



# ALMANAC INVESTOR NEWSLETTER

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## Santa Fails to Call, First Five Days Are Down But It Only Amounts to a Tiny Correction Further Gains Are Expected — Caution Is Required

By Jeffrey A. Hirsch

Following an early month low in December, stocks vaulted higher out of their tight three-four week range. Then before year-end, Santa Claus took off early — apparently exhausted from delivering a zillion iPods. Stock prices have been in retreat since, registering a negative **Santa Claus Rally** and a loss for our **First Five Days Early Warning System**. Failures of these two indicators are warnings but not necessarily fatal for the market. These short time spans can be easily affected by events and our full-month **January Barometer** has been most reliable, serving as an especially effective divining rod when stocks have declined between Christmas and the fifth trading day of the year.

For example the Iran Hostage Cri-

sis kept the Santa Claus Rally away in 1980 and the imminent invasion of Kuwait in 1991 drove the market down until the war began in mid-January. In both 1980 and 1991 the January Barometer was up and both years were up solidly. The failure of the Santa Claus Rally to appear this year with the S&P 500 down -1.8% and a loss of -2.1% for the big cap average over the First Five Days — as well as losses across the entire market — are cause for concern, but not panic.

Events related to Iraq, terrorism, oil prices, the FOMC minutes that fueled fears of inflation and higher interest rates this year — and perhaps the tsunami — have weighed the market down. But on the heels of such a strong run-up since the election we may be experiencing a healthy dose of profit

taking. (See the Bush Defeats Kerry scenario in the November issue *Proving Grounds*.) Make no mistake; we do foresee an end to this bull market and a major top, just not this instant. Our **2005 Annual Forecast** is intact and we anticipate further insight from the full-month January Barometer.

*An email Alert will be sent to all active subscribers after the close on January 31, 2005 with the official final results of the 2005 January Barometer. Three Alerts were sent since last issue and posted to the website (stocktradersalmanac.com): the Free Lunch Menu of Bargain Stocks, the Santa Claus Rally failure and updates, and down First Five Days warning and updates.*

(continued on page 3)

## Organic Growth — The Future of Electronic Displays Plus Three Cutting-Edge Companies

By Robert Cardwell

Electronic devices surround us, and all indications are that they will continue to multiply — probably at an even faster rate. One thing almost all of these devices have in common is some sort of display. Even radios and portable music players have screens that provide increasingly detailed information — the tune

that's playing, the recording artist and so on.

In computers, the display is the most important and most costly single component. Displays for cell phones are increasingly important as these gadgets take on the role of text and video receivers, cameras, and even video recorders. The market for flat

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1/12/05: NASDAQ 2092.53 • S&P 1187.70 • Dow 10617.78 • Russell 2K 613.19 • NYSE 7075.64 • Value Line Arith 1711.34

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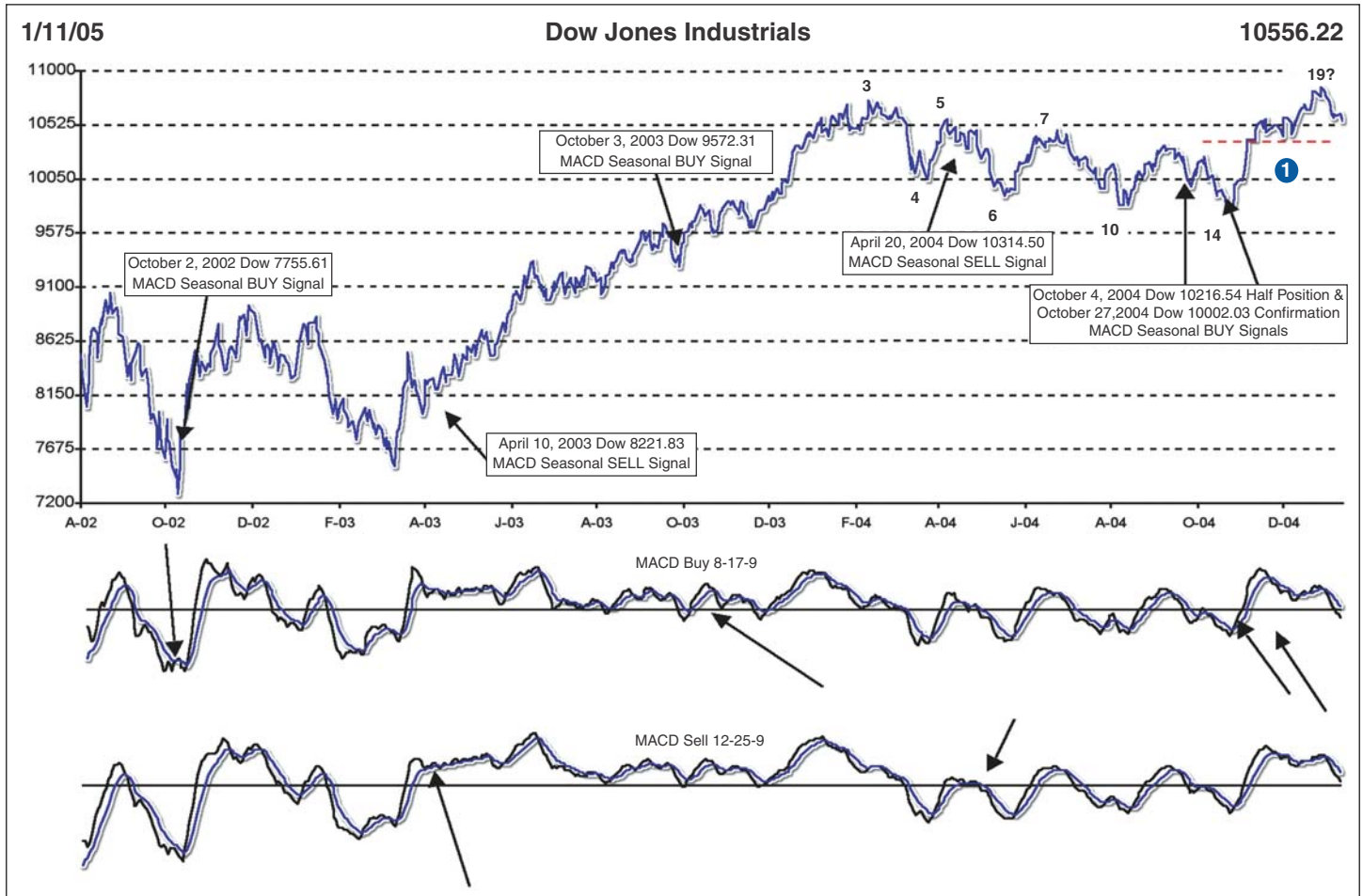
# Pulse of the Market

Week End	DJIA	Net Change Week	Net Change On Fri**	Net Change Next Mon*	S&P 500	% Change Week	NASDAQ	% Change Week	NYSE Advances	NYSE Declines	NYSE New Highs	NYSE New Lows	CBOE Put/Call Ratio	90-Day Treas. Rate	Moody's AAA Rate
27-Aug-04	10195.01	+ 84.87	+ 21.60	- 72.49	1107.77	0.9%	1862.09	1.3%	2298	1177	206	39	0.67	1.52	5.63
3-Sep-04	10260.20	+ 65.19	- 30.08	+ 82.59	1113.63	0.5%	1844.48	- 0.9%	2390	1077	314	37	0.71	1.58	5.55
10-Sep-04	10313.07	+ 52.87	+ 23.97	+ 1.69	1123.92	0.9%	1894.31	2.7%	2383	1089	364	22	0.77	1.63	5.54
17-Sep-04	10284.46	- 28.61	+ 39.37	- 79.57	1128.55	0.4%	1910.09	0.8%	2237	1216	328	31	0.62	1.65	5.48
24-Sep-04	10047.24	- 237.22	+ 8.34	- 58.70	1110.11	- 1.6%	1879.48	- 1.6%	1591	1874	333	53	0.76	1.69	5.37
1-Oct-04	10192.65	+ 145.41	+ 112.38	+ 23.89	1131.50	1.9%	1942.20	3.3%	2435	1044	453	106	0.75	1.69	5.42
8-Oct-04	10055.20	- 137.45	- 70.20	+ 26.77	1122.14	- 0.8%	1919.97	- 1.1%	1855	1623	609	47	0.71	1.68	5.54
15-Oct-04	9933.38	- 121.82	+ 38.93	+ 22.94	1108.20	- 1.2%	1911.50	- 0.4%	1525	1940	237	119	0.79	1.70	5.46
22-Oct-04	9757.81	- 175.57	- 107.95	- 7.82	1095.74	- 1.1%	1915.14	0.2%	1679	1800	283	150	0.77	1.80	5.43
29-Oct-04	10027.47	+ 269.66	+ 22.93	+ 26.95	1130.20	3.1%	1974.99	3.1%	2554	919	395	114	0.59	1.87	5.42
5-Nov-04	10387.54	+ 360.07	+ 72.78	+ 3.77	1166.17	3.2%	2038.94	3.2%	2539	958	676	35	0.50	1.95	5.50
12-Nov-04	10539.01	+ 151.47	+ 69.17	+ 11.23	1184.17	1.5%	2085.34	2.3%	2486	1003	672	35	0.56	2.04	5.59
19-Nov-04	10456.91	- 82.10	- 115.64	+ 32.51	1170.34	- 1.2%	2070.63	- 0.7%	1698	1778	719	26	0.50	2.09	5.48
26-Nov-04	10522.23	+ 65.32	+ 1.92	- 46.33	1182.65	1.1%	2101.97	1.5%	2725	742	600	19	0.57	2.15	5.46
3-Dec-04	10592.21	+ 69.98	+ 7.09	- 45.15	1191.17	0.7%	2147.96	2.2%	1935	1558	828	29	0.60	2.19	5.60
10-Dec-04	10543.22	- 48.99	- 9.60	+ 95.10	1188.00	- 0.3%	2128.07	- 0.9%	1549	1924	449	46	0.62	2.21	5.44
17-Dec-04	10649.92	+ 106.70	- 55.72	+ 11.68	1194.22	0.5%	2135.20	0.3%	2136	1336	565	40	0.49	2.18	5.40
24-Dec-04	10827.12	+ 177.20	+ 11.23	- 50.99	1210.13	1.3%	2160.62	1.2%	2406	1076	580	22	0.58	2.17	5.45
31-Dec-04	10783.01	- 44.11	- 17.29	- 53.58	1211.92	0.1%	2175.44	0.7%	2398	1104	574	26	0.56	2.20	5.51
7-Jan-05	10603.96	- 179.05	- 18.92	+ 17.07	1186.19	- 2.1%	2088.61	- 4.0%	885	2612	245	31	0.67	2.29	5.47

**Bold Red: Down Friday, Down Monday**

\* On Monday holidays, the following Tuesday is included in the Monday figure

\*\* On Friday holidays, the preceding Thursday is included in the Friday figure



## Santa Fails to Call

(continued from page 1)

I have prepared the accompanying table of **Negative Early Warning Systems** to illustrate the significance of being patient and waiting for the final results of the full-month January Barometer. If January is down it would raise further concerns. Eight times since 1950 both the Santa Claus Rally failed and the First Five Days were down. In five of those years the January Barometer was also down and only 1982 was able to finish with a substantial gain but after a sizeable -15% slide from the end of January to the low in August. This was the end of the bear market and the long-term sideways trend that held the Dow below 1000 for twenty years. The three times the January Barometer was positive, so too were the years — and two quite substantially.

