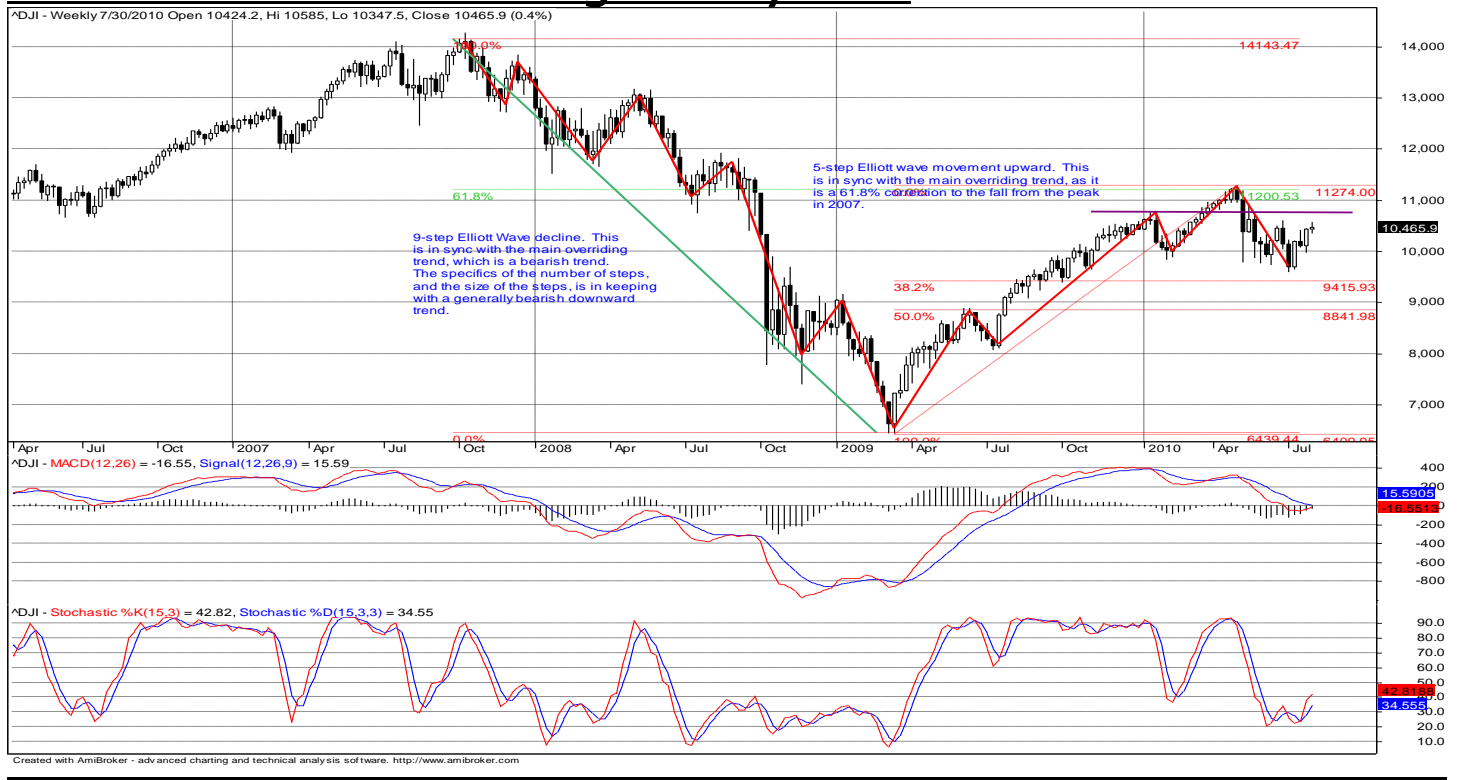


On The Mark Investing

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Broad Market Trend using Weekly Data



