

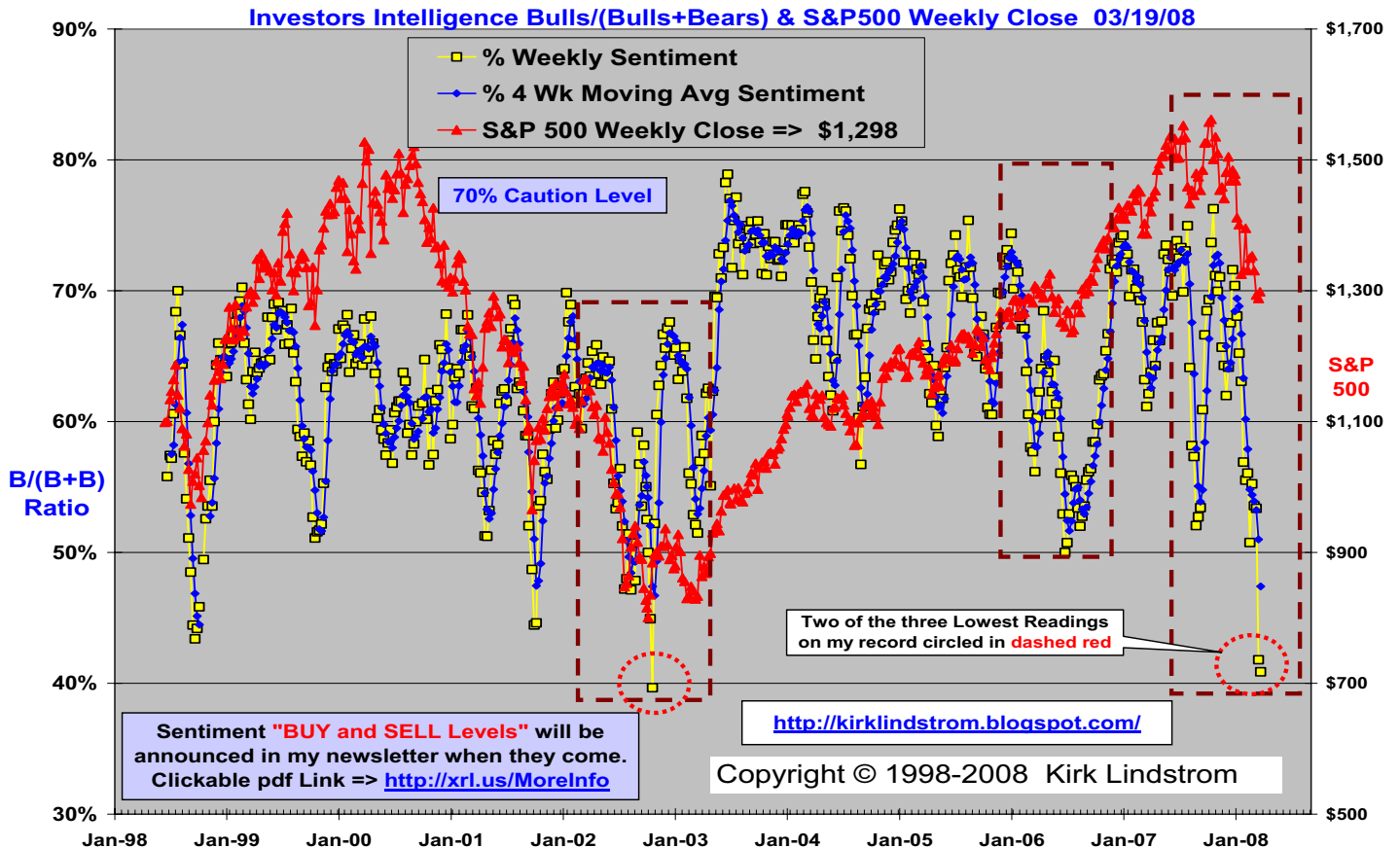
Kirk Lindstrom's April 2008 Investment Newsletter

3/19/08 Sentiment Update: Remember, typically I do not “approve” of trying to time the markets except for a very small part of our explore portfolio in an attempt to get better prices when asset allocation already says to buy or sell. This could change at an extreme.

My charts are not very good at “calling tops” but the “spikes” the charts show have been quite good at helping us pick times to buy. Last month we had two neutral and three buys. Here is what the indicators (that do not carry the same weight) are telling me now:

- ISE (International Securities Exchange) Sentiment Index => **BUY** (Buy) (510, 20 & 50 DMAs lower than 2002 bottom)
- II-BBS: Investors' Intelligence Bull Bear survey ==> **BUY** (Huge Spike. A turn up is needed to confirm local bottom)
- CBOE (Chicago Board Options Exchange) Put/Call Ratio (CPC) ==> **Buy** (3Mo high + 10 wk spike); VERY Bullish Long Term.
- VIX (CBOE Volatility Index) <http://www.cboe.com/data/mktstat.aspx> ==> **BUY** – (Last month Buy. Still elevated)
- 10 & 52-week moving average of the AAll bull/bear index ==> **BUY** ST and Long term
- State Street Investor Confidence Index ==> **BUY** (Sentiment continues to move up off record lows)

ALL six of my sentiment indicators are giving BUY signals. The ISE and II-Bull/Bear surveys are showing investor panic similar to that seen at major market bottoms. I had a hard time choosing which chart to show here



One important thing I look for is a “turn up” of the moving averages in my sentiment charts to indicate the period of highest fear (or low sentiment) is over. We have seen this with the State Street chart, where despite 3 months of higher readings since printing an all time low in December, it remains near all time lows. My recent buy of SPY using sentiment charts is in the green as I type.

I am convinced good fundamental analysis followed by technical analysis mixed with sentiment analysis can increase our odds of getting great stocks at good prices, but it can not overcome the fact nobody can really time the stock markets. For that, we need to rely on being contrarian where we buy low and take profits at higher levels. This can lead to short term (months to a couple of years) of under performance but should give us great out performance in the long term as my long-term record indicates.

Market Timing Disclaimer: No sentiment indicator, or any indicator for that matter, is 100% reliable. I look at sentiment as head winds and tail winds. When sentiment is terrible, then it acts like a tail wind for your returns where you could see further declines, but long term, it is best to be buying when most others are selling. Likewise, if we see sentiment get too bullish, then I would consider lowering my portfolio asset allocation. It seldom pays to be buying stocks when EVERYONE is talking about stocks and how much money they are making at cocktail parties. Please send me email with stories when “water cooler” and “party talk” return to stories of big gains in stocks.

In addition, I am not really market timing but for a small portion of my explore portfolio. I am using market-timing indicators to tell me it is a good time to buy so I can add to positions when the market is down and thus help me overcome my fear. Likewise, when the market-timing indicators are saying to sell, they usually come when the markets are high where I want to be taking profits. The market timing indicators at market highs help me get over my greed and take profits. Now and then, I may make an asset allocation adjustment based on the Fed Model saying the market is over or under valued. Some call that market timing, but I have stayed pretty close to 70:30 equities-fixed for many years despite the Fed model.

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