Remember that nineteen of twenty down Januarys since 1950 were followed by market declines averaging -13% on the S&P. There is also the **December Low Indicator**. When the Dow closes below its December closing low in the first quarter it is also a useful warning tool. Twenty-five of the twenty-six December Low breaches warned of further declines that saw the Dow fall an additional -10.7% on average. December 2004's closing low is 10440.58.

## Pulse of the Market

The trading thus far this year and the last few days of 2004 has been suspect. A breakdown through the November-December support line ❶ could signal trouble. The current downward price action on such robust volume as the averages dance with their 50-day moving averages has done some technical damage. This behavior is similar to that of this past summer and fall where a solid base was formed.

Interestingly, there has been only one **Down Friday/Down Monday** combination since October 22 ❷. Even though there has been clear professional selling — evident by the

## Negative Early Warning Systems

	Santa Rally	5-Day Change	Jan Change	Jan Close	% Gain Feb 1-Dec 31	Year Change
1956	-1.1	-2.1	-3.6	43.82	6.5%	2.6%
1969	-1.0	-2.9	-0.8	103.01	-10.6%	-11.4%
1978	-0.3	-4.7	-6.2	89.25	7.7%	1.1%
1982	-1.8	-2.4	-1.8	120.40	16.8%	14.8%
1985	-0.6	-1.9	7.4	179.63	17.6%	26.3%
1991	-3.0	-4.6	4.2	343.93	21.3%	26.3%
1993	-1.1	-1.5	0.7	438.78	6.3%	7.1%
2000	-4.0	-1.9	-5.1	1394.46	-5.3%	-10.1%
2005	-1.8	-2.1	—	—	—	—

Based on S&P 500

increase in volume during the slide, the lack of a Down Friday followed by a Down Monday indicates that traders are not running for the exits on Friday when they square positions ahead of the weekend, nor when they return on Monday after digesting any weekend news and the previous week's action.

Frothy **sentiment** readings have concerned me since November when the equity-only **Put/Call Ratio** drifted down to the complacent 0.50-level. It has only recently begun to rise ❸ but 0.67 remains well below the extreme fear levels of over 1.0 (when more puts are traded than calls) associated with major bottoms. This turn is a sign that we have come up against resistance and the market needs to build a more solid base before moving higher. *Investors Intelligence* Bullish % is at 62.9%, its highest reading since January 1987 — another telltale sign of a market near the top.

**Breadth** has had its first truly negative week since early May during the spring correction. Weekly NYSE declining issues outmatched advancers by a margin of nearly 3-to-1 ❹. The pace of weekly new NYSE 52-week highs has cooled quite a bit but new lows have yet to mount ❺. Rates are climbing steadily but long-term rates remain tame ❻ and those are the rates that affect most of us.

This 2.5%-4.5% pullback off the recent highs is only a mild correction although market health has been undermined. We'll stay bullish but cautious as the bulk of this 2-year bull market has been realized. We have already begun to tighten up stops and

locked some solid gains as several of our positions were stopped out (see the Updates and Portfolio table). It is time to start raising cash for the next stock or market opportunity.

## February Almanac

February's reflective nature causes it to be the weakest link in the best six months (November to April) as Wall Street evaluates and adjusts market outlooks based on January's performance. Since 1930 significant January S&P gains of 2% or more correct or consolidate in February about 60% of the time. January losses are followed by February losses 62% of the time. February tends to follow the current market trend.

The "Best Three-Month Span" ends in February and it is the worst month for NASDAQ in post-election years. It has not been a prize for the Dow and S&P either, averaging losses, losing records and ranking near the bottom. Over the 34-years since the NASDAQ was created February has produced meager gains. It ranks 7, 8, 9 on the NASDAQ, Dow and S&P respectively gaining ground only slightly more than half the time.

After January's usually strong finish February opens cautiously. Day one trades up about half of the time with a slight gain, followed by a second day that advances more often than not yet averages a minor net loss. Over the last nine years February's first trading day has improved dramatically — off only twice on the S&P, averaging 0.43%; and thrice on the NAS and the Dow, average 0.55%. This runs with the pattern in recent years of first-trading-day-

(continued on page 4)



## Santa Fails to Call

(continued from page 3)

of-the-month-strength. The reverse is true for February's second day — down 6 of the last 9 on the S&P.

Bullish days land on the 2nd, 3rd, 10th, 15th (day after Presidents' Day) and 28th. These favorable days are based on the S&P 500 rising 60% or more of the time on the particular trading day from 1982-2004. We have also added a new feature to the calendar on page 16 — Bearish days. These are unfavorable days based on the S&P 500 falling 60% or more of the time on the particular trading day from 1982-2004. The time frame is longer than the one used on page 123 of the 2005 Almanac as we now have the full year of 2004 to incorporate. Thank you to our friend Barry Koch who created the two brand new symbols for the Bullish and Bearish days.

The FOMC meets on the first and a rate increase of at least 1/4 point is expected. Watch for the new earlier release of the FOMC minutes on the 22nd (it threw the market a curveball last time). Valentine's Day lands on the Monday before expiration, which has a Dow streak of eleven up days in a row. Expiration Friday is also the day before Presidents' Day weekend and both have given the Dow agita — down 11 of the last 13 pre-Presidents' Days and down big 4 of the last 5 expiration days.

## Three Peaks and Domed House

Point 19 remains the last point I have plotted on the graph of the Dow on page 2. The market still seems to be in the period of reversals associated with the base that is built from points 15-20 (roof of first floor of the House) as illustrated in the accompanying Basic Model graph. Remember that this pattern is not going to trace exactly like the Model even though much of the current pattern has. A number of subscribers have inquired as to whether we are at point 21-22 or 20. There have been instances when

point 20 has been registered below points 16 and 18. George Lindsay highlighted occurrences of this during the 1966-1969 formations he discussed in his September 1969 report.

Pinpointing the actual point-23 top is impossible by nature. Frankly, if you look closely at the chart on page 2 the area at point 19 looks quite like a Domed Top. It remains to be seen if the market fails to move higher. The timeframe of 3 weeks here is quite brief for a Domed Top. At the Dow's bubble top in January 2000 the Domed Top came rapidly (in about three weeks). There was also an initial late-December/early-January selloff before the final top in 2000 as we are experiencing now. Granted the Dow did not fully deteriorate until spring 2000 with the rest of the market topping out in March. I would not be surprised if similar action occurs this time around. One thing is for sure, this market — and pattern — merits close attention. Increased caution and a defensive posture are now required.

## 500+% Moves After War Inflation

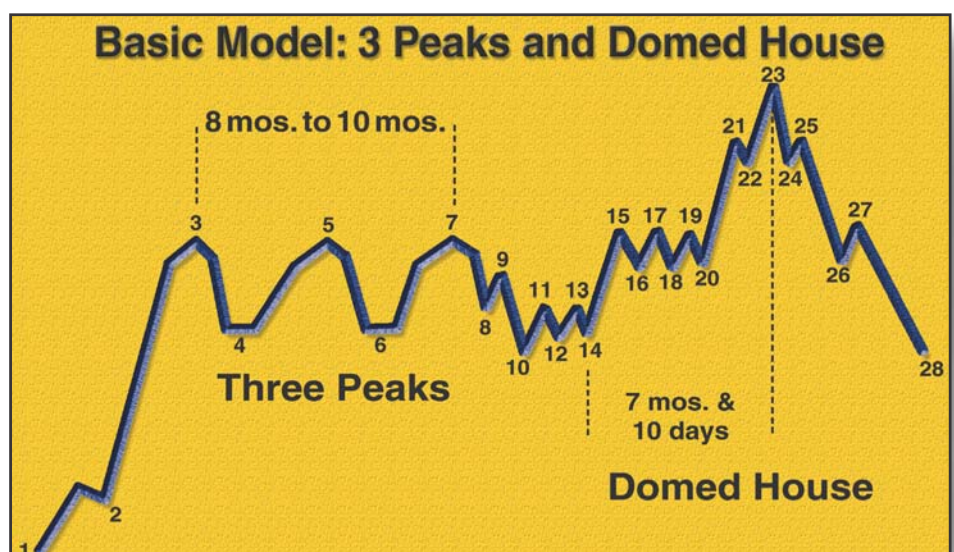
This month's Proving Grounds is the final installment in our three-part series analyzing market behavior during war and peace. Once again we have stood proudly on the shoulders of Yale Hirsch. His ground breaking work on this topic in the mid-1970s

led him to, arguably, one of the **bold-est and most accurate market predictions of all time**. After concluding that the markets make 500% moves to "catch up" to wartime inflation he forecasted in 1976 that a 500% move would be achieved from the low in 1974 by 1990. Lo and behold; when the S&P 500 hit 369.78 intraday on July 16, 1990 it had gained 506.6%.

Yale's work, consummated after Vietnam and the 1974 bottom, has enabled us to jump on this phenomenon much earlier this time around. With Iraq still in play and the market really only hitting one major bottom in October 2002, it leads me to believe that after this top and bear cycle and the next rally into 2006, we are likely to get the final low in late 2006, similar to 1974 — also a midterm election year.

## 2005 Forecast

After the January Barometer is in and we evaluate the state of the market we will adjust our forecast accordingly. Although recent market performance is suspect, so far it has not amounted to more than a mild correction. Clarifying, as per subscriber inquiries, once the 2005 high is reached (forecasted in the Dow 12000-13000 range) and we correct back to the October 2004 lows, the yearend rally is likely to put 2005 in the positive column but not near the highs reached early in the year.



# Eat and Run — Free Lunch Gains Get Gobbled Up

By Jeffrey A. Hirsch

Once again the gains came fast with our Free Lunch Year-End Bargain Stocks. Profit taking pushed small stocks and the market down after the powerful post-election rally. Big winners came mostly from the Bulletin Board selections. NASDAQ

and Amex bargain stocks have firmed up the most in the New Year. The lone NYSE bargain was a dud from the start. Nevertheless, the whole basket outperformed the market by a wide margin.

