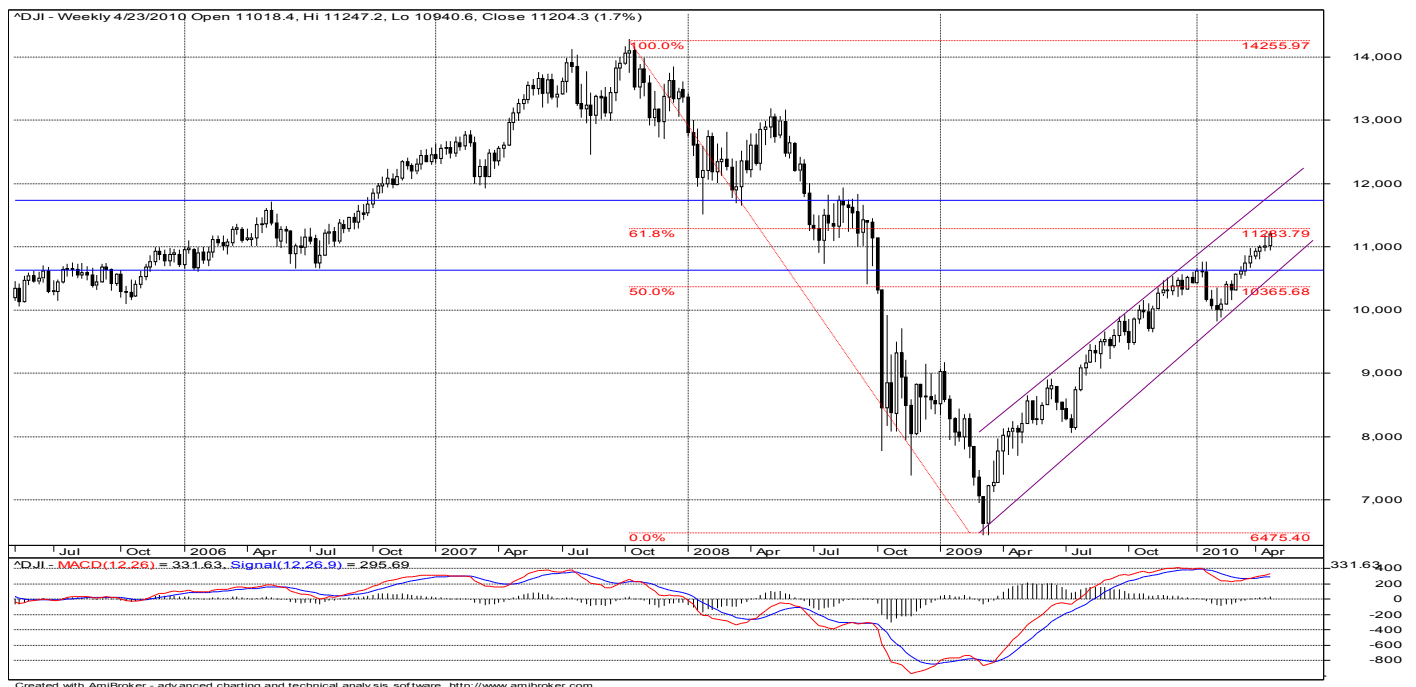


5-STEP INVESTING

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Step 1 – Broad Market Trend

Primary Trend: Upward. Started March 6, 2009 at 6626.
Intermediate Trend: Upward. Started February 12, 2010 at 10012.



The Dow Jones Industrial Average (^DJI) advanced 1.7% last week, finishing at 11,204. As I mentioned last week, the next point of interest is the 11261 Fibonacci line, which is less than a 1% gain away. Following that, there is potential resistance at the upper Blue line at 11711, which is a 4.5% gain away.

