STOCK TRADER'S ALMANAC

ALMANAC INVESTOR NEWSLETTER

42 YEARS | *A* **Hirsch** *Organization Publication* | VOLUME 8, NUMBER 9, MARCH 2009

Confusion & Inaction Inside Beltway Spooks Street Worst January Ever Threatens Nascent Bull

By Jeffrey A. Hirsch

From tax evasion transgressions delaying his confirmation to skimping on the details of the revamped banking rescue plan new Treasury Secretary Tim Geithner has not helped rekindle investor confidence. Partisan bickering over the American Recovery and Reinvestment Act in Congress has also soured the Street. Delays in Congress, the White House and Treasury have spooked the market into a tailspin that threatens the nascent bull market.

After the last several years of government bungling, the latest missteps inside the beltway have created an utter mistrust of our government that they can handle the current economic crisis, let alone any crisis. Until Washington begins to regain the trust of the country the market will be prone to panic. The recession motored ahead in January, but GDP and job losses were not nearly as disastrous as predicted, so the economy may be beginning to right itself despite the shortcomings of the government.

Registering the worst January on record is alarming. Almanac Investors know well the dire implications a down January posesses. In the Proving Grounds this month starting on page five I delve deeper into the history of the January Barometer and the menacing record of down Januarys in conjunction with our other January indicators and the December Low Indicator.

January started out gangbusters, rising about 3% on the first trading day across the board. This helped secure the best Santa Claus Rally since 1932-33 and a fractional gain for the First Five Days. It has been virtually downhill since then. Then on January 20 the S&P and NASDAQ suffered their worst daily loss of the year and the Dow closed below its December closing low, triggering the December Low Indicator.

As mentioned last month, featured on page 40 of the *2009 Stock Trader's Almanac* and discussed in the Proving Grounds, this is another troubling sign. Since 1952, 28 of 30 occurrences have been followed by further declines. We have come out with an exceptionally bullish outlook over the last two months, but with January's epic losses and the market struggling to find support around Dow 8000 we are on alert, but as long as the November lows hold, we remain bullish.

Pulse of the Market

After its January demise the market seems to have found support around Dow 8000 ❶ with a theoretical intraday low a hair below 7800. The range, since violating the December low on January 20, has been quite tight. Resistance has formed near the 50-day moving average (black line) around Dow 8500.

The 50-day MA has flattened out considerable over the past two months, indicating some basing action. Reclaiming the high ground above this level would be constructive. Interestingly, in the wake of all the gloom and doom, the MACD Buy indicator has turned bullish ❷ as the first week in February started on a positive note. This suggests a potential shift in momentum to the upside.

Tech led the charge last week as NASDAQ leapt an impressive 7.8% ❸ for the week. As tech has been struggling since 2000, it is a welcome sign that technology may be leading us in the next bull market. With financials, real estate, banks and the consumer on the ropes, a

(continued on page 3)

Cheap As Dirt and Poised For Growth

By Adam M. Hutt

As promised, I have some names for you to ponder and encourage you to do some homework on them yourselves. It is an especially important time in the market to let common sense rule over emotions, which are running high in an economy that seems to have many people using the dreaded "D" word.

There are many stocks whose prices do indeed seem to be discounting the end of the world. But, before I tell you about any that look attractive to me, there are a few caveats. Without going on a major detour, trust the idea that Dow 7800 appears to be a very important number, on a technical level.

If you look closely, you'll see that the DJIA has held above that number since November and after dipping below it intraday February 2 there appears to be some technical support there. A close

(continued on page 4)

In This Issue...

2/11/2009 Dow 7939.53 | S&P 833.74 | NASDAQ 1530.50 | Russell 2K 447.95 | NYSE 5252.68 | Value Line Arith 1308.65

Stock Trader's Almanac Investor newsletter (ISSN: 1931-7956; Online ISSN: 1931-7964 at www.stocktradersalmanac.com) is published monthly, 12 issues per year, by Wiley Subscription Services, Inc., a Wiley Company, 111 River Street, Hoboken, NJ 07030-5774. Periodicals Postage Paid at Hoboken, NJ, and at additional mailing offices.

Editor: Jeffrey A. Hirsch. **Send editorial inquiries to:** staeditor@wiley.com. **Subscription price (2009):** $299. Print subscriptions are available to U.S. and Canada customers only. Send subscription-related correspondence to address below or call 800-762-2974. **Postmaster:** Send address changes to *Stock Trader's Almanac Investor*, Subscription Distribution US, c/o John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030-5774. **Reprints:** Reprint sales and inquiries should be directed to Gale Krouser, Customer Service Department, c/o John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030-5774. Tel: (201) 748-8789. E-mail: gkrouser@wiley.com.