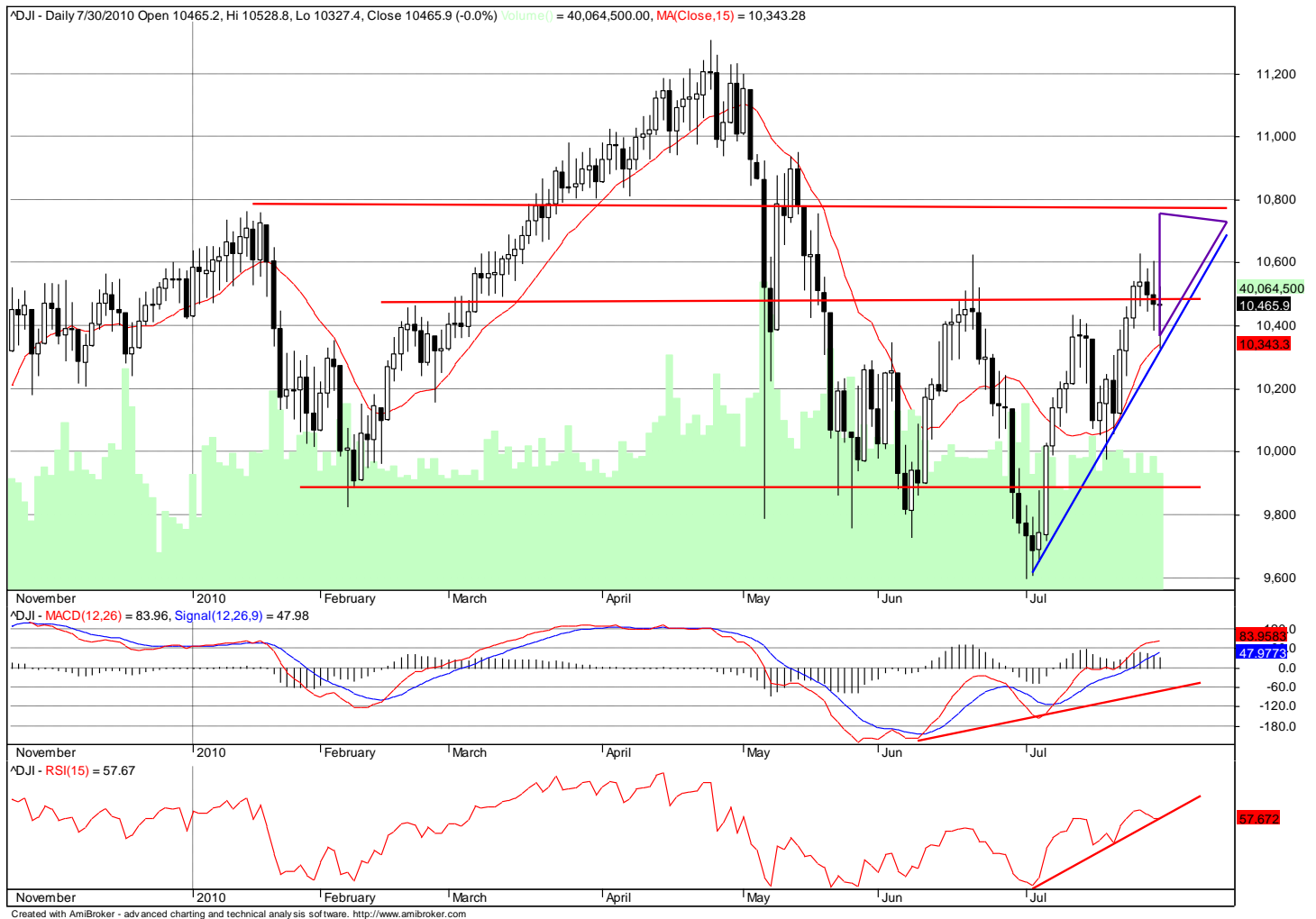
The Dow Jones Industrial Average (^DJI) gained 0.4% last week, finishing at 10,465.

Last week I noted "From a broad market perspective the movement is sideways. There are opportunities within that, as will be discussed in the Near-Term analysis below. But in the Broad we are still in a sideways market." That was well illustrated last week, as there was relative parity between buyers and sellers, and compared with recent weeks there was very little volatility.

I will repeat last week's numbers to watch --- it is still relevant:

- If the market rises and stays above 10750 for several days then you can assume that the downward market is cancelled, this is a sideways move, and we'll be waiting for the next step up or down.
- The next step in that instance is 11263. If the market passes that point, we can assume that the sideways market is cancelled, and that we are in another period of uptrend in the market. A likely extension of the Elliott wave to a 7th leg up.
- If however the market drops down below 9632, we could expect a continued fall as this would be the third leg of an Elliott down or correction wave.

Near-Term Market Trend using Daily data



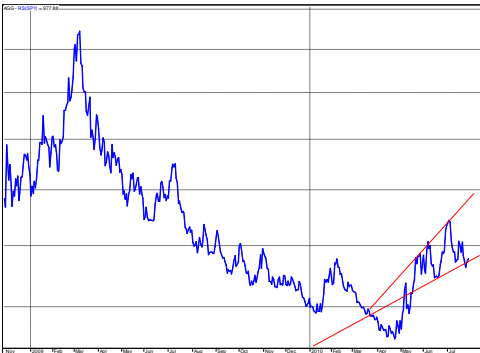
Last week I noted: “You are in a sideways market. In the near term it appears that it could rise up to the RED line at 10784, and it may see downside protection at the BLUE line around 10250. The technical indicators say that it is more likely to continue to go up than it is to go down. If you trade daily you may in fact be safe to make that market-general SPY investment as long as you keep your stop loss in play.”