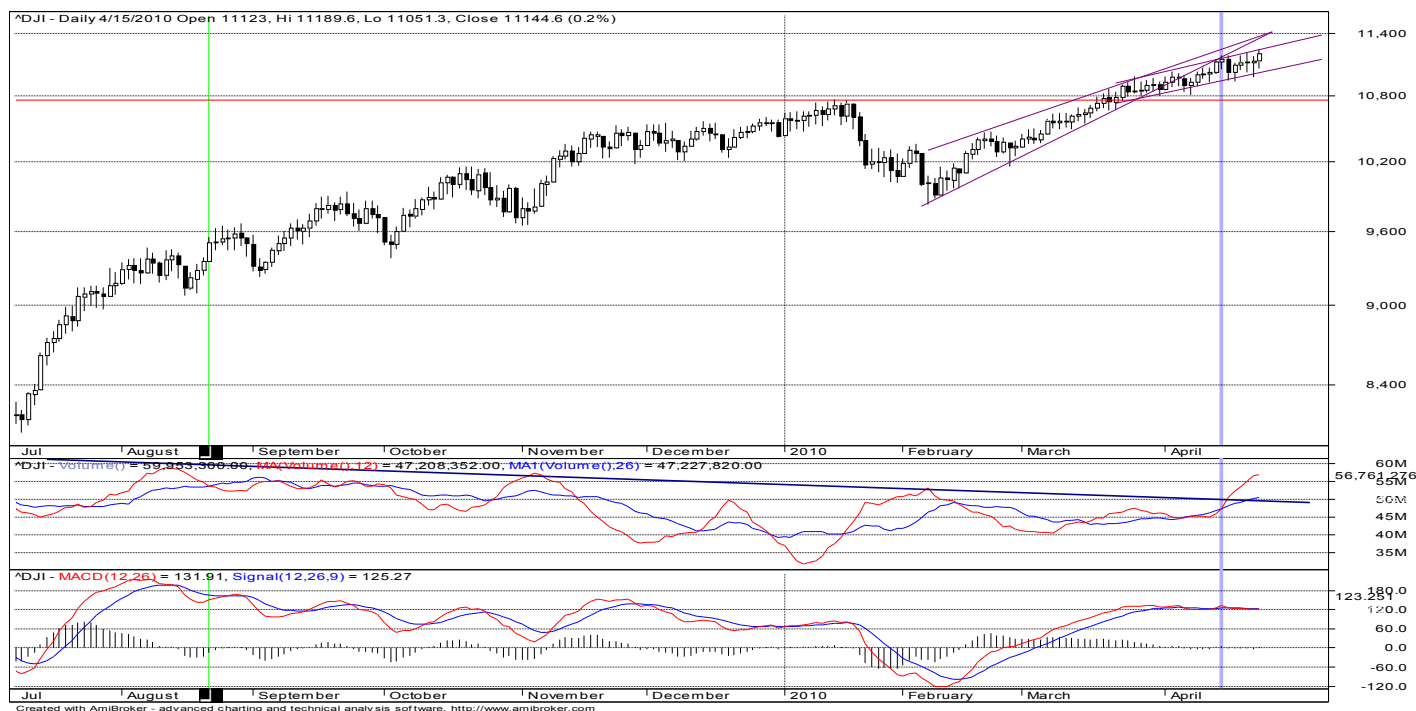
I said last week, “There are plenty of “contrarian” indicators that suggest a correction in the air”. So where is the correction? The ^DJI is moving upward safely within two 45 degree trend lines, and the red MACD line has now pierced upward through the blue signal line. The upward drive is being propelled by good earning results, and one can reasonably expect that next week’s earnings from companies as diverse as Humana and Caterpillar will not disappoint.

One could reasonably believe that this market which is presently at 11204 can and will move upward 4.5% to 11711 or downward 6.1% to the lower purple trend line of 10520 and still stay in an upward trend that fits convention. If we view “the trend as your friend”, this continues to be a market for additional investment.

In the broad, just a reminder: the further that this market goes up, the more that a corrective drop would not be unexpected. The market could drop as much as 10% to 10,000 and still be characterized as being in an upswing. Make sure that you set your stop losses appropriately.

Step 2 - Near Term Market Trend

Intermediate Trend. Upward. Started February 8, 2010 at 10195.
Short Term Trend. Upward. Started March 1, 2010 at 10337.



Last week I remarked “Looking at this daily chart you can see that our trend line has turned into a resistance line. This would suggest that the market is changing its tone.”

The market continues to go up, albeit at a less steep or robust clip than it has been. So as is usual there are different indicators saying different things. In the camp for continued upward movement in the market:

- the trend. Ok, it is not as steep. But it is still up.
- Volume. Note the middle graph. The 12 day average volume is above the 26 day average volume, so that means volume has been increasing, which is what you'll need for any continued major upward movement. And the red 12 day line crossed above a declining trend line.

In the camp for caution in this market:

- the price MACD graph in the lower graph has not resolved itself, but history would indicate that the growth will abate and it has in fact begun to happen.
- The majority of earnings reports are exceeding analyst estimates, and yet the rate of growth in the market has begun to ease off. Is all of the positive news already baked into the price?

The market is presently at 11204. If it manages to rise 1.8% and above the 11400 level then it will be back above its old trend line and today's weakening will be forgotten. If on the other hand the market drops 1.7% and closes below the lower of two new trend lines, it will demonstrate further weakness and suggest the beginning of a correction back toward 10000. So while this market is trending upward, these are the markers to keep an eye on.