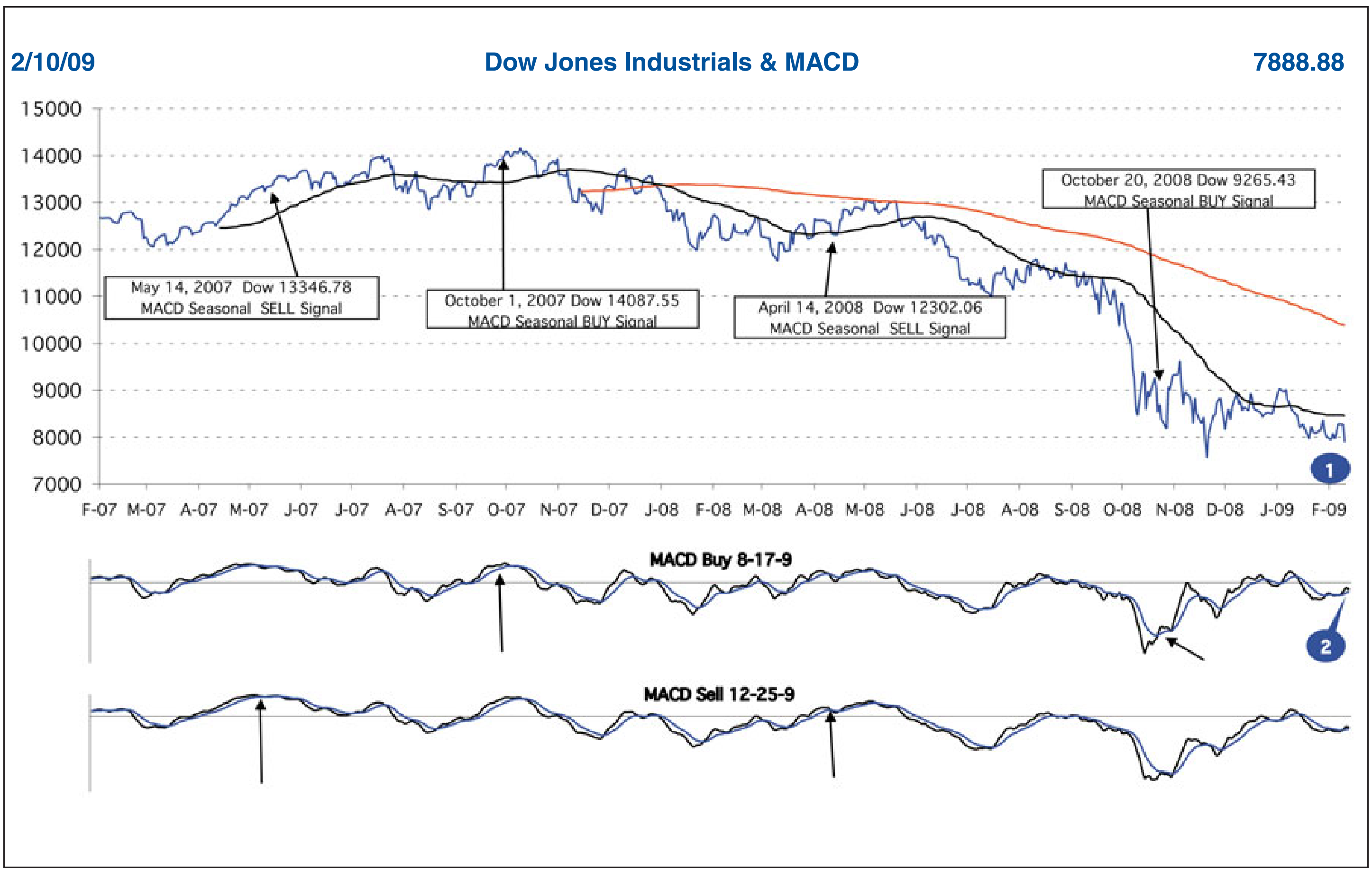
Pulse of the Market

Week End	DJIA	Net Change Week	Net Change On Fri**	Net Change Next Mon*	S&P 500	% Change Week	NASDAQ	% Change Week	NYSE Adv	NYSE Decl	NYSE New Highs	NYSE New Lows	CBOE Put/Call Ratio	90-Day Treas. Rate	Moody's AAA Rate
26-Sep-08	11143.13	– 245.31	+ 121.07	– 777.68	1213.01	– 3.4%	2183.34	– 4.0%	630	2683	27	393	0.72	0.84	5.91
3-Oct-08	10325.38	– 817.75	**– 157.47**	**– 369.88**	1099.23	– 9.4%	1947.39	– 10.8%	393	2919	19	1373	0.78	0.76	5.96
10-Oct-08	8451.19	– 1,874.19	– 128.00	+ 936.42	899.22	– 18.2%	1649.51	– 15.3%	79	3251	5	2801	0.96	0.57	6.12
17-Oct-08	8852.22	+ 401.03	– 127.04	+ 413.21	940.55	4.6%	1711.29	3.7%	2384	932	4	567	0.83	0.45	6.47
24-Oct-08	8378.95	– 473.27	**– 312.30**	**– 203.18**	876.77	– 6.8%	1552.03	– 9.3%	824	2480	7	1042	0.83	1.04	6.32
31-Oct-08	9325.01	+ 946.06	+ 144.32	– 5.18	968.75	10.5%	1720.95	10.9%	2698	601	8	899	0.68	0.61	6.42
7-Nov-08	8943.81	– 381.20	+ 248.02	– 73.27	930.99	– 3.9%	1647.40	– 4.3%	1256	2022	8	186	0.82	0.39	6.37
14-Nov-08	8497.31	– 446.50	**– 337.94**	**– 223.73**	873.29	– 6.2%	1516.85	– 7.9%	406	2900	8	749	0.92	0.21	6.37
21-Nov-08	8046.42	– 450.89	+ 494.13	+ 396.97	800.03	– 8.4%	1384.35	– 8.7%	262	3035	5	1727	1.04	0.07	5.99
28-Nov-08	8829.04	+ 782.62	+ 102.43	– 679.95	896.24	12.0%	1535.57	10.9%	3052	230	9	195	0.63	0.07	5.76
5-Dec-08	8635.42	– 193.62	+ 259.18	+ 298.76	876.07	– 2.3%	1509.31	– 1.7%	1148	2102	10	265	0.75	0.04	5.31
12-Dec-08	8629.68	– 5.74	+ 64.59	– 65.15	879.73	0.4%	1540.72	2.1%	1886	1362	15	158	0.79	0.02	5.35
19-Dec-08	8579.11	– 50.57	**– 25.88**	**– 59.34**	887.88	0.9%	1564.32	1.5%	2236	1009	13	152	0.72	0.03	4.95
