

INSIDE THIS ISSUE:

ECONOMICS OVERVIEW 3

DOLLAR-EURO 8

DOLLAR-YEN 10

GOLD 11

OIL & GAS 12

COMMODITIES 13

GLOBAL TRENDS & FORECASTS 17

SUBSCRIBER SECURITIES ANALYSIS 21

SECURITIES UPDATE 24

MARKET FORECAST 51

Over the past year I have been searching diligently for signs of an improving economy. I have looked to the real estate market for encouraging. I have searched for signs of healing from the financial industry. I've looked closely at the employment data.

I have looked at just about every variable imaginable in order to spot signs of a recovery. Unfortunately, I have not found a single positive macroeconomic trend. In fact, I see nothing but enormous long-term difficulties for the U.S. Meanwhile, Europe and Japan have much different but potentially more severe economic problems.

Are things in a freefall similar to what was seen in the second half of 2008 and the first few months of 2009? Certainly not. But that is no reason for celebration, nor is it cause to declare a recovery. Yet, Washington has done so, while trying to figure out more gimmicks in order to create the illusion of an economic recovery, just as they did after the dotcom collapse.

With nearly \$800 billion shuttled into the economy from the economic stimulus plan; with trillions of dollars shuttled to the financial industry; with interest rates close to zero for nearly two years, there have been no real improvements to the U.S. economy.

Americans have also suffered a huge blow to their morale in addition to their financial losses. Not one single individual responsible for this collapse has faced criminal indictment. And for the banks, it's business as usual. Record bonuses have resumed. Credit card interest rates have soared even for those with flawless credit; all of this despite the fact that the banks are receiving loans from taxpayers at virtually no cost which they are using for investment purposes. I'm really lost for words.

It is depressing to witness the largest fraud in world history. Perhaps more amazing is

the lack of response from Americans who have been brainwashed by the media monopoly. Europeans, on the other hand, refuse to go down without a fight.

As a way to distract from real financial reform, while protecting the primary players responsible for America's financial apocalypse, Obama's Wall Street puppet masters jettisoned healthcare reform ahead of the political agenda. As a result, there will be no real financial reform. And the primary villains of this fraud will not face jail time. Instead, Obama has passed what will go down in history as the most irresponsible bill ever, adding to the enormous gravy train enjoyed by the healthcare industry.

In America's Financial Apocalypse, I argued that politicians would make the changes needed to resolve the nation's economic problems only after the nation was subjected to the devastating effects of an economic depression. It appears as if I gave our leaders too much credit.

In order to find signs of a recovery, one only need venture outside the U.S., UK, Europe and Japan. In no other nation are the signs of a recovery stronger than in China and Brazil. But even these emerging economic powers have become somewhat dependent on the global bubble created by America's Ponzi scheme economy.

But we cannot sit on the sidelines waiting for another crisis to strike because tremendous gains are likely to pass us by. So we should continue to take what the market gives, while remaining cautious and looking for warning signs of another catastrophe.

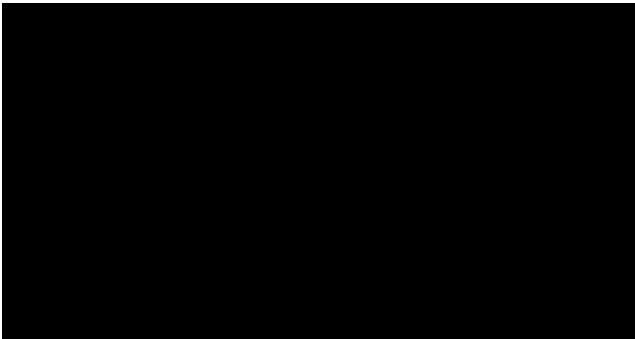
This catastrophe may not materialize for several years, but I am quite sure it will come. Based upon the reckless actions of Washington and the financial industry, another disaster is guaranteed, as is a major war.

DOLLAR-EURO

The first chart was taken from the March issue. It illustrates the most recent trend reversal. While the USD/EUR has broken through the bottom two resistance levels, it is now struggling with the third (top red horizontal line) stronger resistance.