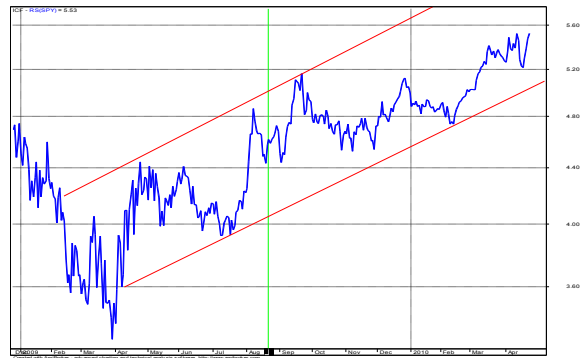
Step 3 – Asset Classes

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) continue to under-perform relative to the S&P 500. It should be underweight in your portfolio. No sign of need to shift to this safer asset class.



Real Estate (ICF) continues to outperform relative to the S&P 500. It should be overweight in your portfolio.



Gold (GLD) has weakened over time relative to the S&P 500. There may be a breakout soon in the price of GLD relative to the S&P 500, as the price will move either above or below the apex of this triangle.



Dollar (UUP) has moderated in strength against the S&P 500. It is at the apex of a descending triangle, so in technical terms we might soon see it break sharply in one direction or the other.



Step 4 – Current Portfolios

ETF Hedge Fund

I have added MUB as an ongoing option, per last week's newsletter. Also, is an upward-trending market, and until any change in character becomes clearly apparent you should still consider this a buying market. Keep your stop loss values up to date weekly.

Security	Weight	Long-Term	Medium Term	Short Term	Price Now	Stop Loss
SPY (S&P 500 ETF)	Overweight	BUY (Jan 25) (109.77)	BUY (Mar 19) (115.97)	BUY (Feb 11) (108.13)	121.81	116.88
AGG (Bond ETF)	At weight	HOLD	HOLD	BUY (Apr 13) (104.19)	104.40	103.35
ICF (REIT ETF)	Overweight	BUY (Jan 25) (50.15)	BUY (Mar 5) (54.36)	BUY (Feb 16) (50.30)	61.91	57.11
GLD (Gold ETF)	Underweight	BUY (Feb 1) (108.35)	BUY (Apr 23) (113.19)	BUY (Apr 1) (110.26)	113.19	108.52
UUP (Dollar ETF)	None yet	HOLD	BUY (Dec 18) (23.01)	HOLD	23.84	23.47
DOG (S&P Inverse)	None yet	SELL (Jun 30) (66.50)	SELL (Feb 17) (52.47)	SELL (Feb 16) (52.75)	48.40	0.00
MUB (Tax Advantaged Bond)	At weight	BUY (Mar 17) (103.41)	BUY (Mar 17) (103.41)	BUY (Apr 16) (103.48)	103.85	102.76

Current Recommended weights for portfolios:

Conservative: Bonds/Cash 30%; S&P 55%; Real Estate 15%; Gold 0%

Aggressive: Bonds/Cash 5%; S&P 60%; Real Estate 35%; Gold 0%

Base weights for portfolios:

Conservative: Bonds/Cash 50%; S&P 30%; Real Estate 10%; Gold 10%

Aggressive: Bonds/Cash 25%; S&P 25%; Real Estate 25%; Gold 25%

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.

Rules for 401K Portfolios

- 1) 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.

Step 5 – New Ideas

None this week.

The Final Word

Today's Final Word comes from Linda Raschke, who is a noted trader and head of the LBR Group. These are her trading "Rules to Live By".

- Plan your trades. Trade your plan.
- Keep records of your trading results.
- Keep a positive attitude, no matter how much you lose.
- Don't take the market home.
- Successful traders buy into bad news and sell into good news.
- Isolate yourself from the opinion of others.
- Limit your losses - use stop losses.
- Never cancel a stop loss after you place it.
- Place the stop loss at the time you make the trade.
- Never get into the market because you are anxious because of waiting.
- A bear market will take in 1 month what a bull market earned in 3 months.
- You must have a program, know your program, and follow your program.
- Expect and accept losses gracefully.
- Subordinate your will to the will of the market.
- If the market doesn't do what you think it should, get out.
- Never add to a losing position.
- Standing aside is a position.
- Nobody knows what will happen. React to what does happen.
- Get in the habit of taking your profits too soon.
- Lose your opinion, not your money.

Legal:

First, among the positions that I hold positions are SPY, AGG, MUB, and IHF.

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.