26-Dec-08	8515.55	– 63.56	+ 47.07	– 31.62	872.80	– 1.7%	1530.24	– 2.2%	1478	1751	9	88	0.60	0.02	4.71
2-Jan-09	9034.69	+ 519.14	+ 258.30	– 81.80	931.80	6.8%	1632.21	6.7%	2963	290	22	69	0.63	0.09	4.74
9-Jan-09	8599.18	– 435.51	**– 143.28**	**– 125.21**	890.35	– 4.4%	1571.59	– 3.7%	1701	1528	18	20	0.79	0.11	5.04
16-Jan-09	8281.22	– 317.96	+ 68.73	– 332.13	850.12	– 4.5%	1529.33	– 2.7%	804	2429	9	99 ❼	0.93	0.12	4.89
23-Jan-09	8077.56	– 203.66	– 45.24	+ 38.47	831.95	– 2.1%	1477.29	– 3.4%	773 ❺	2426	5	194	0.77	0.11	5.10
30-Jan-09	8000.86	– 76.70	**– 148.15** ❹	**– 64.03**	825.88	– 0.7%	1476.42	– 0.1%	1792	1425	17	129	0.73	0.19	5.23
6-Feb-09	8280.59	+ 279.73	+ 217.52	– 9.72	868.60	5.2%	1591.71 ❸	7.8%	2243	970	14 ❻	231	0.69	0.29 ❽	5.29

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*



Confusion Spooks Street

(continued from page 1)

tech and innovation led charge would be refreshing.

The second Down Friday/Down Monday of 2009 was registered at the end of January ❹. This underscores the jittery mood on the Street. The first DF/DM of 2009 accompanied a 7.5% tumble for the Dow. A return to strength on Friday and Monday is a telltale sign of a bull market.

Internally, the market has struggled. For two weeks straight in mid-January decliners beat advancers by a margin of three to one ❺. We'll need to see more weeks like last week when advancers exceeded decliners two to one. New lows have been swelling again while new highs languish ❻, further indication of the market's woes. A reversal of the pattern with new highs exploding to the upside and new lows fading away would likely coincide with a promising upmove.