In the Broad, the market is sideways to slightly down. In the near term, all the technical signals above indicate mild continuing increase to the market. I have illustrated a PURPLE triangle to give you a sense of where the market might trend if it continues to rise this week. You can see from the MACD below (RED well above BLUE signal line and rising) and the Relative Strength (higher lows) that there still appears to be upward technical energy. But all of this is in the broader construct of a sideways market. So the gains will not be large nor will the trend be strong.

Note that trading volume in GREEN is still weak. It did not spike as the market rose last week. That is a leading, telltale sign that any upward movements should be fairly weak. If you care to chase it for short term purposes, be particularly careful.

Asset Class Behaviors

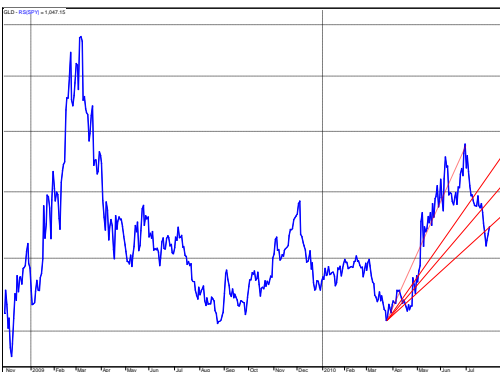
The charts below are not the price of the security. They are the ratio of the price of certain ETFs to the value of the SPY (S&P 500 ETF).



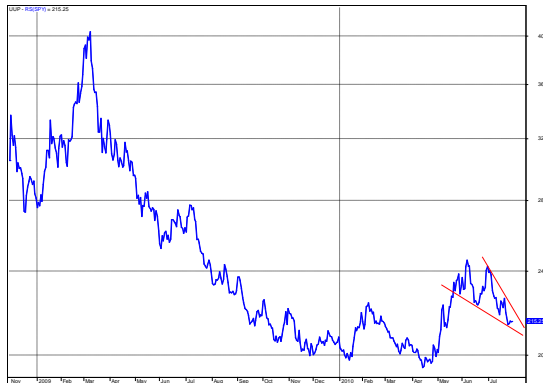
Bonds (AGG) are becoming unstable against the overall market. A widening triangle as drawn indicates volatility. Likely, the strength is coming to an end.



Real Estate (ICF) continues strong relative to the market on the whole.



Gold (GLD) has slowed against the market as I noted last week. Investors often rush to Gold in times of volatility - this is one more indication that emotions are down and the sideways market may continue for a while.



Dollar (UUP) is weakening and heading into the apex of a descending triangle. That would imply a sharper downward breakout may lie ahead. This is definitely not a time to rush LONG into the Dollar.

