MARKET PERSPECTIVES MORNING CALL

August 24, 2009

Friday Recap…

Market Close August 21, 2009		
Index	Close	Change
Dow 30	9505.96	155.91
S&P 500	1026.13	18.76
Nasdaq Composite	2020.90	31.68
	NYSE	Nasdaq
Advances	2459	1972
Declines	577	709
Ratio	4.26	2.78
New Highs	110	69
New Lows	1	6

Market Metric	Reading
Internals	Bullish
Risk	Positive
Short Term Trend	Bullish
Long Term Trend	Bullish
Volatility	Neutral

The market exploded higher Friday as existing home sales rose to their highest level in two years. Small caps, mid caps, and commodities led the market higher as the Bollinger Band breakout I have been talking about is beginning to materialize to the upside. The upside case was made throughout the week as selling pressure was non existent. Now we will see how much strength the bulls can muster as we head into the positive end of month period followed by the Labor Day holiday. If the bulls can keep this breakout alive, things could really accelerate to the upside as one sided trade along with thin volume can cause exaggerated moves. There were two developments today that caused the "Risk" category to move back to Positive. First, the HYG:IEF spread reclaimed its trend line as traders and investors moved out of treasuries. Second, very strong leadership was displayed by the small and mid cap indices which showed that traders were embracing risk. These factors, plus the fact that today's breakout occurred on a solid increase in volume indicated that this next move higher should have strong momentum. The fact that the Nasdaq lagged once again is still a concern, but that concern is tempered by the above mentioned leadership of small and mid caps. This market appears to have silenced its doubters one more time as it continues to power higher.

Friday's top ETF performers were led by dollar sensitive names. A weak dollar gave a boost to country and commodity ETFs, while homebuilders made the list again on the strong existing home sales number.

Top Ten ETFs by performance for August 21

SYMBOL	DESCRIPTION	% Change
RSX	Market Vectors Russia ETF	5.58%
JJC	iPath Dow Jones-AIG Copper Total Return Sub-IndexSM ETN	4.88%
EWD	iShares MSCI Sweden Index Fund ETF	4.46%
IEZ	iShares Dow Jones US Oil Equipment & Services Index Fund ETF	4.03%
DBB	PowerShares DB Base Metals Fund	4.02%
ITB	iShares Dow Jones US Home Construction Index Fund ETF	3.83%
XLB	SPDRs Select Sector Materials ETF	3.79%
KRE	Spdr Kbw Reg Banking Etf	3.68%
EVX	Market Vectors Environmental Services ETF	3.58%
EWO	iShares MSCI Austria Index Fund ETF	3.58%

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Friday's bottom ETF performers list was well represented by defensive names. Inverse and bond ETFs were hurt today by the rotation back toward risk. The dollar erased most of its early losses following the existing home sales report, but sold off again later in the session as its need as a safe haven was greatly diminished as traders chased equities.

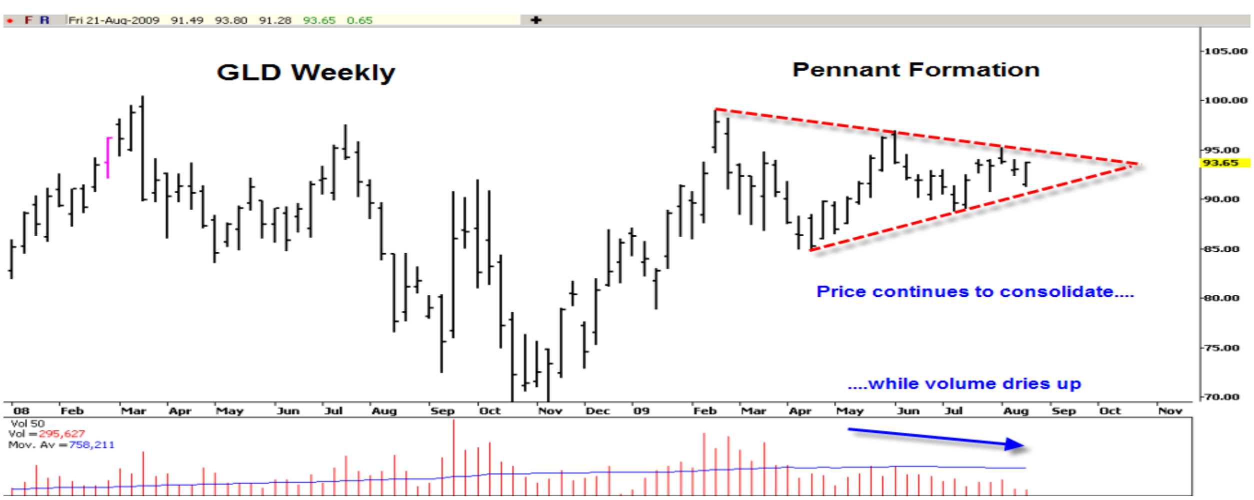
Bottom Ten ETFs by performance for August 21

SYMBOL	DESCRIPTION	% Change
TLT	iShares Barclays 20+ Year Treasury Bond Fund	-2.06%
SH	ProShares Short S&P500 ETF	-1.84%
DOG	ProShares Short Trust Dow30	-1.70%
UNG	US Nat Gas FD ETF	-1.39%
PSQ	ProShares Short QQQ ETF	-1.35%
IEF	iShares Barclays 7-10 Year Treasury Bond Fund	-1.02%
SGG	iPath Dow Jones-AIG Sugar Total Return Sub-Index ETN	-0.62%
EWA	iShares MSCI Australia Index Fund ETF	-0.50%
KWT	Market Vectors Solar Energy ETF	-0.44%
UUP	PowerShares DB US Dollar Index Bullish Fund	-0.34%

Gold is still consolidating. I have written in the past about gold consolidating as it prepares to break either higher or lower. It is in a "pennant" formation which shows indecision as existing investors essentially hold positions. There is very little in the way of inflows or outflows to affect the price of gold, as the declining volume in the chart below attests.