Negative sentiment has subsided again after the recent 0.93 peak in the weekly CBOE Equity Put/Call ratio ❼. The important data point here is the extreme fear reading of 1.04 on November 21 that coincided with the November lows. Short term interest rates have come off the ridiculously low levels of late ❽ and are trading above the Fed's 0-0.25 target range. Some semblance of order here is encouraging.

March Almanac

You may have noticed that the "Profit On Day Before St. Patrick's Day" page is missing from the *2009 Stock Trader's Almanac*. We needed to make room for all the new pages and lately the day before Saint Pats has not been all that great. But if you look at the March Strategy Calendar on page 12 you'll see a lot of green surrounding the patron saint's holiday. This coincides with the mid-March spike related to triple witching more than anything else.

March has been a volatile month over the years, usually strong early on then weak towards the end. Triple-witching week has a bullish bias, but got hammered in 2001. Triple-witching day has improved the last seven years with big ups in 2002 and 2008. The week after triple witching is notoriously dangerous, but posted large gains in 2000 and 2007. On the last trading day of March the Dow has been down 10 of the last 14 years.

Cocoa, Beef & the Pound

In the *2009 Commodity Trader's Almanac* there are three trades featured in March. Cocoa prices tend to peak in mid-March and decline through mid-April as chocolate makers have built inventories ahead of Valentine's Day and Easter and cocoa buying begins to wane. **Hershey** (HSY) has an inverse relationship to cocoa and tends to rise when cocoa prices fall.

Live cattle prices weaken from late March through the end of June as supplies of fattened beef come out of feed lots after winter. Like HSY to Cocoa, **McDonald's** (MCD) moves in the opposite direction of beef prices. Lastly, the British Pound tends to rally against the dollar from mid-March to early May as Britain's fiscal year begins in April. The exchange traded fund (ETF) **CurrencyShares British Pound** (FXB) tracks the Pound Sterling.

JBP 2008 – One Bright Spot

Even the best performing January S&P sectors, industries, and top-ranked stocks from those industries were hammered in 2008. We have been working with Sam Stovall at S&P for the past several years tracking how the best performing industries in January perform over the next 11 months. As featured on page 22 of the *2009 Stock Trader's Almanac,* this January Barometer Portfolio (JBP) as Sam dubbed has outpaced the S&P as a whole since 1970. It has done even better when the S&P was up in January, but struggled in 2006 and 2007.

In 2007 Sam added a few wrinkles. In addition to the top ten S&P indices, he featured the top three sectors, plus the industry component company with the highest S&P STARS and the corresponding SPDR sector ETF.

The S&P 500 was down 6.1% in January 2008 while the top ten industries were up 12.2% on average, ranging from 7.8% to 26.7%. The top three sectors were off 0.6%, 1.3% and 4.0%. But this was before the meltdown. Over the next 11 months the S&P fell 34.5% and the three sectors lost 45.1%. The top ten industries managed to beat the S&P by only declining 27.1%.

It should come as no surprise that Homebuilding and Regional Banks dragged down the industries and Financials was the worst of the three sectors. These were the some of the hardest hit areas of the market last year. However, there was one bright spot, Educational Services and Apollo Group (APOL). Both were down only 3.9% from February to December, but up 2.2% on the year, which was somewhat of coup in 2008.

Not coincidentally, Educational Services and Apollo are the only holdovers from last year. In fact, they are the only ones that have made the cut three years running. Both are up a whopping 87.7% since January 2007! For more checkout Sam Stovall's Sector Watch at businessweek.com under the "Investing" tab.

2009 January Barometer Portfolios

Top Ten S&P Industry Indices	January % Change	Ticker	Component Company w/Highest S&P STARS	STARS	1/30/09 Price	2/10/09 Price
Computer Storage & Peripherals	4.2%	EMC	**EMC Corporation**	4	11.04	11.92
Education Services	6.3%	APOL	**Apollo Group**	4	81.46	81.57
Electronic Components	9.0%	APH	**Amphenol Corporation**	4	26.15	27.52
Fertilizers & Agricultural Chemicals	7.3%	MON	**Monsanto**	3	76.06	80.85
Health Care Distributors	9.0%	MCK	**McKesson Corporation**	4	44.20	44.76
Health Care Equipment	5.5%	STJ	**St. Jude Medical**	5	36.37	35.99
Internet Retail	14.1%	AMZN	**Amazon.com**	4	58.82	63.31
Life Sciences Tools & Services	4.4%	TMO	**Thermo Fisher Scientific**	5	35.93	37.91
Oil & Gas Refining & Marketing	12.0%	VLO	**Valero Energy**	4	23.97	23.20
Wireless Telecommunication Services	12.6%	AMT	**American Tower**	5	30.34	28.91
Top Three S&P Sectors			**Exchange Traded Fund**			
Health Care	– 1.3%	XLV	**SPDR Health Care**		26.23	26.42
Information Technology	– 3.1%	XLK	**SPDR Technology**		14.68	15.36
Utilities	– 0.8%	XLU	**SPDR Utilities**		28.98	28.88
S&P 500	**– 8.6%**					