The second chart shows a blow-up of the green trading bands from the first chart. Now I want to restate what I said in the March issue.

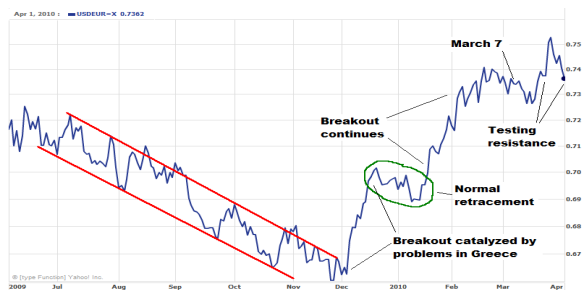
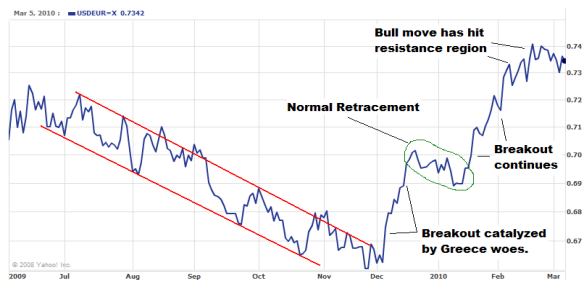
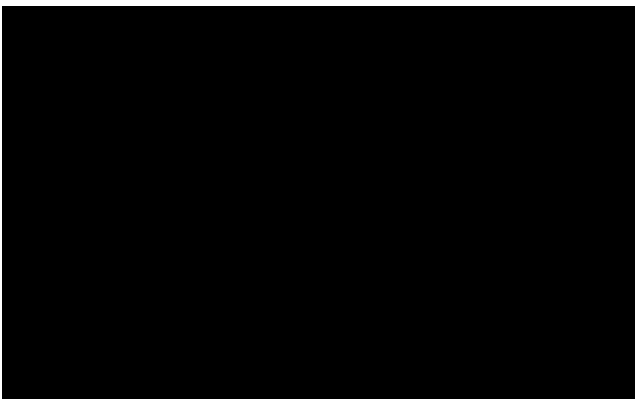
“Given the USD/EUR strong, long-term downward



The third chart is the same as the one above but has been updated since the March issue. You can see the progress made by the dollar over that time span. It has made considerable progress towards breaking through the 0.74 area resistance, although it has not yet been confirmed because it recently sold off back down below this level.

I cannot say where the dollar is headed based on technicals alone. As with all technical studies, this one merely provides a partial tool. There are many other variables involved.

If I had to guess, I would say that the dollar will



DOLLAR-YEN

I'd like to begin with a recap of my forecast from last month. The first three charts are from the March issue.

“Although the long-term trend for the USD/JPY remains down, it appears as if we are seeing a breakout, as illustrated by the first chart.

Note this breakout has not yet been confirmed as with the case seen with USD/EUR, since there has not yet been a second breakout to higher highs after the recent retracement.

Still, I would look for the USD/JPY to move up and test 95 over the next few weeks.

The third chart shows some trends to keep in mind. I have drawn some very rough long-term support/resistance lines which might come into play down the road.

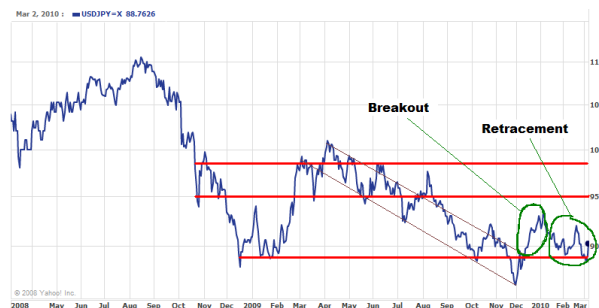
What does this chart mean?

The USD/JPY could easily rise to 105 down the road without any threat of reversing the strong, long-term downward trend.

In fact, if investors sense the need (i.e. panic) to rush to safety, this price (or near it) is very possible.”

The fourth chart has been updated since March 7th progress. You should compare it to the first chart.