Gains in this strategy have come faster and more furiously over the years and we would prefer to have a larger number of

stocks from the Big Board. Performance has been better after market corrections and when there are more new lows at year-end. We will be evaluating ways of improving this potent quick-turnaround trading tactic. Free Lunch has run its course this year and if you have not done so already, closeout all positions.

## 2004 Free Lunch Menu of Year-End Bargain Stocks 36 Late-December NYSE, NASDAQ, AMEX & OTCBB New Lows

NYSE Bargain Stock		52 Week Low	52 Week High	% Down From High	12/28/04 Close	12/29/04 Close	1-Day % Change	1/3/05 Close	4-Day % Change	1/11/05 Close	10-Day % Change
MDZ	MDS Inc	13.80	17.35	-20.5%	14.10	14.06	-0.3%	13.84	-1.8%	12.94	-8.2%
<b>NASDAQ Bargain Stocks</b>											
CNBKA	Century BanCorp	28.15	37.52	-25.0%	28.15	29.00	3.0%	29.77	5.8%	29.60	5.2%
DROOY	DRDGOLD Ltd	1.45	4.10	-64.6%	1.49	1.49	0.0%	1.45	-2.7%	1.45	-2.7%
MWRK	Mothers Work	11.75	28.07	-58.1%	13.10	13.65	4.2%	13.52	3.2%	14.02	7.0%
CVST	Covista Communications	1.52	4.25	-64.2%	1.55	1.73	11.6%	1.78	14.8%	1.91	23.2%
EWST	Energy West	5.41	8.50	-36.4%	5.90	6.48	9.8%	6.67	13.1%	6.84	15.9%
<b>Average Change NASDAQ Bargain Stocks</b>							<b>5.7%</b>		<b>6.8%</b>		<b>9.7%</b>
<b>AMEX Bargain Stock</b>											
CTE	Cardiotech Int'l	2.40	7.20	-66.7%	2.49	2.66	6.8%	2.88	15.7%	2.48	-0.4%
IHT	Innsuites Hospitality Trust	1.12	2.25	-50.2%	1.12	1.44	28.6%	1.53	36.6%	1.39	24.1%
<b>Average Change AMEX Bargain Stocks</b>							<b>17.7%</b>		<b>26.1%</b>		<b>11.9%</b>
<b>OTCBB Bargain Stocks</b>											
ADNWE	Auto Data Network	1.54	3.56	-56.7%	1.99	2.08	4.5%	2.12	6.5%	2.04	2.5%
CAAUF	Calais Resources	0.30	2.00	-85.0%	0.31	0.34	9.7%	0.51	64.5%	0.32	3.2%
CIGI	Coach Industries	1.03	2.15	-52.1%	1.07	1.14	6.5%	1.20	12.1%	1.12	4.7%
CROO	Cirond Corp	0.51	1.60	-68.1%	0.51	0.53	3.9%	0.47	-7.8%	0.38	-25.5%
CRWS	Crown Crafts	0.43	0.90	-52.2%	0.43	0.60	39.5%	0.56	30.2%	0.62	44.2%
CSUA	Consumer Direct Amer	0.20	7.80	-97.4%	0.25	0.36	44.0%	0.60	140.0%	0.36	44.0%
DNKY	Donnkenny Inc	0.25	2.75	-90.9%	0.36	0.44	22.2%	0.50	38.9%	0.17	-52.8%
ETIFF	Eiger Tech	0.18	1.05	-82.9%	0.18	0.21	16.7%	0.28	55.6%	0.22	22.8%
EXNT	Enxnet	0.21	0.99	-78.8%	0.22	0.30	36.4%	0.29	31.8%	0.25	13.6%
FDVI	Fortune Diversified	0.65	1.60	-59.4%	0.70	0.74	5.7%	0.72	2.9%	0.50	-28.6%
FNGC	Falcon Natural Gas	0.79	2.02	-60.9%	0.79	0.80	1.3%	1.00	26.6%	0.88	11.4%
FOTO	Photoworks	0.25	0.73	-65.8%	0.29	0.28	-3.4%	0.31	6.9%	0.24	-17.2%
GPXM	Golden Phoenix Minrl	0.16	0.50	-68.0%	0.16	0.18	12.5%	0.20	25.0%	0.19	19.4%
IDIB	IDI Global	0.45	2.25	-80.0%	0.48	0.52	8.3%	0.50	4.2%	0.43	-10.6%
ISSG	Int'l Smart Sourcing	0.45	1.15	-60.9%	0.45	0.65	44.4%	0.75	66.7%	0.67	48.9%
KOLR	Kolorfusion Int'l	0.24	0.80	-70.0%	0.30	0.35	16.7%	0.45	50.0%	0.22	-26.7%
MDTI	MDI Techs	1.70	2.75	-38.2%	1.90	1.98	4.2%	2.00	5.3%	1.92	1.1%
MXUS	Maxus Tech	0.25	1.65	-84.8%	0.32	0.70	118.8%	0.45	40.6%	0.34	6.3%
NJMC	New Jersey Mining	0.49	0.80	-38.8%	0.48	0.50	4.2%	0.57	18.8%	0.54	12.5%
PNAMF	Pan American Gold	0.36	1.13	-68.1%	0.37	0.43	16.2%	0.42	13.5%	0.36	-2.7%
PSED	Poseidis Inc	0.14	2.36	-94.1%	0.16	0.20	25.0%	0.20	25.0%	0.16	0.0%
PSUY	Platinum Superyachts	0.07	1.50	-95.3%	0.09	0.14	64.7%	0.20	135.3%	0.14	64.7%
TELA	Techlabs	0.75	4.20	-82.1%	0.75	1.74	132.0%	1.45	93.3%	1.05	40.0%
TMAS	TIMCO Aviation	0.17	0.90	-81.1%	0.17	0.16	-5.9%	0.29	70.6%	0.22	29.4%
TMEG	Trimedia Entertainment	0.45	2.84	-84.2%	0.53	0.47	-11.3%	0.50	-5.7%	0.38	-28.3%
TUMIF	Tumi Resources	0.66	1.75	-62.3%	0.75	0.74	-1.3%	0.75	0.0%	0.67	-10.5%
UMSY	US Medsys Corp	1.75	7.20	-75.7%	1.69	1.95	15.4%	2.00	18.3%	1.73	2.4%
ZIMCF	Zim Corp	0.25	1.01	-75.2%	0.25	0.33	32.0%	0.33	32.0%	0.28	12.0%
<b>Average Change OTCBB Bargain Stocks</b>							<b>23.7%</b>		<b>35.8%</b>		<b>6.4%</b>
<b>Average Change Of Bargain Stocks</b>							<b>20.2%</b>		<b>30.2%</b>		<b>6.8%</b>
<b>Bargain Stocks Advantage</b>							<b>20.2%</b>		<b>31.1%</b>		<b>9.6%</b>
<b>NYSE Bargains Advantage Over NYSE Composite</b>							<b>-0.2%</b>		<b>-0.9%</b>		<b>-5.4%</b>
<b>Bargain Stocks Advantage</b>							<b>20.2%</b>		<b>31.3%</b>		<b>11.3%</b>
<b>NASDAQ Bargains Advantage Over NASDAQ Composite</b>							<b>5.7%</b>		<b>8.0%</b>		<b>14.2%</b>
<b>Bargain Stocks Advantage</b>							<b>20.2%</b>		<b>31.3%</b>		<b>9.1%</b>
<b>AMEX Bargains Advantage Over AMEX Composite</b>							<b>17.7%</b>		<b>27.3%</b>		<b>14.2%</b>



## Organic Growth

(continued from page 1)

panel displays alone is expected to reach about \$70 billion this year, yet most people don't think about investing in the industry. They should — so here's a brief rundown on the field and a select roster of participants.

### Clunky Old CRT's

The displays most of us know best are cathode ray tubes (CRT's) — the bulky glass devices that until recently many of us stared at all day in the form of computer monitors and then into the night in the guise of televisions. Surprisingly, the basic technology actually goes back more than 100 years. To simplify (as we will with all the technology we'll discuss), an electron gun (the cathode) at the back of the tube shoots electrons at a phosphorescent screen, which lights up under the stimulation.

The big disadvantages are weight and size — to make the screen size bigger the tube must be longer, so the monitor grows in every dimension.

You've probably noticed that CRT's are on the way out. Notebooks (with flat screens) took over half of the computer market, and now most desktop computers are being equipped with space-saving flat screens. The television changeover will take a bit longer, but flat screens constitute a rapidly increasing share of that market. For some applications such as graphics work and game playing, CRT's are still in demand for their clarity and quick response time. But coming alternatives should satisfy those markets as well.

### Some Alternatives

The most impressive new TV screens are plasma displays. These are very complicated, but the basic principle is that of a common neon sign. The screens contain hundreds of thousands of tiny cells filled with neon and xenon gas. Electric currents charge the cells in a highly programmed way, creating a plasma (ionized gas) that emits ultraviolet photons, which in turn illuminate the phosphors on the screen. Such displays can be made in large sizes, but they are expensive and

unlikely to be used anytime soon beyond the home theatre market.

Liquid crystal displays (LCD's) have been around quite a while but they have come a long way from the hard-to-see little screens that served as displays for cheap calculators. Here again, the screen is based on tiny cells, but these contain a liquid that changes shape when electrically stimulated. The displays are either reflective (those you have to look at from just the right angle) or transmissive. The latter are backlit — a light in the back of the screen shines through the display to make it easily visible.

Today's large LCD's, such as color TV screens and computer monitors, are remarkably sophisticated and functional. But they still have a few disadvantages, including power consumption, refresh speed and viewing angle. While a backlit LCD display is a lot easier to see than a reflective type, the optimum field of vision is still a narrow arc.

### The OLED Answer

A superior solution for many applications is the organic light emitting diode (OLED) display. This relatively new technology is just gaining a foothold, but is expected to grow very rapidly. OLED sales were \$91 million in 2002 and leaped to \$249 million in 2003 (totals for 2004 are not yet available). A study by iSuppli/Stanford Resources projects a 56% annual growth rate for the rest of this decade while DisplaySearch looks for 66% growth.

A diode is a circuit that can be opened or closed, such as a light switch, except that the term diode usually implies a much smaller device. In the case of an OLED display, the circuit is very small indeed. These are microelectronic devices that may contain several million diodes, each of which produces light. As you might expect, the resulting picture is exceedingly clear and bright.

There are a number of variations in OLED technology, but all rely on layers of organic film for their electrophosphorescence. The displays feature lower power consumption and weight than the alternatives. They offer high contrast, superior speed, and a wide viewing angle. Samsung recently unveiled a 21-

inch OLED television with 6.2 million pixels. Your current TV likely is getting along with a few hundred thousand. However, this new Samsung model is for demonstration only. At present large-format OLED screens would be too expensive and unreliable to market — but that will change within a few years. Meanwhile, smaller devices already are making their mark.