ETF Hedge Fund – Description

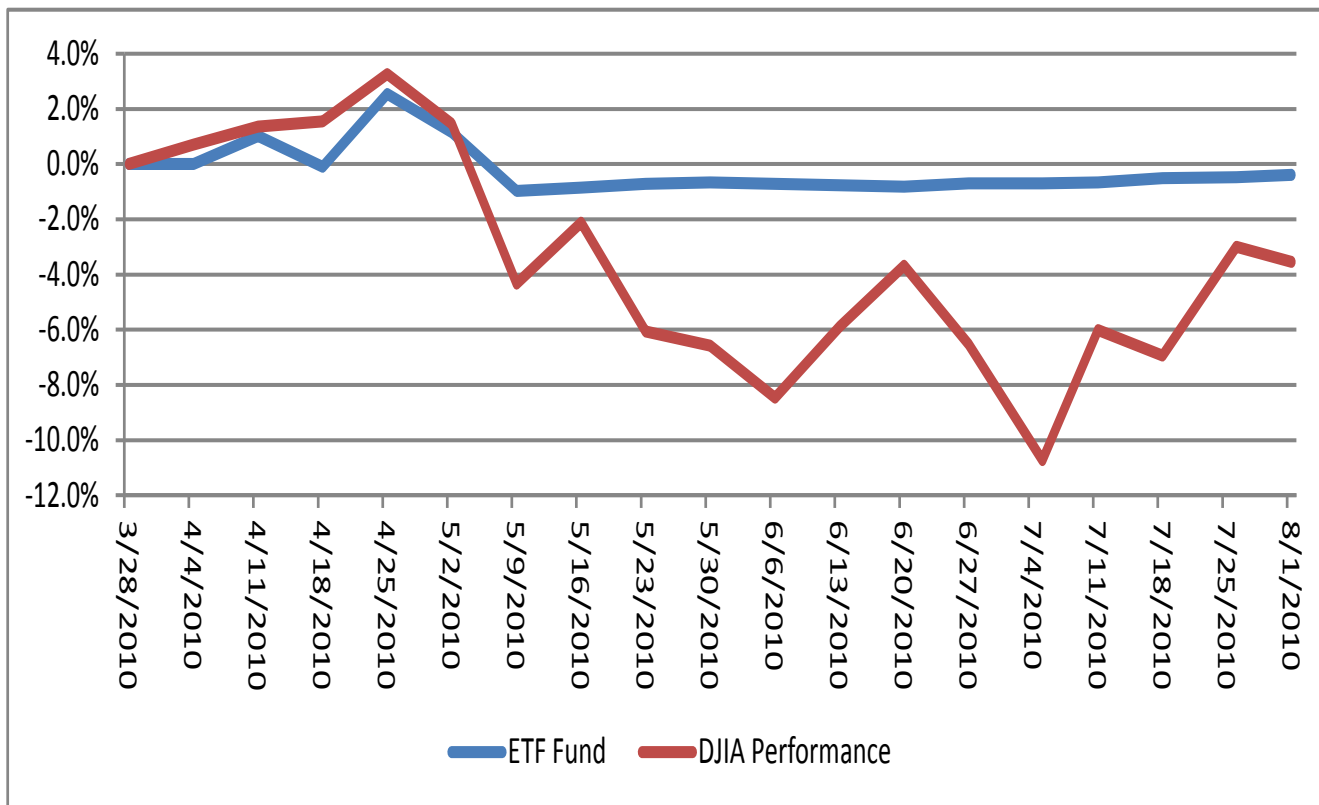
The ETF Hedge Fund consists of a set of loosely-correlated ETFs (Exchange Traded Funds). It is aimed at the conservative investor who is looking to preserve capital, avoid major market downturns, and ride market upturns. Trading occurs no frequently than weekly, and the ETF Hedge Fund has a bias toward conservative money management. ETFs can be bought just like stocks using Schwab, TD Ameritrade, Etrade, or any other electronic brokerage.

An ETF is a commonly traded security that represents a published proportion of underlying securities. For example, the ETF going by the ticker symbol “SPY” consists of a basket of stocks matching the proportion used in the S&P 500 index. ETFs have the advantage of being liquid, traded like stocks, and diversified like a mutual fund since they consist of so many underlying securities.

ETF Hedge Fund – Performance

Performance from inception, 03/28/2010 to Current

The ETF Hedge Fund is down -0.4% before dividends. The DJIA is down -3.6% in the same period.



You can see the moderating effect that properly using uncorrelated assets can have on overall return. Note that in the April timeframe, as the market was moving upward, we took advantage of the trend. In the last 3 months, we are positioned to retain our gains as the inevitable corrections occur.

Were dividend income to be included in the overall results, the ETF Hedge Fund would be positive for the year.

Assumptions in the above chart:

- 1) You followed all BUY/SELL/STOP LOSS instructions for the security since March 28, 2010
- 2) Equal amounts were invested each time the security was purchased
- 3) All shares were sold at the time of the SELL order
- 4) No commission or transaction fees are included
- 5) No dividends or capital gain disbursements are included

ETF Hedge Fund – Security Detail

Security	The BUY/SELL notes below are from mechanical models and used as a reference. Please see notes directly below this table for further clarification and direction.			Price	Current Position Stop Loss	New Position Stop Losses	
	Long-Term	Med- Term	Short Term		SELL	BUY	SELL
SPY (S&P 500 ETF)	SELL (Jun 30) (103.22)	SELL (May 20) (107.54)	BUY (Jul 9) (107.96)	\$110.29			
AGG (Bond ETF)	BUY (Apr 30) (104.89)	BUY (Apr 29) (104.44)	BUY (Apr 15) (104.26)	\$107.85	\$106.73	\$104.75	\$104.00
ICF (REIT ETF)	BUY (Jul 7) (55.30)	SELL (Jul 2) (53.66)	BUY (Jul 13) (58.38)	\$60.56			
GLD (Gold ETF)	BUY (May 24) (116.84)	BUY (May 24) (116.84)	SELL (Jul 1) (117.04)	\$115.49			
UUP (Dollar ETF)	BUY (Jul 14) (24.25)	SELL (Jul 14) (24.30)	SELL (Jun 17) (24.95)	\$23.74			
DOG (S&P Inverse)	SELL (Jun '09) (66.50)	BUY (Jul 14) (50.80)	SELL (Jul '09) (64.27)	\$50.18			
MUB (Tax Advantaged Bond)	BUY (Mar 18) (103.49)	BUY (Mar 18) (103.49)	BUY (Apr 16) (103.48)	\$105.18	\$104.74	\$103.40	\$102.75