The final chart shows the dollar's advance since March 7th. As you can see, as I stated in the last issue, the dollar is testing the 95 area. As well, the breakout has been confirmed.

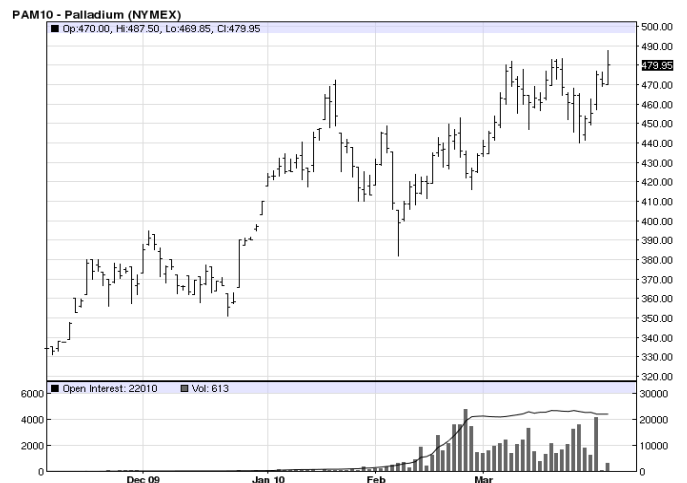
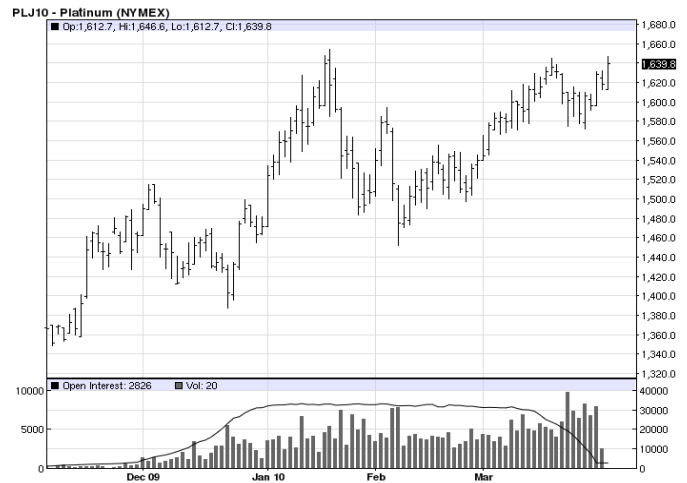
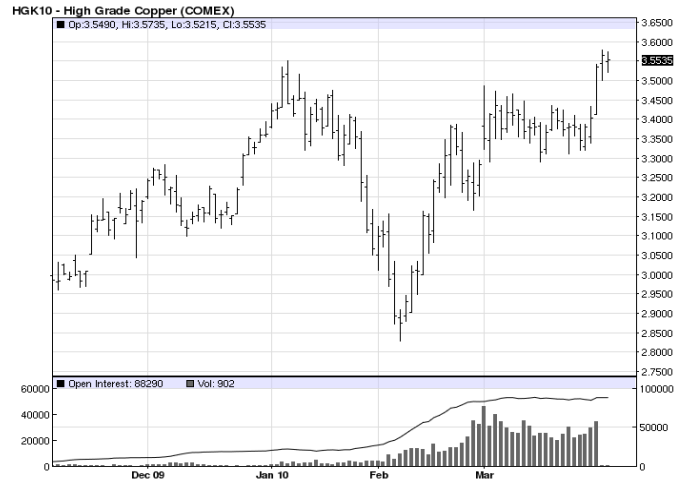


COMMODITIES

When investors mention commodities, several things come to mind, depending on the person's familiarity with this unique class of investments.

There are a variety of commodity groups—metals, grains, meats, textile crops, and much more. And because commodities trade on futures markets, many investors even include currency trading as a part of commodities investing. When you consider that the commodities markets are truly global, you can appreciate the inclusion of currency trading.

Here, I want to show you the performance of some of the major metals since the commodities correction in late 2009. As you can see, all of the metals have done very well during this time frame except for gold and silver.