Most display specialists are in Asia, and are privately held or difficult to buy into. But there are a few U.S.-listed firms in the picture, and some have a technological (if not a manufacturing) edge over their Asian counterparts.

**eMagin** (EMA) is a company we have been following for quite a while. We expect startup firms to encounter setbacks; EMA had more than its share, due to the 2000 market implosion, complex technology, attempting a manufacturing process that most small firms wouldn't touch, supplier problems and more. Still, we made some money with the stock and now it looks positioned for another recovery. At worst this looks like a decent trade, and at best it could be a giant winner.

EMA makes OLED microdisplays. It's the leader in this area and stands to control this segment provided management can execute better than it sometimes has in the past. The company's basic technology is OLED on silicon. The display sits on a semiconductor chip, the circuits of which control the picture. Other circuits can also be built into the chip, making for a very efficient device that could perform all the functions of a computer, for example, except data storage.

**eMagin Corporation**  
EMA—Amex—1.10

**Buy Limit: 1.18**

**2070 Route 52**  
**Hopewell Junction NY 12533**  
**845-838-7900**  
**Fax: 914-892-1901**  
***emagin.com***

**CEO: Garry Jones**  
**Shares: 79.3 million**  
**Market Value: \$87.2 million**

These displays are used in near-eye devices. For several years eMagin has produced single-eye displays for portable computing. Placed near the eye with a magnifying lens, the microdisplay (with more than a million pixels in a device less than the size of a postage stamp) has the effect of a full sized screen, but allows the user to move around at will. There are a number of industrial applications and recently some medical products have incorporated the displays. They are now in vision systems that allow fire fighters to see through smoke, and in night vision equipment for law enforcement and some military applications.

The U.S. Air Force will use EMA displays in certain systems. The Army's Land Warrior program has chosen the displays for deployment in its core initiative to upgrade and digitize its systems. This will involve major, high-margin sales, though we are not making specific projections in view of the military's current distraction with other matters.

The military and industrial contract wins are a solid indication of EMA's technological and manufacturing capability. Ultimately, however, commercial use should be the big sales driver. Microdisplays are a natural for video games and video entertainment. In a binocular format, they provide virtual wide screen vision, almost putting the user into the picture. We believe a number of companies are developing products using eMagin's displays. In addition, EMA itself has recently introduced an advanced display product.

The Z800 visor incorporates OLED's with 2.8 million pixels, optics, and high-speed head-tracking to give a 3D experience with 360 degree viewing. The company says it is equivalent to watching a 105-inch screen at 12 feet, but the 3D and head-tracking features make it still more intense. It sounds like a dream come true for video gamers, and should be great for watching movies and other fare as well. We have not had a chance to try this product but have used earlier generations of EMA visors that were already impressive.

We expect to see the company's OLED's in other applications such as cell phones, camera viewfinders and more. A high priority joint venture is well along on the camera project.

eMagin has been much slower to ramp up production than we expected. This was due to lack of capital, inability to get sufficient silicon wafers for fabrication (from its Asian supplier), and probably also to low yields (though management is secretive on this point). Now the company has raised some money, we think wafers should be more available, and yields should improve with experience. There's support under the current low stock price, making the potential upside much greater than the risk. *[Editor's Note: Last issue EMA was one of five of our existing positions we highlighted that have the best potential to double in 2005.]*

**Cambridge Display Technology** (OLED) is a recent new issue that is already available at a substantial discount to the \$12 offering price. We attribute the decline to the latest market weakness, the anticipated selling by some venture capital investors who were in early, and the lack of visible support in the U.S. (management is in England and the underwriters don't seem very interested in the stock). While there's plenty of risk here, this looks like a chance to grab a technological leader at a bargain price.

The company was founded in 1992 on research done at Cambridge University's Cavendish Laboratory, and its symbol tells you what the business is all about. The University itself and a few venture capitalists were the first shareholders.

**Cambridge Display Technology  
OLED—NASDAQ—8.65**

**Buy Limit: 6.25**

**9 East Lookerman St., Suite 1B  
Dover DE 19901  
+44(0) 1954 713 600  
Fax: +44(0) 1954 713 620  
[cdtltd.co.uk](http://cdtltd.co.uk)**

**CEO: David Fyfe  
Shares: 19.5 million  
Market Value: \$168.7 million**

Cambridge Display is pursuing a technology called polymer OLED (P-OLED) or polymer light emitting diodes (PLEDS), an area where this company controls most of the important intellectual property. PLEDs use a layer of conjoined polymers as the luminescent element instead of the organic layers deposited (usually as a vapor) on a substrate in other methods. Theoretically, the larger-molecule polymers are easier to work with and can be used to build larger displays.

OLED's business model is to collect research grants, license fees and royalties rather than be a manufacturer. It has granted licenses to such giants as DuPont, Philips Electronics and Seiko Epson among others, and has less formal arrangements with still more companies. There are products on the market based on the company's technology, but so far these are all small monochrome displays. Perfecting a viable color version has been difficult, but that work is about done and much more impressive displays should appear in two to three years.

Revenues have been up and down due to the nature of the licensing and consulting business. For the first nine months of last year, sales were \$5.5 million. The company lost \$34.3 million or \$1.47 per share (pro forma). Of this, \$14.2 million was an accounting writeoff and \$10.5 million was spent on R&D. Clearly, OLED is likely to need more money down the road. We'd use it as a trading vehicle, buying on weakness, until the long-term picture comes into better focus.

**Universal Display Corp.** (PANL) is pursuing what it calls phosphorescent displays, or PHOLED's. This company also has academic credentials; much of its research has been done at Princeton and the University of Southern California, and those schools are shareholders.

PANL believes its technology is particularly suited for building displays on foil or other very lightweight media that would be ideal portable screens. In fact, one goal is to build a display that can be rolled up and put in one's pocket — the ultimate prod-

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## Organic Growth

(continued from page 7)

uct for computer users on the go. The displays could be transparent as well. It's easy to imagine a huge market just in the auto industry, with a dashboard display on the windshield so that the driver never has to take his eyes off the road.

However, these products are just dreams so far; PANL has no products on the market. It does have research grants from government agencies and other companies. PANL also has research partners, the most important of which are PPG Industries (for its expertise in organic materials) and

**Universal Display Corp.**  
**PANL—NASDAQ—8.15**

**Buy Limit: 7.75**

**375 Phillips Bvd.**  
**Ewing NJ 08618**  
**609-671-0980**

**Fax: 609-671-0995**

**universaldisplay.com**

**CEO: Sherwin Seligsohn**

**Shares: 27.9 million**

**Market Value: \$227.4 million**

Seiko Epson (to develop manufacturing processes).

The company had revenues of \$5.3

million for the first nine months of 2004 and it lost \$12.4 million or 47 cents a share. PANL is trading at less than half the high. All these companies should be watched for trading opportunities now and for their longer-term potential as we approach the tipping point where OLED's begin to take over the display industry. Note our current suggested buy limits in the company information boxes. With the market having taken a retrograde turn lately, we are using limits below the current prices.

*Robert Cardwell is Director of Equity Research at the Hirsch Organization. At press time Mr. Cardwell was long EMA and OLED.*

## Proving Grounds: War and Peace Part 3 — 500+% Moves Follow Wartime Inflation

By J. Taylor Brown, Yale Hirsch  
& Jeffrey A. Hirsch

In the first part of this three part series analyzing the impact of war on the financial markets we illustrated the phenomenal market gains made during peacetime compared to moderate moves during wartime. Part two focused on the range bound nature of the market during wartime and its reaction to different historical events. In this installment, we put the pieces together.

What makes the market range bound during wartime while it soars during peacetime? The simple answer is inflation. The government empties the treasury during a war. It also focuses on foreign issues rather than domestic concerns and the economy. The result is a sustained rise in inflation. Only after the economy settles down and Washington refocuses on domestic issues will the stock market soar to new heights.

It is important to note that the scope and focus of this study is long-, to very-long-term. It will be impossible to predict the start of the next secular bull market until the major worldwide conflicts that the US is involved in are over or perceived to be ending. Moreover, the inevitable inflationary

cycle associated has just started to rear its ugly head. Historically, war related inflation has lasted five years for World War I, seven years for World War II and almost two decades for Vietnam! The secular bull will not start until that inflation levels off.

These Proving Grounds are intended to educate Almanac Investors about the history of these cycles and to prepare an investment strategy for the present and the future. As the pattern develops (or doesn't develop) we will update and analyze the situation.

There have been three highly inflationary eras since the Civil War's 74 percent rate of inflation. These periods of high inflation were also war-related — World War I, World War II and Vietnam.

### World War I

Prices slightly more than doubled in five years between 1915 and 1920. The Consumer Price Index (1967=100) climbed from approximately 30 to a dizzying 60. After 1920, while the nation was suffering from two years of severe deflation and depression with stock market prices being slashed in half, the Dow began to rise out of the ashes. From 63.90 on August 24, 1921, it climbed to an

intraday high of 386.10 on September 3, 1929, a spectacular rise of 504 percent for the 8-year period. Who could have dreamed it? This era likely gave birth to the adage, "Buy and Hold."

Bear in mind that the Dow accomplished its feat despite many unfavorable conditions: the growth of communism and the beginning of fascism in Germany and Italy; monetary horrors such as the German "nightmare" inflation and the inability of our Allies to repay their war debts; the Teapot Dome scandal; prohibition and gangsterism; et al. Through it all the Dow rolled on!

After World War I, deflation brought the CPI down to the 50 level where it remained almost stationary throughout most of the twenties. The early thirties' deflation knocked the CPI down further to the 40 level, and there it stayed for the rest of the decade. Interestingly, the rise in stock prices between the 1932 bottom and the 1937 top was quite respectable too — up 284 percent.

### World War II

The onset of the war brought rising prices as usual. This resulted in a 74 percent rise in the cost of living between 1941 and 1948. The CPI rose from approximately 42 to 73.



After spending three years in the doldrums, the market began a long 1 1/2 year rise on June 14, 1949 at Dow 160.63 (intraday). By January 19, 1966, when the Dow hit 1000.55 (intraday), investors once again had experienced a giant 500-percent climb following a super-inflationary period. To be precise, the rise measured 523 percent. It should be noted that a small inflationary rate (averaging under 2 percent a year) accompanied the market rise, bringing the CPI up to the 95 level in January 1966.

Once again, we must add that the Dow moved up despite many unsettling events along the way: (the Korean War; the French defeat and withdrawal from Vietnam; McCarthyism; revolts in Poland, Hungary, Argentina; the Egyptian seizure of the Suez Canal and war with Israel, France and Britain; the civil rights movement; the Cuban missile crisis; the Kennedy assassination; etc.