Three comments from last week are generally still true:

- 1) **We only BUY when all three models are in sync and suggest BUY.**
- 2) General equities (SPY, ICF, DOG) are not suggested by the models, and the market is in a general downward or sideways trend. So as an intermediate-term investor you should not be in equities.
- 3) Bond funds (AGG, MUB) have been bid up such that they are very expensive. You should wait to “buy on the dips” so to speak. So you will see that even though the models say they are BUY, you should wait until the price drops before adding to your holdings.
- 4) Gold and the US Dollar are both beginning technical correction cycles and are not good BUY at this point.

Remember to set the stop loss as indicated.

Mutual Fund Guidance

Security	Recommendation	Current Price of Proxy	Guidance
Equity Mutual Funds (SPY as a proxy)	(May 24) SELL when SPY was below 110 for 3 days. (\$107.71)	\$110.29	You should be out of equity funds until this lateral market resolves into a trend.
Bond Mutual Funds (AGG as a proxy)	(May 16) BUY	\$107.85	Shift monies from Bond Mutual Funds to Money Market Funds when the price of AGG drops below \$103.80 for 3 days
Money Market	Do not hold cash	N/A	You should be in fully in bond mutual funds at this point.

Rules for 401K Mutual Fund Portfolios

Segment your 401K portfolio offerings into Equity, Bond, and Money Market. Most equity funds (Large Cap, Small Cap, International, Growth, Value) are very tightly correlated and should be considered as a single asset class. Of these, if you have an S&P Index fund, choose this as your Equity fund. Most bond funds (government, mortgage) are tightly correlated. Of these, if you have a government bond fund, choose this as your Bond fund. You typically will not have a Real Estate or Gold option for 401K portfolios.

New Investing Suggestions

None this week.

The Final Word

If you live in Louisville, Kentucky, the American Association of Individual Investors is having a meeting on Wednesday, August 18th. The program starts at 7:00 and will feature a talk on “The Tax Ramifications of the Health Reform Bill”. For those of you that might be interested in that topic, visit:

http://www.aaii.com/localchapters/pdfs/20100818_louisville.pdf

For the many of you who do not live in Louisville, check the AAI site - there are many local chapters that bring together a collection of people who are interested in taking investing into their own hands, like yourselves.

Appendix – Important Details

Rules for Placing Trades

- 1) When you place a BUY order, you will also place an associated SELL order for the same security. This is designed to keep you free of constantly checking progress of the trade, and it is designed to build the discipline of always having a set of stops in place to control downside risk. This can be automated on TD Ameritrade by using what are referred to as “Conditional Orders”. On Schwab these are referred to as “Bracket Orders”. Lacking these automated tools, once you execute the BUY order you can go in the day after the BUY and manually place the protective stop.
- 2) All of your orders (BUY and SELL) will be done using Stop Market orders. That is, on a BUY order the market price must rise to a particular price before you BUY. This gives you initial confirmation that the market price is moving in the expected direction. On a SELL order the market price must fall to a particular price before you SELL.

Rules for Adding New Money to Existing Portfolios or Building from Scratch

- 1) Only add new monies to securities with BUY in Long-Term, Medium Term and Short Term. Otherwise, keep the money in a money market fund.
- 2) Do not increase the overall size of the portfolio more than 12% a week, in order to limit market risk.
- 3) Always enter the noted stop loss amount with each investment. Do not enter a purchase without an associated stop loss amount.

Things to be Aware Of....

First, among the positions that I hold positions are AGG and MUB, among other securities.

Second, the information contained herein is based on sources that I deem to be reliable but is neither all-inclusive nor guaranteed for accuracy by me and may be incomplete or condensed. The information and its opinions are subject to change without notice and are for general information only. Past performance is not a guide or guarantee of future performance. The information contained in this report may not be published, broadcast, rewritten or otherwise distributed without my consent. Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisers Act of 1940, all readers are advised that they should not assume that all recommendations made in the future will equal that referred to in this material. Investing in securities involves risks, including the possibility of loss.