SUBSCRIBER SECURITIES ANALYSIS—X

The next security I've selected to cover is U.S. Steel (X). This company is noteworthy to me for a couple of reasons. In the very first issue of this newsletter (June 2009), I mentioned X as one of

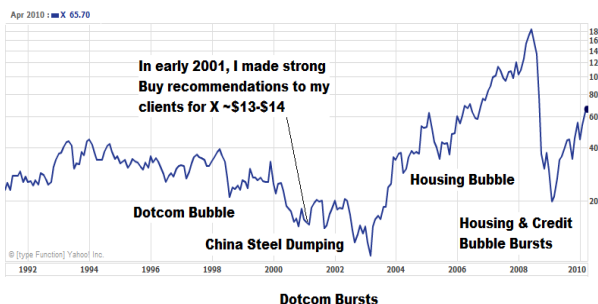
The second reason X struck a chord with me was because I remember in detail how this company struggled during the dotcom collapse.

As the chart below illustrates, X faced a gradual decline in shares during the 1990s, as value investing (and many cyclical stocks like X) did not do too well. Investors kept loading up on overvalued tech stocks, while shunning non-techs.

But U.S. Steel had its own unique problems. China had been dumping the U.S. market with steel below cost, causing problems for the company. The history of the steel industry is somewhat similar to the politics and trade controversies found within the U.S. auto industry. For many years there have been trade controversies with China, Russia and other nations.

In late 2000, I began doing an analysis on several companies I thought represented tremendous value. U.S. Steel was among one of those companies I examined. Soon after, I began recommending it to my clients in early 2001.

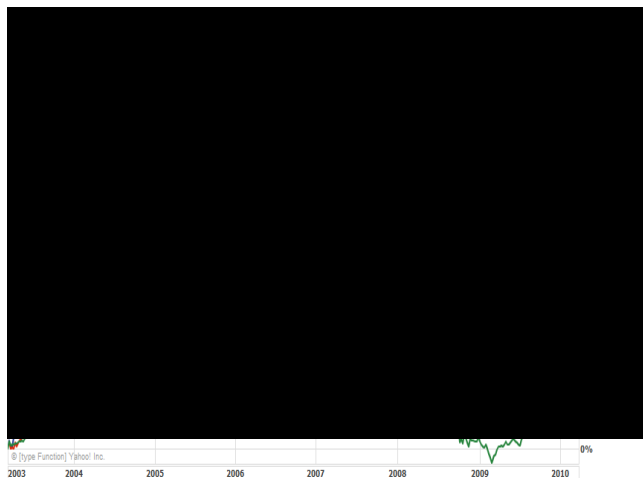
As you can see from the following chart, while the stock showed considerable improvement thereaf-



ter, it collapsed to an all-time low at just under \$10 about two years later (2003).

A few months later, it began one of the most impressive runs of any stock over that period, soaring by nearly 700% in less than 2 years, and nearly 2000% in just over 5 years.

There were many reasons for this amazing performance. But the biggest reason was due to the real estate bubble. **This highlights the importance of understanding the big picture.** Simply buying a stock because you feel it is undervalued is the manner by which novice professional investors go about the investment process.



So now here we are, having suffered the early effects of the biggest economic disaster since the Great Depression.

The question is, what are the prospects for U.S. Steel?

Well, as the next chart shows, U.S. Steel has recovered very nicely since the March 2009 lows in the DJIA.

SECURITIES UPDATE—

It's been a while since I covered [redacted], so I definitely wanted to follow up on this gem. Let's take a look back to the October issue.

"In June, I stated three of my top picks for long-term growth— [redacted] (as far as U.S. securities are concerned). Each has done very well since then.

After soaring to more than [redacted] recently, the stock has sold off rather strongly.

At \$13.85, [redacted] isn't quite cheap enough for me to take a bite, but mainly due to my risk posture for market downside.

Right now, I would look to pick some up around \$11.50–\$12.50 or below. I think the \$12.30–\$12.70 range is doable in the near-term.

Below is the chart of [redacted] from the June issue.



So what has happened since October?

As you can see, [redacted] collapsed to an intraday low of \$11.56 just 4 weeks later. There were several other chances to pick it up over under \$12.50 the next several days.