## Vietnam War

The 1970s brought back crushing inflation, unseen for a generation. War, as usual, was primarily responsible although the OPEC fiascos played a substantial role. Vietnam helped drive the CPI up from 95 to OVER 300 by the time it leveled off in the early eighties, an increase of over 200 percent. This helps explain the ensuing super bull that powered the markets for the next two decades.

In the April 1976 issue of *Smart Money Newsletter* (a predecessor of the *Almanac Investor*) Yale Hirsch wrote an article entitled: **Stocks Catch Up With Inflation Eventually-500% Moves After Both WW1 & WW2 — Can It Happen Again? Dow 3420?** Excerpting from that issue we see an amazing line of rationalization that divined the market.

*Now, the market is "up at bat" again for the third time in a century following a war-induced, extraordinary inflation. On the two previous occasions, we witnessed smashing moves of over 500 percent. A similar move this time around from the fall 1974 bottom of Dow 570 would bring us — fasten your seatbelts — up to Dow 3420!*

*Before anyone calls us crackpots or suberbulls, let's calmly examine some numerical relationships as we attempt to put the 3420 figure into some perspective:*

- 1) *We first reached Dow 1000 in early 1966. When we recently, ten years later, hit this level again, it was not the same Dow 1000. The Consumer Price Index during the period rose from 95.4 to 166.7—an inflation of 74.7 percent—reducing the purchasing power of the Dollar to 57.2 cents. Dow 1000 now is really worth Dow 572. To equal 1966's Dow 1000, we should be at the Dow 1747 level.*
- 2) *Earnings on the 30 Dow stocks in 1966 totaled \$57.68. This year's earnings should reach \$100. We estimate \$115 Dow earnings in 1977, twice the earnings of 1966. If earnings are valued in 1977 as they were in 1966, the Dow would have to be 2000.*
- 3) *In our May 1975 issue, we explored the case for "Dow 2000 By 1980." Using accepted economic forecasting methods, we projected a Gross National Product of \$2.3 trillion (GNP in 1974 was \$1.4). As stock prices and GNP tend to travel along the same general "flight path" (despite occasional divergences), we were able to graphically demonstrate that the two would cross paths in 1980 at Dow 2000.*
- 4) *We also (last year) estimated earnings of \$150 for the Dow in 1980 — which are not unreasonable. Price earnings ratios over the past 24 years are at annual lows and highs have averaged 13-16. On this basis, the Dow could range between 1950-2400. If we take the Value Line Survey estimate of \$170 earnings for the Dow in 1980, the Average could range between 2210-2720.*
- 5) *Assuming an annual 4-5 percent rate of inflation, the CPI should cross 200 sometime in 1980. As the*

*CPI was 95.4 when the Dow first touched the 1000 level in 1966, we would have to see the Dow over 2000 in 1980 just to keep up with inflation. If we take the \$170 earnings estimate, which is almost triple the \$57.68 earnings of 1966 when the Dow hit 1000 and multiply by the P/E ratio we enjoyed in 1966, we reach Dow 3000.*

*The last 500-percent move took 16 1/2 years to achieve. If the next one takes the same length of time and began in the fall of 1974, then we have until 1990 to make it three in a row.*

A truly bold and amazing prediction made when many pundits were making a case for the Dow to NEVER cross 1000 again! The market crested in 1990 on July 17 at Dow 3024.26 (good for a 430 percent move — not quite 500 percent, but respectfully close) and crossed Dow 3420 on May 20 1992. **The S&P, however, did do it in July 1990 by gaining 506.6 percent from its October 4, 1974 intraday low of 60.96 to its July 16, 1990 intraday high of 369.78!**

Little did Yale (or anyone else for that matter) realize at the time that the market would wind up making a 1957% move from the Vietnam low to the bubble high! With the benefit of hindsight we now know that the end of the launching pad — when inflation leveled off — was in August 1982. From its intraday low on August 11, 1982 at 770 the Dow climbed 1447% to its intraday high of 11908.50 on January 14, 2000.

## Gulf War I, Gulf War II, War in Afghanistan, War on Terror, Et al

Correlating today's market to a historical point, we see a strikingly similar situation to the Markets circa late 1965. The market had already hit "rock bottom" in 1962 and was well on its way to the February 1966 top. This is just before the numbing inflation of the late 60s to early 80s. Vietnam is in full swing, but it is well before the major anti-war protests and the stark reality of

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## Proving Grounds

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war hit home after the Tet Offensive. The market managed to move along nicely for another year or so, topping in February 1966. Then things started to get ugly. Inflation rose and rose and rose. Three significant bottoms were reached as the market failed to break through Dow 1000 — first in late 66, then again in the summer of 1970 and finally the post-war bottom in the winter of 1974, each time making lower lows.

There are a few differences in looking at the pattern this time around. This is not your daddy's CPI. The US Department of Labor has tweaked and manipulated the CPI many times over the past 20 years or so in an attempt to mask inflation. This is important to note, because this time around we may only see a 40-50 percent increase in the CPI — or it could be another 200 percent. The point is that no one is really sure how this new and improved version of the CPI will react in a hyperinflationary environment. Inflation may be best illustrated by another index, or the dollar, or the increase in a gallon of milk or a can of Campbell's chicken noodle soup. The dollar may actually be the best way to judge inflation moving forward. The important concept is that prices are going to rise sharply in the near future and that is what will be

the catalyst for **the next secular bull.**

As per Jeff Hirsch's **2005 Annual Forecast**, we envision the markets to push higher in 2005 to the tune of 10-15 percent on the Dow, peaking in the March-June period. Then there will be market consolidation and more range bound (war bound) trading. By the end of this year, inflation will begin to really take hold. This will last at least into 2006 if not longer. When the inflation levels off, the secular bear that began after the bubble burst in 2000 will be over. This should occur somewhere in the 2007-2010 timeframe.

As it stands right now, the war low is Dow 7178 intraday. Will the market make another 500% move to Dow 43000? How about another 1447% move to Dow 111044? The answer depends on how much inflation we get. The last move took 26 years to play out from the 1974 bottom to the 2000 top. At this juncture, the projected level and timeframe are less important than the understanding of how the markets have historically performed and the looming cycle of inflation that lies just around the corner.

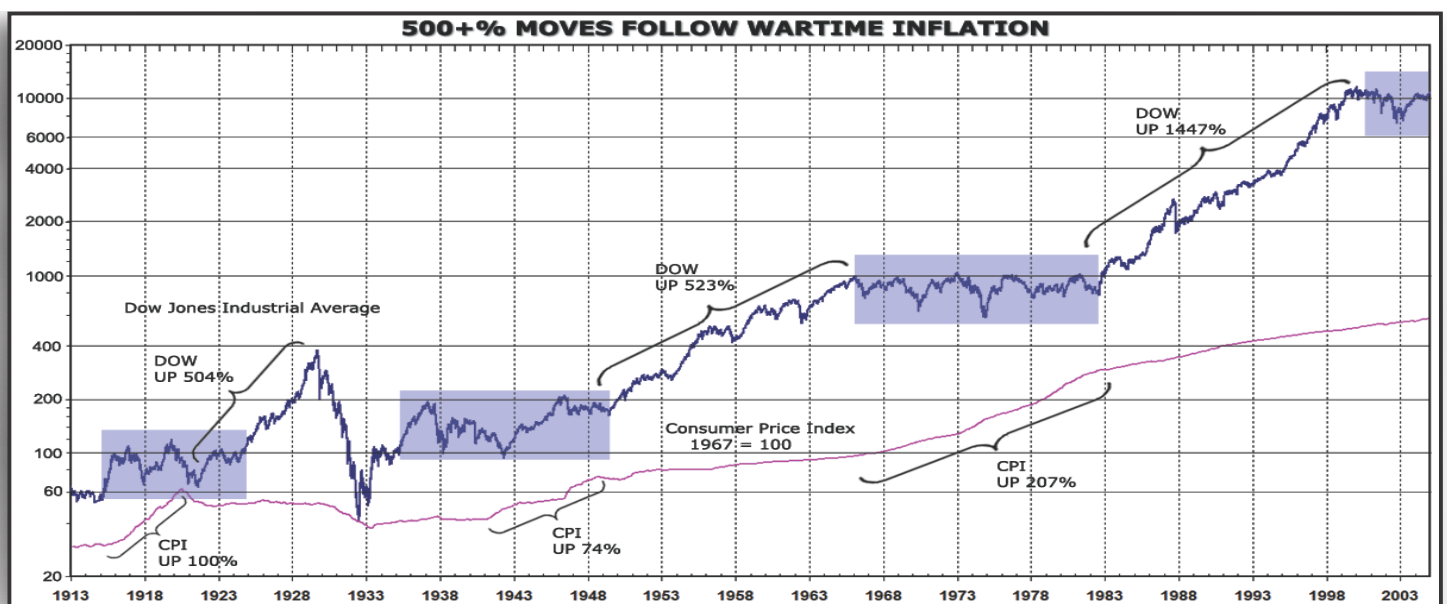
In the future, we can expect revolts, revolutions, environmental problems, monetary crises, scandals, droughts, more inflation, a few recessions and bear markets, not to mention a "plague"

or two along the way. However, during the three previous "500-percent" moves — or for that matter, the last 5,000 or more years — people were always afraid of something or other in the future. Somehow, we do seem to survive and overcome adversity.

## The Big Picture Explained

From the chart showing the Dow and the CPI plotted together, we first point out the correlation between war, inflation and the subsequent "catch-up" of the market. We have also highlighted the rectangular consolidation areas surrounding wartimes that possess roughly the same percentage range. These give the appearance of "launching pads" for the giant moves.

The inflation/catch-up correlation is clear. World War I inflation (up 100 percent) followed by the 504 percent rise in the stock prices during the twenties. Then we see the inflation of World War II (up 74 percent) and the subsequent long rise of the Dow of 523 percent. Finally, the Vietnam inflation of over 300% and the subsequent super-bull to end all super-bulls is a hopeful reminder as well as a warning to all Almanac Investors. Dow 43000 is where we will set our sights. The verdict on how long it will take to get there is out until the dust begins to settle. We will be there to keep you abreast and ahead of the markets!



## The U. S. Oil Gage — Still Booming

By Dave Kamm

It is no exaggeration to say that 2004 was an excellent year for the energy sector's fundamentals — for the second consecutive year. Some may say that it was one of the best ever. However from an investing point of view it's important to distinguish between day-to-day oil price movements and the outlook for oil markets over many months.

Robust global economic expansion created a favorable demand environment, while supply of both crude oil and natural gas remained generally tight. This led to a substantial upward move in commodity prices. This helped many Exploration & Production and Oil Service companies turn in an outstanding numbers and stock performance in 2004.

While some may have speculated that energy stock performance was similar to the late 1970's, it was not even close when using a wide-angle view. In 2004 several companies began reporting quarterly revenue and earnings gains in the 20-30% zone

while many others were just beginning to show black ink.