The fact that gold did not break this consolidation pattern as the dollar tried to rally last week can be construed as bullish. Gold always reacts to the dollar, not vice-versa, so when gold held its ground in such staunch fashion that said that the rally in the dollar may not have had much behind it. So far, that has been proven true as the dollar has since given back its gains and is now in position to test its early August low.

With gold consolidating just below its all time high, any break lower in the dollar could cause gold to break out of its six month old consolidation pattern. The dollar is still being held down by being the borrowed (shorted) currency in the carry trade as well as by the Fed's easy money policy. Should the dollar break support at 77.40, there are price targets in the 74.50 range. If the dollar moves down to that target area, that could be the catalyst for gold to break over \$1000/ounce which would open the door for a run to \$1300. Do not commit any new capital to gold, however, unless it breaks out of this pattern.



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Economic data releases for the week of August 24 – 28:

MONDAY

Treasury auctions 3&6-month bills (1 pm ET)

TUESDAY

Weekly Chain Store Sales (8:55 am ET)

S&P/Case-Shiller Home Price Index for June (9 am ET)

Consumer Confidence Index for August (10 am ET)

Treasury auctions 2-year notes (1 pm ET)

WEDNESDAY

Durable Goods Orders for July (8:30 am ET)

New Home Sales for July (10 am ET)

EIA Petroleum Inventories (10:30 am ET)

Treasury auctions 5-year notes (1 pm ET)

THURSDAY

Gross Domestic Product (GDP) for Q2 (8:30 am ET)

Corporate Profits for Q2 (8:30 am ET)

Initial Jobless Claims (8:30 am ET)

Treasury auctions 7-year notes (1 pm ET)

FRIDAY

Personal Income & Consumption Expend. for July (8:30 am ET)

U. of Michigan Consumer Sentiment Index for Aug. (9:55 am ET)

Market Perspectives Morning Call

Model Portfolios Through 8/21/09

Country Model							
Symbol	Name	Purch Date	Purch Price	Close	Daily Return	WTD Return	MTD Return
EPP	iShares MSCI Pacific Ex-Japan Inc	8/3/2009	36.37	36.26	0.08%	-0.22%	-0.30%
EWD	iShares MSCI Sweden Index Fund	8/3/2009	22.32	23.41	4.46%	6.12%	4.88%
EWP	iShares MSCI Spain Index Fund E	8/3/2009	45.70	46.81	2.83%	2.43%	2.43%
EWS	iShares MSCI Singapore Index Fur	8/3/2009	10.69	10.16	0.20%	-0.78%	-4.96%
EWY	iShares MSCI South Korea Index F	8/3/2009	42.51	42.36	1.63%	2.05%	-0.35%
Cumulative					**1.83%**	**1.89%**	**0.29%**

Sector Model							
Symbol	Name	Purch Date	Purch Price	Close	Daily Return	WTD Return	MTD Return
IAK	iShares Dow Jones Us Insurance I	8/3/2009	24.01	26.11	3.28%	3.37%	8.75%
IBB	iShares Nasdaq Biotechnology Ind	8/3/2009	79.16	77.86	0.88%	1.79%	-1.64%
IGW	iShares S&P GSTI Semiconductor	8/3/2009	42.80	42.89	1.88%	2.36%	0.21%
IXG	iShares S&P Global Financials Sec	8/3/2009	43.20	45.29	2.21%	1.87%	4.84%
PXN	PowerShares Lux Nanotech Portfo	8/3/2009	10.17	10.23	2.61%	3.54%	0.59%
Cumulative					**2.17%**	**2.58%**	**2.48%**

Currency Model							
Symbol	Name	Purch Date	Purch Price	Close	Daily Return	WTD Return	MTD Return
FXA	Rydex Currency Shares Australian	8/3/2009	84.15	83.45	0.18%	0.46%	-0.83%
FXE	Rydex Currency Shares Euro Trust	8/3/2009	143.19	143.30	0.56%	1.02%	0.08%
FXS	Rydex Currency Shares Swedish K	8/3/2009	140.80	142.19	1.76%	2.83%	0.99%
Cumulative					**0.83%**	**1.43%**	**0.07%**

Style/Index Model							
Symbol	Name	Purch Date	Purch Price	Close	Daily Return	WTD Return	MTD Return
QQQQ	PowerShares QQQQ Trust	8/3/2009	39.85	40.29	1.33%	1.67%	1.10%
EEM	iShares MSCI Emerging Markets F	8/3/2009	36.74	36.31	1.51%	1.65%	-1.17%
Cumulative					**1.42%**	**1.66%**	**-0.04%**