Source: Sam Stovall, Chief Investment Strategist, Standard & Poor's Equity Research

Cheap as Dirt

(continued from page 1)

below 7800 on the Dow probably means a move down to test the 7500 level, and probably quite quickly. It is no coincidence that 7500 was roughly the low in November 2008, October 2002 and August 1998. A close below 7500 would clearly be most unhealthy.

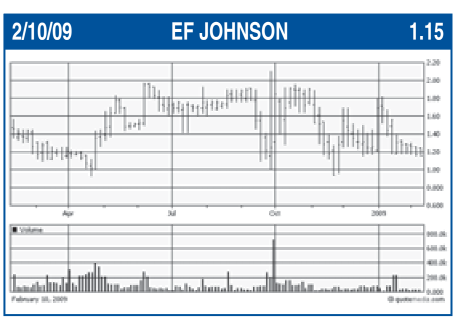
That said, there are hundreds of companies whose stocks are trading below cash values, 1-3x "normalized" cash flows, fractions of "tangible" book values, or some combination of all three. Anyone of these companies could be an excellent investment, but the real key is to find those in this group that have no debt or a manageable debt load and solid management teams.

Making the Grade

EF Johnson (EFJI) is leading supplier of P25 compliant radios for homeland security/first responders, which basically allows disparate radio systems to communicate with one another. Communication is of vital importance when responding to any crisis. Without it, all the parties involved are not able to effectively deploy their respective resources in an efficient manner.

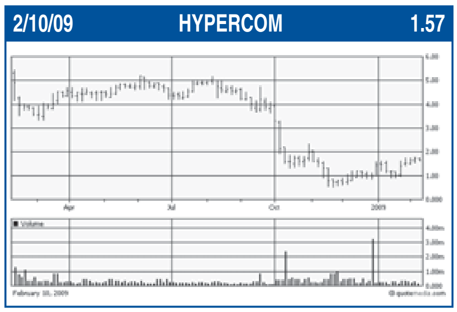
The company has an 80-year operating history and their stock has fallen from $10 to $1.15. EPS could be north of 10 cents per share in 2009. There is some debt on the balance sheet, but its market cap of $30 million compares favorably to their annual sales of well over $100 million.

There is some risk to earnings with many municipalities running deficits and slashing spending, but EFJI could easily benefit directly from the soon-to-be-enacted stimulus bill that includes support for state and local governments. ***[Editor's Buy Limit: 1.20]***



Hypercom (HYC) is a leader in electronic payment processing and point-of-sale equipment. At $1.57 per share and a market cap of around $80 million the stock trades at about 4 times a conservative EBITDA estimate of $20 million for 2009.

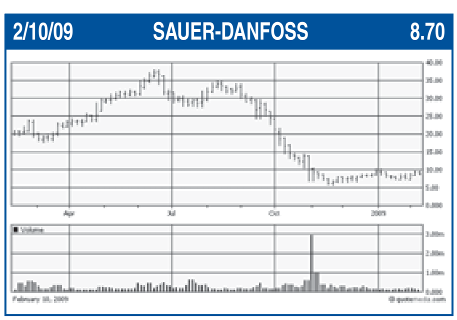
Trailing 12-month cash flow has been significantly higher; we'll see how badly that gets hit this year. But the stock is down from $6 after they spurned a $6 takeover offer from a competitor. A debt load of $45 million compares favorably to annual sales which have been running over $400 million. ***[Editor's Buy Limit: 1.20]***



Sauer-Danfoss (SHS) is a leading producer of hydraulic systems for off-road vehicles, pumps and valves for a variety of industrial applications. The stock is trading at about 1.5 times trailing 12-month cash flow, and below its book value of over $10.

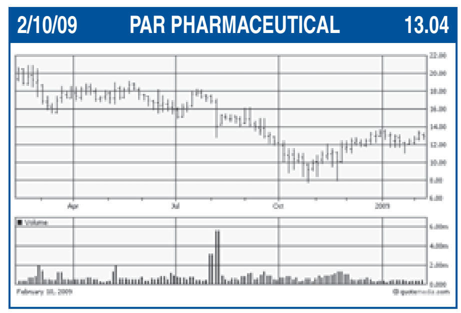
There is debt (approximately $400 million on $2 billion in annual sales), but it appears quite manageable when considering the company's cash flow, receivables and very strong banking relationships. Cash flow will, of course, take a hit in 2009, but the stock clearly accounts for it in my opinion.