According to Zack's Data, only 13 of 16 U.S. Royalty trusts showed stock price gains in 2004. This group is probably on the point in reflecting changes in energy prices because their books are flat at the end of each reporting period. By that we mean that all available cash is paid out to unit holders as it is received.

That's in contrast to an operating company that in most cases reinvests their earnings in the business. Thus earnings are the measuring stick, and not dividends. Reinvested cash takes time to work through the system and end up at the bottom line again. Using Zack's data for 2004, we found that all the royalty trusts reported a positive return on capital while 35 of the 72 mid-sized exploration companies reported negative or only single digit return on invested capital.

In the late 1970's, exploration company earnings increases of 40-50% or more became numerous, and the stocks reflected those unsustainable increases.

From the biggest to the smallest life was good, that is yet to transpire in this oil run. Depending upon the measuring stick the good times in the oil patch lasted between 4 and 8 years.

In fact, no one knows if the current "boomlet" will mature into an all out boom or not. In December a new closed end investment trust sold shares in an initial public offering. Their mission is to invest in energy issues of all varieties. There is talk that a couple more similar issues are in the pipeline. These types of events do not transpire at bottoms. Evidence being that one of the largest mutual fund companies closed its energy fund in 1999 due to lack of interest. That was not the start of the current run, but then West Texas Intermediate Crude was priced in the teens.

Back to now. According to Zack's data the best performing U.S. Royalty Trust issue was **BP Prudhoe Bay** (BPT). That trust declared a \$1.54 per unit dividend for January. Using our ouija board and some mathematical

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### OIL & GAS ROYALTY TRUSTS AND CONCERNS

Ticker	Royalty Trust	Recommendation		1/11/05	Sold	%	Ann. Div.	Yield*	Editor's Advice
		Date	Price						
PETD	Petroleum Development	1/14/04	20.15	36.30	—	80.1%	—	—	Hold - Q3 earnings up 67% - first target \$41
ABP	Abraxas Petroleum	4/14/04	2.60	2.36	—	-9.2%	—	—	Hold - New drilling increases potential
PQUE	Petroquest Energy	4/14/04	4.00	4.68	—	17.0%	—	—	Hold - Q3 revenues doubled
POG	Patina Oil & Gas	6/12/04	26.99	35.61	—	31.9%	\$0.24	0.7%	SELL - Pending buyout by NBL
BPT	BP Prudhoe Bay R Trust	8/11/04	33.65	46.81	—	39.1%	\$6.18	13.2%	Buy - Last div rose from \$1.31 to \$1.54
CRZO	Carrizo Oil & Gas	10/20/04	10.04	10.87	—	8.3%	—	—	Hold - Excellent Q3 report - first target \$12
TKEFF	TKE Energy Trust (Adjusted)	10/20/04	3.59	7.62	—	112.2%	\$1.21	15.9%	Hold - Dividend is C\$1.44 - big yield
TSGYF	TUSKEx (Adjusted)	10/20/04	0.85	2.13	—	151.0%	—	—	Buy - New capital - drilling begun
						<b>Average % Return**</b>	<b>53.8%</b>		

### CLOSED POSITIONS

BPT	BP Prudhoe Bay R Trust	8/13/02	12.99	—	15.90	22.4%	Sold @ 15.90 1/14/03		
WTU	Williams Coal Seam Gas R T	8/13/02	6.99	—	10.71	53.2%	Sold @ 10.71 1/14/03		
DOM	Dominion Res Black Warrior Tr	8/13/02	20.24	—	22.25	9.9%	Stopped out @ 22.25 3/11/03		
SJT	San Juan Basin Royalty Trust	10/16/02	12.49	—	18.00	44.1%	Sold @ 18.00 6/17/03		
BPT	BP Prudhoe Bay R Trust	4/11/03	14.10	—	24.93	76.8%	Sold @ 24.93 12/1/03		
WTU	Williams Coal Seam Gas R T	9/17/03	10.00	—	13.85	38.5%	Sold @ 13.85 1/6/04		
HGT	Hugoton Royalty Trust	6/18/03	18.53	—	21.45	15.8%	Sold @ 21.45 3/23/04		
LRT	LL&E Royalty Trust	2/12/03	2.50	—	6.12	144.8%	Sold @ 6.12 4/14/04		
PBT	Permian Basin Royalty Trust	6/18/03	7.50	—	9.50	26.7%	Sold @ 9.50 7/14/04		
CRT	Cross Timbers Royalty Trust	11/11/03	25.25	—	29.49	16.8%	Sold @ 29.49 7/14/04		
EENC	Enterra Energy Trust	1/14/04	11.19	—	13.39	19.7%	Sold @ 13.99 7/14/04		
LRT	LL&E Royalty Trust	6/12/04	4.78	—	4.93	3.1%	Sold @ 4.93 7/14/04		
BPT	BP Prudhoe Bay R Trust	1/14/04	29.43	—	39.45	34.0%	Sold @ 39.45 8/4/04		
DOM	Dominion Res Black Warrior Tr	3/17/04	28.80	—	33.45	16.1%	Sold @ 33.45 8/14/04		
RRC	Range Resources	4/14/04	12.49	—	15.43	23.5%	Sold @ 15.43 8/14/04		
						<b>Average % Return**</b>	<b>36.4%</b>		

Not Including Tax Benefits \*\* Not Including Dividends



## The U.S. Oil Gage

(continued from page 11)

hieroglyphics we have successfully “guesstimated” the BPT dividend in advance of the official announcement 27 quarters in a row (plus or minus 1 cent). Of all the energy issues BPT reflects the changes in oil prices most vividly.

Another issue that has recently performed in concert with the rising energy trend is the **Permian Basin Royalty Trust** (PBT). The next monthly dividend should be announced between January 18th and 21st. According to our pencil the dividend may be lower than last month. PBT dividends reflect energy prices two months in arrears.

A major emotional difficulty for investors is that day-to-day price movements may be strongly influenced by weather forecasts, statements by key oil ministers, and any current events that have the potential to affect near-term oil supply. However, fundamentals of supply and demand will be the major determinant of oil prices over the next several months and beyond. That is the one factor investors must keep in mind.

Global oil demand growth is likely to be the key factor for oil markets in 2005. While most analysts expect global oil demand growth to be sig-

nificantly less than the 2.6 million barrels per day seen in 2004, markets may remain tight if it is close to the 2.0 million barrels per day. The EIA (Energy Information Agency) expects the growth level exceed to consensus. However, if world oil demand grows by less than 1.5 million barrels per day in 2005, as some analysts are expecting, oil markets could loosen up and the likelihood that prices could ease in 2005 would increase.

One thing is clear, however. While there may be an element of a group mentality in the day-to-day movements in oil prices, there is no such group consensus on what path oil prices will take over the next 12 to 24 months, other than that is likely to be a bumpy ride on a day-to-day basis.

The Euro (6-years old on 1/01/05) ended 2004 at \$1.3539, up +8% vs. the dollar during the calendar year. Over the last 3 years, the Euro has gained +50% (\$0.9038 to \$1.3539) vs. the dollar. When the Euro and the Dollar were both at par (1 dollars = 1 Euro) Oil was about \$30. Now with the Euro 30+% higher OPEC may think that \$40 oil is reasonable as that would make their “take home” pay about the same as it was a year ago.

OPEC ministers are scheduled to meet again in Vienna on January 30

(accelerated from April) and it would surprise few if the “official basket” bracket for oil prices using the WTI (West Texas Intermediate) was \$35-\$40 per barrel. Vienna in January? Certainly not for the weather. Perhaps we could entice them to South Beach! Maybe they will lower their price targets.

Until then, hold on to the oil & gas stocks that report 20%+ gains in revenues, reserves, and earnings in the next round of reports.

*Dave Kamm is an Investment Advisor Representative with Raymond James & Associates, Inc. Member New York Stock Exchange/SIPC. Past performance does not guarantee future results. There is no assurance these trends will continue. The market value of securities fluctuates and you may incur a profit or a loss. Dividends will fluctuate and are not guaranteed. The foregoing material does not provide a complete description of the security, markets or developments referred to. Investors should thoroughly investigate these companies before investing. Further information is available upon request. Send Dave your comments or questions to [info@florida-stocks.com](mailto:info@florida-stocks.com). At the time of publication Dave Kamm, members of his family and clients own shares of ABB, BPT, CRT, CRZO, DOM, EENC, HGT, PBT, PETD, POG, SJT, TKEFF and TSGYF.*

## Portfolio Updates: Limited Buying Is in Order as Stocks Correct

By Robert Cardwell

**T**his year is not off to a good start. The averages managed to hold their gains until year-end, but after the ball dropped at Times Square, somebody dropped one on Wall Street. Small-cap stocks have been among the worst performers in the last two weeks (contrary to the usual seasonal pattern) and most of our selections are down since last issue.

The action is somewhat surprising but not a total shock. December

showed some strains after strong gains earlier and we turned a bit cautious, moving up stops and putting more stocks on hold. Our portfolio has not sustained much damage so far, but the trend is worrisome as year-end and early January action is often predictive. Recent weakness makes some stocks tempting, but **we would be very selective.**

Natural resources issues have held up better than most, despite a correction in metals prices and the steep selloff in oil (before crude recovered

some of its losses). We take this resilience as a clue that resources are not finished. Energy stocks will have seasonality against them as spring approaches, but may have dollar weakness and global unrest in their favor. The greenback bounced, but its long-term troubles are not over.

The satellite radio stocks have been huge winners for us, but finally started broadcasting some market static. **XM Satellite** (XMSR) has put in what looks like an important top, **setting off our protective stop.** We took

some partial profits along the way, and are exiting the last lot with a **1757% gain**.

**Sirius Satellite** (SIRI) is also down sharply, as would be expected. The fundamentals remain the same — favorable. Ford is finally getting around to offering Sirius as a factory-installed option, rather than just a dealer-installed choice. Subscription rolls continue to grow. But the stocks had gotten extended in a speculative frenzy (as we discussed last time). You may want to consider selling SIRI on any bounce rather than holding with our stop for protection. We'll take another look at these issues after the correction has run its course.

We were also **stopped out of E-Z-EM** (EZM) with a bit **better than a double**. Here too we had already taken a partial profit.

What's more, we got a bonus for holding EZM — the spinoff of **Angio-Dynamics** (ANGO), which has turned into our best recent performer. The **stock doubled** (in two months setting off our **automatic Sell-Half-on-a-Double Policy**); at this writing it is pulling back sharply, but that is to be expected after such a run. The company reported strong results for the fiscal second quarter with sales ahead 22% to \$11.9 million. Earnings surged 71% to \$1 million. On a per-share basis net was 9 cents on more shares outstanding versus 6 cents. ANGO has gotten expensive but still looks interesting for the long term. Management has slightly raised its guidance. We'll continue to Hold the rest, but will use a sell stop for protection.