The next chart shows the performance of [redacted] versus the Nasdaq since October 1, 2009.



The next chart shows the performance in 2010.



The next chart shows the 5-day performance. As you can see, it sold off on Friday.

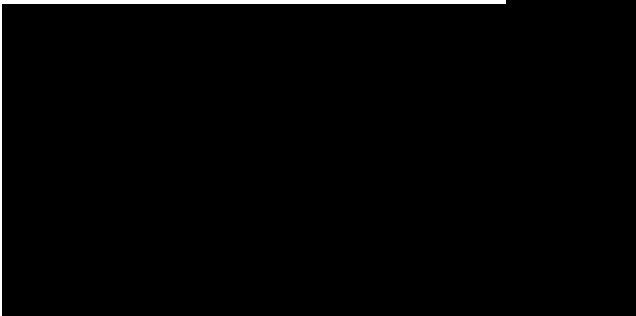


The final chart shows [redacted] progress to close the long-term gap.



I continue to like [redacted] long-term.

SECURITIES UPDATE—



As you can see, shares soared from under \$2 to just under \$10 since March (second chart, bottom left).

Since 2005, [redacted] and the Nasdaq have significantly outperformed [redacted] (second chart). However, going forward I feel [redacted] will close the gap with the Nasdaq, meaning it will continue to outperform the Nasdaq.

The final chart shows some intermediate- to longer-term support/resistance levels. Given the market risk, as well as the rapid appreciation of the stock, I will most likely wait for a sell-off before taking a position.

Such a sell-off might only come after a market correction. Since the stock has a great deal of momentum right now, that means I may not be able to get in, but I'm fine with that since these lawsuits cannot erase years of damage done to the company overnight."

In February, I followed up with my take on [redacted].

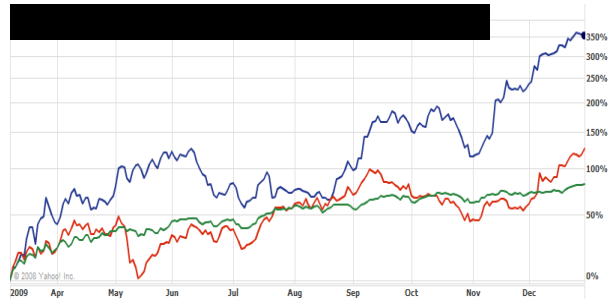
"First, I will recap my analysis from the Risk Management report released on Jan. 24.

"As you can see, in just 6 months [redacted] has risen by more than 150%, while the Nasdaq rose by less than 20%. That's what you call some major outperformance.

The next chart shows intermediate-term trend lines for [redacted]. Note that the closing price listed shows data for January 21st. On January 22nd, it closed at \$7.88, much lower than shown (third chart next page).

So where am I looking for an entry? Well, I'm stingy right now because of the market risk, so I'm looking for anything below \$7. But this is subject to change depending on what happens next week."

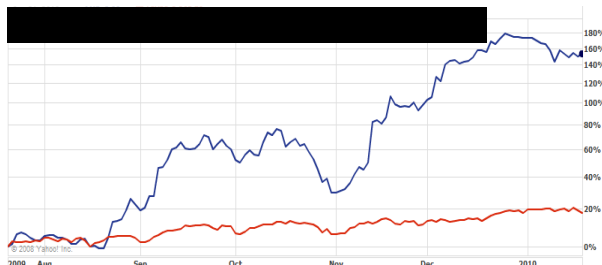
The third chart shows that [redacted] fell below \$7. If you picked it up, you would have scored a great trade while the market was tanking." (see fifth chart on the next page)



SECURITIES UPDATE—

"I have drawn a new resistance line (in orange) to reflect current market conditions (fourth chart). The final chart is shows a speculative analysis on my part. The main reason I showed it was to let you know that you should have exited the trade on Monday (if you entered on Friday) based on the closing weakness."

In February, I also showed the change in performance since January (second chart).



The next chart is updated from that taken from February (fourth chart previous page).

As you can see, has breached past the orange resistance trend line. This is a bullish sign.

However, note that these lines are very rough. And because still lies near the line, you should not take this analysis alone as technical confirmation of a continued rise in the stock. But the bullish trend is intact.