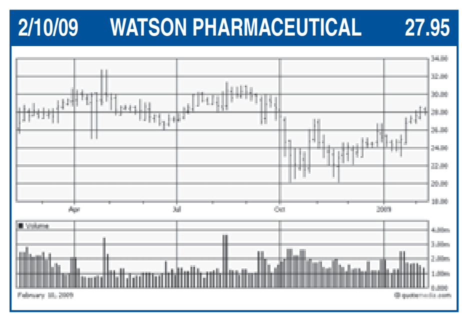
It is my understanding that the Danfoss family bought a controlling stake from the Sauer family for an average of about $60 per share which is quite an eye-popping price as the public trading high was around $40.



Sauer-Danfoss seems well positioned to reap any benefits of the upcoming government mandates for more environmentally friendly vehicle production in the 2010-2012 timeframe. ***[Editor's Buy Limit: 8.00]***

Two other cheap stocks that I like are generic drug makers **Par Pharmaceutical** (PRX) ***[Editor's Buy Limit: 12.56]*** and **Watson Pharmaceutica**l (WPI) ***[Editor's Buy Limit: 24.35]***. They are both trading at attractive multiples of cash flow and should do reasonably well in almost any market conditions. Additionally, both are strong takeover candidates, especially in the wake of Teva's (TEVA) recent takeover of Barr Labs (BRL).





Google Dollars

I don't want to overload you with too many ideas now so next time I'll highlight another batch of ultra-cheap equities that have lost 50-80% of their value, but seem likely to rebound dramatically if the world continues to turn. A number of them are auto-related, but may be less dependent on Detroit than the market is giving them credit for.

No one knows where the market is going, whether we will have inflation or deflation, whether the currency of the future is the U.S. dollar or the "Google Dollar" (I made that up, but don't be surprised).

Any of you remember the movie "Rollerball" with James Caan? This 1970's movie took place in the 21st century and had a handful of corporations running the country, with absolute power. It is a very entertaining and violent flick.

Is it a harbinger of things to come? Is it already happening? Who cares? Together we must find essential companies, with essential products, whose stocks will be worth more than their weight in certificates whatever the currency structure of the world looks like.

There were three times before in my career where the thought was that stocks across the board looked so cheap that I should perhaps borrow every dollar I could to purchase them. 1987, 1994, and 2002 presented buying opportunities of epic proportions and 2009 could be another chance, with so many stocks simply washed out. Of course, hindsight is always 20/20 and the Fed seemed to have more ammunition at its disposal in those periods when interest rates were generally much higher.

I believe that we are in the midst of hopefully one last round of hedge fund redemptions that should be predominantly over by March 31. Stocks that are attractive now may get cheaper, but aggressive investors may not want to wait. The reward/risk does look quite compelling, no matter how you look at it, in my opinion.

Adam M. Hutt, portfolio manager of New York-based AMH Equity, manages two funds. His flagship fund, Leviticus Partners, was formed in the summer of 1996 and though 2007 produced an average annual net return of almost 27%, but finished 2008 down 50.9%. His second fund, Equipoint Capital Partners, opened in April 2007 and finished 2008 up about 6.7%. In 2007 Leviticus was up 28.8% and Equipoint was up 8.9% (9 months).

Leviticus is a value oriented long-biased micro-cap fund that offers investors a unique opportunity to access companies that have little or no analyst coverage. Experience has taught that we can achieve superior returns by doing significant research on these underfollowed companies. We focus on companies with little debt that trade at low multiples and have significant upside potential. Equipoint is a more hedged and more liquid version of Leviticus that invests primarily in mid-cap companies.

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Proving Grounds: Down Januarys

By Jeffrey A. Hirsch

In the face of our rather bullish forecast for 2009 and our recent upbeat prognostications, our old reliable indicator, the January Barometer, registered a bearish reading. After remaining bearish through all of 2008, we turned bullish based on several recurring historical patterns, plus current technical and fundamental analyses. This has all been detailed in these pages, email alerts and in the new electronic *ETF Lab* over the past 10 weeks. It all began with the "Time to Be a Bull!" *ETF Lab* released the first week of December.

In the face of all this bullish analysis the market posted its worst January performance ever. The market was rightfully spooked by the slow going in Washington and the dire condition of the economy. Little has changed thus far in February. We find some solace in the fact that the November lows have held. Should they be breached we will reevaluate our forecast. For now, we are on heightened alert as down Januarys have an ominous portent.

