocks in a sector that are trading on buy signals by the total number of stocks in that sector. The Sector Bullish Percent is then plotted on a grid from 0% to 100%, where each box equals 2%. Levels above 70% are generally considered overbought, and below 30% are considered oversold. The best buy signals come when a sector goes below 30% and then reverses up (a reversal takes a minimum of 6% change). The best sell signals come when the indicator moves above 70% and then reverses below 70%. Red indicates change in trend from last week.

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# TACTICAL ALLOCATION PROCESS

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## TACTICAL ALLOCATION PROCESS

The Tactical Allocation Process or “TAP” was designed to answer the question, "what would you do in the market here?"

We use a six-step top down methodology to identify the strongest asset classes available in your plan in which to invest.

### **Step 1: Create Inventory**

The starting point for our process is to explore where in the world one should be focusing their investments. We do this by creating an inventory. We use multiple ETF's to represent each of the following asset classes: US Stocks, Fixed Income, International Stocks, Foreign Currencies, and Commodities.

### **Step 2: Relative Strength Analysis**

We conduct a relative strength wrestling match between the different asset classes with numerous representatives from each particular asset class. Each individual representative (index) is then ranked from strongest to weakest.

### **Step 3: Rank Each Asset Class**

Once that ranking is done, then a cumulative score for each asset class is derived -- a summary, if you will, of that asset's strength vis a vis others. Think about it like a college wrestling tournament. There are five schools participating in the event, with numerous individual athletes competing. The athletes compete for both individual place, and that placement contributes toward the overall team score, or placement. The two asset classes with the highest score get to move on.

### **Step 4: Check Against Cash Proxy**

Before either of these two asset classes can gain the emphasized status, each must pass a final hurdle, or satisfy Step Four: “does the asset class outperform Cash?” As long as the given asset's, such as Commodities or International Equities, relative strength is positive versus Money Market, then it becomes an emphasized asset class. If the asset class is unable to outperform Cash on a relative strength basis, then Cash takes its place.

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### **Step 5: Exposure via Funds Available in Your Plan**

Once we have decided upon our emphasized asset classes we then garner exposure via the funds available in your plan. We have produced relative strength based models for each of the six asset classes considered with the corresponding funds available in your plan. So not only are you positioned in the asset classes with the best relative strength, but this takes it a step further, and puts you in the “best of the best.”

### **Step 6: Daily Monitor**

Our relative strength analysis is performed on a daily basis. We rank the asset classes and funds available in your plan every day on relative strength, which helps the portfolio to adapt to what is working. You can think of the ranking system as something like the PGA rankings or the BCS rankings, where the strongest players or the strongest teams get the highest ranks.

### **What Is Relative Strength?**

How a stock (or fund) performs compared to the overall market.

Stocks or funds are either on a relative strength BUY signal or a relative strength SELL signal. Did you know that relative strength signals (buy and sell) last, on average, for TWO YEARS? Meaning a stock or fund that gives a relative strength buy signal today will usually outperform the overall market for (on average) two years. That's a long time!