**TiVo** (TIVO) has been alternately moved by good news then bad news. The biggest factor lately was DirecTV's announcement that it would introduce its own competing DVR. Even though this development was somewhat expected, it knocked TIVO out of its trading range and **through our stop level for a 33% loss**.

**Material Sciences** (MSC) reported good results for its fiscal third quarter (ended November 30) with

sales up 4.2% to \$67.4 million. Earnings were 17 cents a share (including a restructuring charge) compared with 7 cents. However the sales pace slowed from earlier quarters and traders may be worried about projected slowdowns for MSC's automotive customers. The stock has shed some of its gains and is hovering above our protective stop. We'll stick with that stop, but you may want to consider taking a profit if MSC bounces.

We've had some winners lately despite the market. **Waters Instruments** (WTRS) bounded right up to its earlier high before pulling back a bit. The company released pro-forma figures showing the affect of the recent European acquisition. Sales for the June 30 year were \$32.6 million versus \$24.2 before the deal. Net was \$1.05 compared with the \$0.85 per share reported earlier. Considering these results, the stock remains cheap. The market may be having a hard time getting a handle on a company that includes such disparate elements as medical products and electric fences. But we expect more recognition to come, particularly as Waters sells more products for security applications.

**Unique Mobility** (UQM) is recovering from depressed levels. The company received a Navy contract to design a new generator — the amount is small, but the award demonstrates UQM's capabilities and could lead to more work.

### Biotechs Buffeted

Our biotech choices have been hit fairly hard by the market and in some cases by company news as well. Accumulation is in order since the stocks are cheap and research developments could lead to recovery regardless of the market.

**AVI BioPharma** (AVII) has retreated toward support at 2. Research and clinical trial programs remain promising. A new agreement has been made with Walter Reed Army Hospital for work on AVII's third-generation Neugene compound. **We would Buy here.**

**Biomira** (BIOM) has also come into our suggested buying range. The stock is down by almost half from the high reached after the successful (but small) trial of its non-small-cell lung cancer vaccine. The setback is overdone and **BIOM is a Buy**.

**Ciphergen** (CIPH) has pulled back to the middle of its six-month trading range. Following up on the success of its systems for cancer diagnosis, CIPH was chosen by the European Union to take part in a research program (funded by the EU) to perfect diagnostic methods. **Accumulate on weakness.**

**Supergen** (SUPG) stumbled after results from a pivotal clinical trial of Orathecin turned out to be insufficient to support approval for pancreatic cancer treatment. Ironically, the failure may have been due to apparent early success in the trial. Patients receiving Orathecin seemed to be doing better so some in the control group were allowed to migrate to the drug. That made the results statistically not meaningful. Orathecin and other programs still have promise. We would **Hold** until the dust settles, then we'll probably be ready to accumulate again.

### Rebounding Resources

The U.S. trade deficit for November came in higher than expected and at a new record. The dollar is slipping at this writing and its brief reflex rally may be over. We have often noted that natural resources stocks are a hedge against dollar depreciation as well as a play on the underlying fundamentals. That doesn't mean you can forget about timing, but if you get the timing right, you benefit two ways.

Commodities reacted to the dollar dip as might be expected. Precious metals may have found their interim lows after the correction. Copper has been particularly strong, reacting to the fundamentals (disappearing warehouse stocks). Crude oil likewise found a bottom and may be establishing a new "normal" price well above historic levels.

*(continued on page 14)*

## Portfolio Updates

(continued from page 13)

**Infinity** (IFNY) is consolidating near the recent highs as the market waits for results from recent drilling. We suspect the stock wouldn't be holding this well if tests were not good — but we'll wait as well. Continue to **Hold while raising your stop**.

**U.S. Energy** (USEG) is likewise marking time near the interim high and we'll maintain our **Hold with a stop**.

**Canadian Superior Energy** (LNG) bounced nicely as the company said it was beginning a winter drilling program in Western Canada and proceeding with plans to drill a potentially big gas target offshore Trinidad. Management insists it is also on track to drill another expensive hole offshore Nova Scotia,

though we don't yet know where funds for that will be obtained. Continue to **Hold while raising the protective stop**.

**Parallel Petroleum** (PLLL) remains in a trading range and we would be buyers on any dips. The company has just released its year-end reserve and operations report, and the figures look good. Reserves are up 49% on an absolute basis and 83% on a value basis due to higher prices. The present value was put at \$271 million, well above Parallel's market cap. This year will see some interesting exploration and development programs, and PLLL continues to acquire new properties.

**American Oil & Gas** (AOGI) has pulled back a bit from the high to levels that should provide some sup-

port. We are expecting drilling news and perhaps the unveiling of plans for exploration projects. While we have a big gain on AOIG, we still like it and think new **buying can be done dips**.

**Northern Orion** (NTO) is down some and looks cheap in relation to copper prices. It's a strong **Buy if it approaches the support near 2.50**.

**European Minerals** (EPM.T) is similarly cheap and has entered our **Buy zone**. **Orezone** (OZN), a perennial favorite of ours, is a **Buy on any dips** from current levels.

*Disclosure Note: At press time Officers of the Hirsch Organization have positions in American Oil & Gas, AVI BioPharma, Biomira, Cambridge Display, CIPHERGEN, Datatrack, eMagin, European Minerals, Infinity, Pacific Northwest Capital, Parallel Petroleum, SuperGen, and US Energy.*

## Exchange Traded Funds — Seasonality Strategy

### Bullish Sector: Natural Gas, Bearish Sector Internet, Sell: Biotech

By: J. Taylor Brown

In last month's issue of the *Almanac Investor* we tightened the stop losses on all open ETF positions in order to lock in the healthy profits the portfolio had accumulated during the late 2004 Bull Run. Fourteen of our ETF Sector Selector positions have been stopped out — 12 with gains, two with minor losses.

**Natural Gas is bullish** from February through May. There is no pure

natural gas ETF play but we already hold two energy ETFs: **Dow Jones US Energy Index** (IYE) and **Select Sector SPDR-Energy** (XLE). If you do not already hold them, buy on a dip to our original Buy Limits. Both will benefit from the seasonal gas and oil play, high energy prices and the longstanding bullish fundamentals.

We will be **selling our two Biotech ETFs by the end of February** when the seasonality ends unless our Stop or

Automatic Sell levels are achieved. The Biotech ETFs performed well, although below last year's results and historical returns. The **Biotech HOLDRS** (BBH) peaked at 155.05 in late December and is currently trading at 148.52, good for a 6.1% return. The **iShares NASDAQ Biotech** (IBB) did not perform as well, peaking at 76.19 (also in late December) and currently trading at 72.40, good for a 3.6% return.

*J. Taylor Brown is Vice President at the Hirsch Organization.*

## New Portfolio Tables

In the interest of clarity we have made some changes to the Portfolio Tables. First, we have made separate columns for Buy Limits, Stop Losses and the Automatic Sells for the ETFs. We also modified our performance results to more closely reflect what you might experience in an actual trading account. This should also give you a better handle on how to implement our advice and strategies.

In the model portfolio we retroactively created and will continue to operate moving forward we arbitrarily allocated \$1000 to each stock. Whenever a stock doubles we sell half and put the cash in

the line item you now see in the table on page 15. We do the same for positions that are sold or stopped out. The cash sits "in the account" until we need it for the next recommendation. If there is no cash we contribute more just as you would do in a brokerage account.

Since the *Almanac Investor* began in July 2001 we have "invested" \$22,000 of capital. The rest of the stocks were bought with proceeds from sales of others and the last time we "contributed" new capital was May 2003. The Total Portfolio Value is currently \$58,455.67 for a 165.7% gain since inception in July 2001.

This method also makes it easier to provide monthly and yearly performance numbers to give you a better feel for how we are doing for you. The Portfolio is down -4.5% over the last month and up 12.1% year over year. The Value column is the current value of the open position after any partial sales. The Net % Return column includes the open position and any partial sales. **Infinity** (IFNY) is not included in the total as it was a carryover from the *Almanac Investor's* predecessors and bought before July 2001. We will be implementing this model portfolio style for the ETFs shortly.