First, let's set the record straight. Those who continue to attack the January Barometer just don't get it. When Yale Hirsch invented the January Barometer back in 1972 it was based on a very simple and clear study that was inspired by Victor Niederhoffer's work, suggesting that the direction of the market for the whole year often followed the direction in January.

Lining up all the market's percent change for January, next to the change for the entire year, followed by "same" or "opposite" in the next two columns, Yale had his now famous revelation. Starting with 1938, January and the year as a whole had a remarkable correlation. He concluded that the difference was the ratification in 1934 of the 20th Amendment to the Constitution, the Lame Duck Amendment. Newly elected senators and representatives were to meet the third day in January and newly elected presidents were inaugurated on January 20th. In prior years, new congressmen could meet as late as the first week in December, 13 months after being elected, and inaugurations were held on March 4th.

It never ceases to amaze us that despite the fact that January Barometer obviously began in the nineteen thirties, its detractors persistently include data back to 1900, or even back to 1896 when the Dow Jones Industrial Average began. The assumption that the longer the period, the more reliable the data; is a narrow-minded approach. Any stream of data must be analyzed for secular trend changes.

One criticism has been that we include January's % change in the year's total change. In other words, if January is up 3% and the year ends with a gain of 2%, then the subsequent 11 months actually lost 1%. This is a valid point, but not earth shaking. In addition, many have tried to claim that January's forecasting prowess is no better than any other month over the next 11 or 12 months. In the accompanying table comparing of all monthly barometers for the Dow, S&P and NASDAQ it clearly is better.

For 63 years the correlation was perfect in all odd-numbered years when new congresses convened. Then three odd years in a row it did not correlate: in 2001, with two

Down Januarys

(continued from page 5)

Fed interest rate cuts in January, in 2003, with imminent military action in Iraq, and again in 2005, as pending elections in Iraq may have held stocks down in January. Vietnam effected non-correlations in 1966, 1968 and 1970. Eisenhower's heart attack in September of 1955 caused uncertainty about whether he would run for reelection. Exogenous events of such magnitude cannot be ignored when weighing the merits of any indicator.

In total there have been only six major errors for the January Barometer in 71 years: 1946, 1966, 1968, 1982, 2001 and 2003. There have been 8 other non-correlations where the market was basically flat on the year, up or down less than 5%, for a total accuracy ratio of 80.3%. It's not perfect, but damn good and we know of no other such seasonal indicator with greater prescience.

Strong Start

2009 opened up with a bang, delivering the best Santa Claus Rally since 1932-33. 1933 was the best year for the S&P and the Dow gained 66.7%. After the big rally on the first trading day of 2009 the market sold off sharply. An afternoon rally on January 8 pushed the S&P positive for the First Five Days of the year.

The last 36 up First Five Days were followed by full-year gains 31 times for an 86.1% accuracy ratio and a 13.7% average gain in all 36 years. The S&P 500 posted a gain for January's First Five Days in 5 of the last 14 Post-Election Years. Only 1973 was a loser at the start of the major bear caused by Vietnam, Watergate and the Arab Oil Embargo. The other four years gained 22.6% on average.

Now for the Bad News

Despite our analysis that the bear market bottomed on November 20 and are on the verge of a powerful up move we cannot ignore the fact that every down January since 1938 has been followed by a new or continuing bear market, 10% correction or a flat year. Only 1956 avoided a further decline after a down January as the year's low was reached in January. However, many of these subsequent declines were miniscule and brief. In addition, 13 of the 26 of the down Januarys since 1938 were followed by February-December gains and nine full-year gains.

Three of the January Barometer's six major errors occurred when January was down in 1968, 1982 and 2003. These were the three strongest years following a down January. 1968 was impacted by Vietnam, a major bull market started in August 1982 and the anticipation of military action in Iraq held down the market in January 2003.

In 1968 the 1966-68 bull market correction that started in September 1967 had run its course by the end March to the tune of -10.1% on the S&P and -12.5% on the Dow. After a down January in 1982, the 1981-82 bear market pushed the S&P down an additional 14.9% to the August 12 bottom where the super bull lifted off. Following the rally off the 21st Century low in October 2002 and a down January 2003, the S&P fell 6.4% further. As the third longest bull market since 1900 was in its infancy the Dow fell 15.8% and the S&P lost 14.7% in 3.5 months before doubling over the next 5 years.

To make matters worst the vaunted December Low Indicator trigger on January 20. First brought to our attention by Jeff Saut at Raymond James, this metric has proved quite helpful when used in conjunction with the January Barometer. When the Dow's December closing low is breached in the first quarter the Dow has fallen further in all but 2 years since 1950 for an average drop of 9.8%. Combined, the January Barometer and December Low Indicator have been wrong only 3 of the 30 occurrences since 1950.