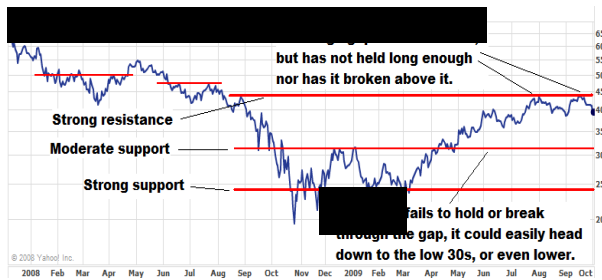


I feel there is a good amount of upside to (assuming a neutral market). But investors who have not already taken a position will need to be patient because it is quite volatile. Finally, if I decide to take a position in I do not plan to make it a core holding because It's strictly a valuation call.

SECURITIES UPDATE—

The first chart is from the October issue showing key support and resistance regions for

At the time, it appeared a breakdown was possible unless the security rebounded up to the \$45 region. But note this is a longer-term chart.



The second chart is from the November issue, illustrating a shorter-term analysis of price performance.

From the caption in the chart below, I stated needed to hit in the coming weeks in order to



continue the bullish run.

The third chart shows that and retreated thereafter. Once again, as the caption states, I continued to address the need to break through this resistance level.



While it did not hold. In fact, it sold off over the next several weeks down to the high 30s. But it has recently recovered. While the gap remains filled, will need to continue to make progress or else the chances increase that the intermediate-term trend could reverse.



The next chart shows updated support/resistance levels for. Notice these levels have not changed relative to the previous charts (from October).



In conclusion, I would like to see before taking a position.



MARKET FORECAST

Now I want to republish the recent market update report I sent out a couple of weeks ago. I will then discuss any potential changes that have occurred since the report.

"It should be apparent that the market is in a very bullish trend. This is in stark contrast to six weeks ago as you will recall.

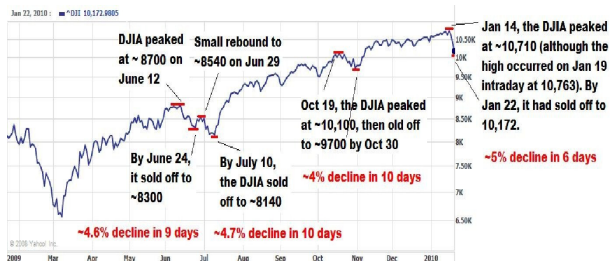
Over the past several weeks since the 2010 lows made in early February, the market has rebounded rather strongly. This movement has also been a bit irrational and fueled by amplification of less bad news, instead of any signs of good news.

Since the beginning of March, the gradual progress the DJIA has made has served to confirm the continuation of the bullish trend.

You should compare charts of the DJIA from the past 2 newsletters.

I'll walk you through this exercise.

The first chart is from the Mid-January Update.



At the time, you can see that the sell-off was somewhat significant (relative to the period since the March lows) and it occurred over a short duration.

The question was whether it represented a normal retracement or the early signs of a reversal in trend. In order to help determine the nature of this sell-off, I compared the recent sell-off to others that had occurred in 2009 since the March lows.

You should also note that this recent sell-off occurred when the media began to emphasize the debt crisis in Greece. Of course, Greece's problems had been present well before that. But it was the widespread awareness by investors (due to the media) that caused it to become a major issue.

[You should also note that I do not watch any financial networks. I do not have a subscription to any financial publications. I was able to gauge the relative effect of the media by looking at news headlines online. You should be able to make the same determinations without use of specific sources of media. In fact, if you rid of yourself of subscriptions to these publications and cut your cable TV, you could pay for the annual cost of this newsletter.]

The second chart is from the February newsletter.

As the chart shows, the sell-off continued through the first week in February.



I use short horizontal red lines to show the recent highs and lows for periods where sell-offs appear to be significant (note that I could have included the sell-off in September as well, but chose not to).

I also show some trend lines to give you an idea about the severity of the sell-offs.

MARKET FORECAST

The next chart shows this in more detail.