### Almanac Investor Stock Portfolio

Ticker	Company	Recommended Date	1/11/05 Price	Net % Return***	Buy Limit	Stop Loss	Auto Sell	Current Advice <sup>1</sup>
IFNY	Infinity Inc <sup>*23</sup>	1/10/01	3.69	7.68	\$1,040.65	104.1%		HOLD, stop raised
USEG	U.S. Energy <sup>2</sup>	7/17/02	2.05	2.86	\$697.56	69.8%		HOLD
GPX	GP Strategies <sup>2</sup>	10/16/02	4.20	7.55	\$898.81	89.9%	7.10	Buy dips
XMSR	XM Satellite Radio <sup>2</sup>	11/20/02	1.82	33.74	Closed	928.6%		Stopped out @33.80 1/10/05
OZN	Orezone Resources <sup>2</sup>	1/15/03	0.25	1.17	\$2,340.00	234.0%	1.18	0.86 Buy current level
DATA	Datatrak <sup>2</sup>	2/12/03	1.30	11.12	\$4,276.92	427.7%	10.60	8.77 Buy dips
EMA	eMagin <sup>2</sup>	2/12/03	0.75	1.09	\$726.67	72.7%	1.15	0.71 See page 1
EZM	E-Z-EM Inc <sup>2</sup>	3/12/03	7.10	13.14	Closed	102.1%		Stopped out @14.50 12/16/04
SUMT	SumTotal Systems <sup>*2</sup>	4/9/03	2.74	5.21	\$950.73	69.7%		4.70 HOLD
SNG	Candian Superior Energy <sup>2</sup>	5/14/03	1.00	1.79	\$895.00	89.5%		1.43 HOLD, stop raised
DGII	Digi Int'l <sup>2</sup>	5/14/03	4.29	15.21	\$1,772.73	177.3%		13.10 HOLD, possible top
MSC	Material Sciences	6/18/03	10.84	15.94	\$1,470.48	47.0%		15.25 HOLD, possible top
EPM.T	European Minerals <sup>**2</sup>	9/17/03	0.44	0.74	\$840.91	84.1%	0.73	0.54 Trading range
FSVP	FIND/SVP <sup>2</sup>	10/14/03	1.40	1.65	\$589.29	58.9%	1.60	1.21 Weakening, use stop
VAL.V	VaiGold Resources <sup>**2</sup>	10/14/03	0.33	0.32	\$484.85	48.5%		0.27 HOLD, basing
FCGI	First Consulting Group	11/12/03	5.50	6.20	\$1,127.27	12.7%		4.74 HOLD, acting better
SIRI	Sirius Satellite Radio <sup>2</sup>	11/12/03	2.05	6.10	\$1,487.80	148.8%		5.45 HOLD, possible top
SANZ	SAN Holdings	12/17/03	0.40	0.32	\$800.00	-20.0%		0.23 HOLD, basing
WTRS	Waters Instruments	1/14/04	6.85	9.10	\$1,328.32	32.8%	8.20	7.15 Upgrade from Hold to Buy
HHO.T	Stuart Energy Systems <sup>**</sup>	2/11/04	3.00	4.16	\$1,386.67	38.7%		3.80 HOLD, trading range
AVII	AVI BioPharma	3/17/04	3.12	2.04	\$653.85	-34.6%	2.10	
MKTY	Mechanical Technology	4/14/04	5.86	5.14	\$877.13	-12.3%	5.50	4.01 Buy current level
UQM	UQM Technologies	4/14/04	3.05	2.59	\$849.18	-15.1%		1.94 HOLD, stop raised
PLLL	Parallel Petroleum	5/12/04	3.90	5.11	\$1,310.26	31.0%	5.05	
TIVO	TiVo	5/12/04	6.72	4.20	Closed	-33.3%		Stopped out @4.48 1/11/05
BIEL	Bioelectronics	6/9/04	0.40	0.30	\$750.00	-25.0%		0.28 HOLD
XDSL	mPhase Technologies	6/9/04	0.34	0.335	\$985.29	-1.5%		0.19 HOLD
NTO	Northern Orion	6/9/04	2.22	2.62	\$1,180.18	18.0%	2.55	
PNF.T	Pacific Northwest Capital <sup>**</sup>	6/9/04	0.57	0.45	\$780.70	-21.9%	0.50	
AOGI	American Oil & Gas	8/11/04	1.52	2.45	\$1,611.84	61.2%	2.55	1.73 Buy dips
BIOM	Biomira <sup>2</sup>	9/15/04	1.10	2.21	\$1,004.55	100.5%	2.15	2.15 Buy dips
CIPH	Ciphergen Biosystems	9/15/04	3.25	3.53	\$1,086.15	8.6%	3.50	2.22 Buy dips
SUPG	SuperGen	9/15/04	6.00	5.64	\$940.00	-6.0%		4.21 HOLD
BNK.V	Bankers Petroleum LTD <sup>**</sup>	10/20/04	0.60	0.49	\$816.67	-18.3%	0.50	
EGHT	8x8 Inc.	10/20/04	3.00	3.25	\$1,083.33	8.3%		2.90 HOLD
ANGO	AngioDynamics <sup>*2</sup>	10/29/04	9.15	19.97	\$1,091.26	109.1%		13.15 HOLD, Sold Half 12/27/2004 @18.30
DAIO	Data I/O Corp	11/16/04	3.14	3.25	\$1,035.03	3.5%	3.25	2.29 Trading range
NPDV	National Patent Development <sup>*2</sup>	11/24/04	1.00	2.10	\$125.00	105.0%		
Cash From Half & Closed Positions					\$20,201.24			
Total Portfolio Value					\$58,455.67			
					% Change from Last Issue	-4.5%		
					% Change from Last 12 Issues	12.1%		
					Portfolio % Gain Since Inception - July 2001	165.7%		

### Almanac Investor Sector Selector Portfolio

Ticker	Company	Recommended Date	1/11/05 Price	Net % Return***	Buy Limit	Stop Loss	Auto Sell	Current Advice <sup>1</sup>
BBH	Biotech HOLDRS	7/14/04	140.00	148.52		140.00	197.43	HOLD, Sell by Feb 28
IBB	iShares NASDAQ Biotech	7/14/04	70.00	72.40		70.00	98.71	HOLD, Sell by Feb 28
IAH	Internet Architecture HOLDRS	9/15/04	32.25	36.20				Stopped out @37.00 1/4/05
IIH	Internet Infrastructure HOLDRS	9/15/04	3.40	4.08				Stopped out @4.50 1/3/05
RTH	Retail HOLDRS	9/15/04	90.00	97.53		96.00	112.37	HOLD, Sell by May 31
XLB	Select Sector SPDR-Materials	9/15/04	26.50	28.57		28.50	33.14	HOLD, Sell by April 29
IGM	iShares Goldman Sachs Tech	9/15/04	42.00	44.35				Stopped out @46.00 1/4/05
TTH	Telecom HOLDRS	9/15/04	27.50	28.22				Stopped out @28.50 1/10/05
RKH	Regional Bank HOLDRS	9/15/04	132.00	138.50		136.50	165.53	HOLD, Sell by May 31
SMH	Semiconductor HOLDRS	9/15/04	30.00	30.79		30.00	42.67	HOLD, Sell by April 29
IGW	iShares Goldman Sachs Semi	9/15/04	47.50	49.34		44.00	67.56	HOLD, Sell by April 29
IYF	iShares DJ US Financial Sector	9/15/04	90.00	95.26		94.00	117.02	HOLD, Sell by Jan 31
XLF	Select Sector SPDR-Financial	9/15/04	28.50	30.01				Stopped out @30.00 12/20/04
HHH	Internet HOLDRS	10/4/04	61.14	65.93				Stopped out @68.00 1/6/05
PPH	Pharmaceutical HOLDRS	10/4/04	72.71	71.56		68.00	90.62	HOLD, Sell by Jan 31
DIA	Diamond Trust DJIA 30	10/4/04	102.31	105.52				HOLD, Sell on MACD Trigger
SPY	S&P 500 SPDR	10/4/04	113.84	118.18				HOLD, Sell on MACD Trigger
QQQQ	NASDAQ 100 Trust	10/4/04	36.31	38.26				HOLD, Sell on MACD Trigger
IYW	iShares DJ US Tech Sector	10/20/04	44.50	46.33				Stopped out @47.00 1/5/05
IGM	iShares Goldman Sachs Tech	10/20/04	42.00	44.35				Stopped out @45.00 1/5/05
IXN	iShares S&P Global Tech Sector	10/20/04	47.50	49.39				Stopped out @50.00 1/5/05
XLK	Technology Select Sector SPDR	10/20/04	19.50	20.31				Stopped out @20.75 1/4/05
MTK	streetTRACKS MS Tech	10/20/04	45.50	47.79				Stopped out @48.00 1/6/05
IWM	iShares Russell 2000	10/20/04	114.00	121.60				Stopped out @122.00 1/7/05
CEF	Central Fund of Canada	11/16/04	5.65	5.31				Stopped out @5.40 12/21/04
XGD.T	iUnits S&P/TSX Capped Gold	11/16/04	54.50	49.97				Stopped out @50.00 1/4/05
IYE	iShares D J US Energy	11/16/04	62.24	62.58	0.5%	62.24	61.00	76.34 Buy, Sell by May 31
XLE	Select Sector SPDR-Energy	11/16/04	35.20	35.25	0.1%	35.20	34.00	43.18 Buy, Sell by May 31
GLD	streetTRACKS Gold Trust ETF	11/18/04	44.38	42.21	-4.9%		40.00	52.04 Buy current level, Sell by May 31
Open Position Average % Return					5.2%			
Average Total % Return <sup>3</sup>					6.0%			

<sup>1</sup> STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss

<sup>2</sup> Half position; \* Adjusted for splits, mergers & spin-offs; \*\* Canadian Dollars; \*\*\* Not included in Net % Return, carried over from before July 2001 inception

\*\*\* Based on \$1000 initial investment in each stock, Net % Return includes half & closed positions available on request, Value is open position value

### Market at a Glance

**Fundamental:** Remains favorable despite dollar weakness and mixed economic messages. Profits will continue to rise, but at a slower rate.

**Technical:** Still a mixed picture. Stocks got overbought and corrected. The slide may not be over but the longer-term uptrend is intact so far.

**Monetary:** Favorable. Money remains loose and interest rates low as the dollar sinks.

**Seasonal:** Bullish — though you might not know it. This is supposed to be the best period of the year. If January doesn't turn around, the implications will be bearish.

# FEBRUARY 2005

**Bullish Sectors:** Natural Gas

**Bearish Sector:** Internet

**Sell:** Biotech



Bull symbol signifies a favorable day based on the S&P 500 Rising 60% or more of the time on a particular trading day 1982-2004.



Bear symbol signifies an unfavorable day based on the S&P 500 Falling 60% or more of the time on a particular trading day 1982-2004.

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT	SUN
	<b>1</b> Construction Spending <b>FOMC Meeting</b> ISM Index Vehicle Sales	<b>2</b> "Best Three-Month Span" normally ends here Worst NASDAQ Month in Post-Election Years Semiconductor Billings	<b>3</b> Jan Chain Store Sales Factory Orders ISM Non-Mfg. Index Productivity and Costs	<b>4</b> ECRI Future Inflation Index <b>Jan Employment Rate</b> U Mich Consumer Sentiment	<b>5</b>	<b>6</b>
<b>7</b>	<b>8</b> NAS: 0.6% Up 19 Down 15 Rank #7	<b>9</b> Ash Wednesday Average February gains last 34 years: Dow: 0.4% Up 19 Down 15 Rank #8 Wholesale Trade	<b>10</b> S&P: 0.1% Up 18 Down 16 Rank #9 Int'l Trade Deficit Treasury Budget	<b>11</b>	<b>12</b>	<b>13</b>
<b>14</b> Monday before Feb Expiration Dow up 11 straight! Valentine's Day	<b>15</b> Business Inventories NAHB Housing Mrkt Index Jan Retail Sales	<b>16</b> Housing Starts <b>Industrial Production</b>	<b>17</b> Import/Export Prices Leading Indicators Philadelphia Fed Survey SEMI Book to Bill Ratio	<b>18</b> Dow down 11 of 13 before President's Day weekend Expiration day Dow down BIG 4 of last 5 PPI	<b>19</b>	<b>20</b>
<b>21</b> President's Day (Markets Closed)	<b>22</b> Day After Presidents' Day Dow up 7 of last 10 Consumer Confidence <b>FOMC Minutes</b>	<b>23</b> CPI	<b>24</b> Durable Goods	<b>25</b> Existing Home Sales <b>Revised Q4 GDP</b>	<b>26</b>	<b>27</b>
<b>28</b> Agricultural Prices Chicago PMI New Home Sales Personal Income/Spending	* <b>Tuesdays:</b> Weekly Chain Store Sales & Average Hourly Earnings * <b>Wednesdays:</b> Oil & Gas Inventories * <b>Thursdays:</b> Weekly Unemployment Report, Weekly Mutual Fund Flows & Weekly Natural Gas Storage Report * <b>Fridays:</b> Weekly Leading Economic Index * <i>Except holidays</i> Note: Economic Releases in <b>Bold</b> are especially important					

Economic release dates obtained from sources believed to be reliable. All dates subject to change.

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