It illustrates the severity of the first and third sell-off, while skipping the second sell-off (October) due to the fact that it did not break below the support line.

Notice that the duration and rate of decline in the DJIA for these two sell-offs were similar.

Also notice, that I marked these two sell-offs as “short-term” violations of the intermediate trend. That means they have not caused a reversal in either the intermediate or long-term trend of the DJIA.



In the next chart, I have encircled each of these three sell-off/rebound regions without any other markings to in order to improve the visual clarity.



This chart was recorded two weeks later relative to the previous chart. As you can see, the DJIA rebounded since that time. But still, it has not filled the gap.

In the next chart, I show arrows to represent the magnitude and rate of change of the sell-offs and

response or rebound.

As you can see, while the magnitude (the amount of the movement in price) and rate of change (how fast the change in price occurred) of the first sell-off in the June-July period was similar to that in the January-February period, the rate of change of the DJIA rally/rebound during the June-July was greater than that seen in January-February.



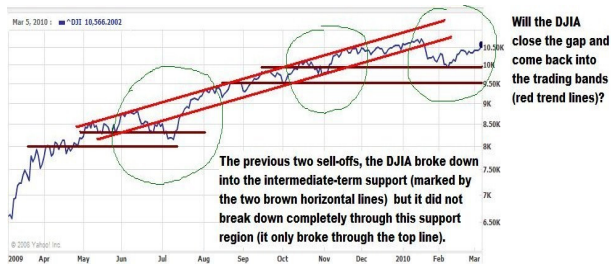
In other words, the recovery in the DJIA was more rapid and convincing in July than in February (at that time). That is something you should pay attention to. This in itself does not present a need to worry, but you should pay attention to ensure that upward progress continues over time.

In the next chart, I drew in some support lines, showing that none of the sell-offs represented the likelihood of a reversal in trend.

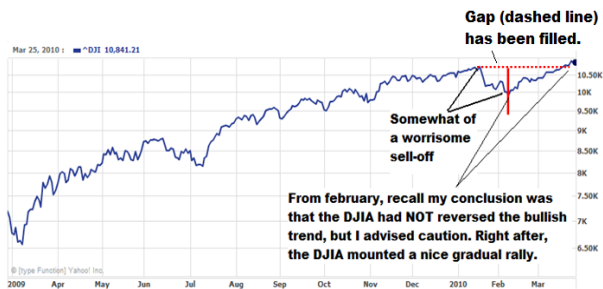
You might recall from the March issue I concluded that there was no definitive evidence that the trend in the DJIA had reversed. However, I stated that you should be careful.

I also mentioned that in order for the rally to continue since February, the DJIA would need to fill then break above the gap.

MARKET FORECAST



As the next chart shows (the most current chart of the DJIA), the DJIA has filled the gap. This is a bullish sign.



However, remember that in order for this bullish indicator to be confirmed, it must (in my opinion) break above the gap and hold it for some time (I have seen many filled gaps reverse course. You must wait for it to break through the gap).

As you can see, the DJIA is slightly above the gap but it has not been there for a long enough duration.

Therefore, I cannot conclude from technicals alone that the DJIA will continue its bullish trend.

On the other hand, there is absolutely nothing I see that provides any evidence to support the possibility of a trend reversal. In fact, we should give the DJIA the benefit of the doubt based on the momentum over the past few weeks. As such, we should assume the bullish trend will continue unless a major event occurs.

Of great significance, we have now reached a new high for 2010. This is a very bullish sign. However, as you will see, it is not as bullish as the recoveries mounted last year, specifically the one in June-July.

Why is this a bullish indicator?

Remember, the previous sell-offs established new highs shortly thereafter. The fact that the 2010 sell-off took two months to reach a new high is something that increases the chance that this rally is running out of steam.

However, it does not prove that it is running out of steam. It should only cause you to raise this possibility. You need to look for additional signs for confirmation. After all, over the next few weeks, the DJIA could continue to rise.



Remember, technical analysis cannot predict the future. It can only give you a rough idea about possible movements. But the information used to make these probability estimates is based on historical data. You should never rely exclusively or primarily on technical analysis (unless you are a day trader).