In the table entitled "January Indicators" on page 7 we have combined all our Early Year Warning Systems since 1938: Santa Claus Rally, First Five Days, January Barometer and December Low Indicator along side the February-December and full-year changes for the S&P. It is ranked by January performance to highlight the historic loss. While the worst January on record is nothing to be trifled with, down at the bottom the next 5 worst Januarys were followed by decent 11-month performance.

Like the three major reversals following down Januarys in 1968, 1982 and 2003, 2009 is on the threshold of a new dawn. Wall Street has not been pleased with the progress Washington has made on the economic front. But let's not forget that the new Obama administration has only been in office for 3 weeks. If the American Recovery & Reinvestment Act from Congress and new "Financial Stability Plan" from treasury can begin to have an effect in short order then the markets should commence a powerful rally, if not, the January Barometer may once again prove all too prescient.

Monthly S&P Barometers Accuracy Ratio

Since 1938

	Calendar Year	11-month	12-month
January	80.3%	73.2%	72.9%
February	64.8%	61.4%	61.4%
March	66.2%	54.3%	50.0%
April	69.0%	61.4%	61.4%
May	62.0%	52.9%	54.3%
June	66.2%	58.6%	55.7%
July	59.2%	52.9%	52.9%
August	62.0%	52.9%	55.7%
September	64.8%	48.6%	48.6%
October	56.3%	47.1%	48.6%
November	62.0%	57.1%	57.1%
December	67.6%	60.0%	55.7%

Monthly Dow Barometers Accuracy Ratio

Since 1938

	Calendar Year	11-month	12-month
January	83.1%	71.8%	65.7%
February	60.6%	55.7%	58.6%
March	60.6%	50.0%	50.0%
April	60.6%	50.0%	48.6%
May	57.7%	51.4%	52.9%
June	62.0%	57.1%	58.6%
July	56.3%	52.9%	54.3%
August	64.8%	51.4%	60.0%
September	59.2%	41.4%	42.9%
October	50.7%	45.7%	51.4%
November	60.6%	60.0%	58.6%
December	69.0%	51.4%	52.9%

Monthly NASDAQ Barometers Accuracy Ratio

Since 1971

	Calendar Year	11-month	12-month
January	76.3%	76.3%	67.6%
February	57.9%	56.8%	51.4%
March	65.8%	56.8%	51.4%
April	76.3%	59.5%	59.5%
May	68.4%	59.5%	62.2%
June	60.5%	59.5%	59.5%
July	55.3%	54.1%	51.4%
August	57.9%	51.4%	54.1%
September	76.3%	54.1%	51.4%
October	55.3%	45.9%	51.4%
November	73.7%	64.9%	64.9%
December	55.3%	64.9%	64.9%

January Indicators

Ranked By January Performance

	Santa Rally	1st 5-Day % Change	January % Change	December Low Cross	Jan Close	Dec Close	% Change Feb 1-Dec 31	Year % Change
1987	2.4	6.2	13.2	No Cross	274.08	247.08	– 9.9	15.6
1975	7.2	2.2	12.3	No Cross	76.98	90.19	17.2	31.5
1976	4.3	4.9	11.8	No Cross	100.86	107.46	6.5	19.1
1967	– 1.4	3.1	7.8	No Cross	86.61	96.47	11.4	20.1
1985	– 0.6	– 1.9	7.4	No Cross	179.63	211.28	17.6	26.3
1943	1.8	1.4	7.2	No Cross	10.47	11.67	11.5	19.4
1989	0.9	1.2	7.1	No Cross	297.47	353.40	18.8	27.3
1946	0.6	– 0.3	7.0	2/25/46	18.57	15.30	– 17.6	– 11.9
1961	1.7	1.2	6.3	No Cross	61.78	71.55	15.8	23.1
1997	0.1	1.0	6.1	No Cross	786.16	970.43	23.4	31.0
1951	3.1	2.3	6.1	No Cross	21.66	23.77	9.7	16.5
1980	– 2.2	0.9	5.8	3/10/80	114.16	135.76	18.9	25.8
1954	1.7	0.5	5.1	No Cross	26.08	35.98	38.0	45.0
1963	1.7	2.6	4.9	No Cross	66.20	75.02	13.3	18.9
1958	3.5	2.5	4.3	No Cross	41.70	55.21	32.4	38.1
1991	– 3.0	– 4.6	4.2	1/7/91	343.93	417.09	21.3	26.3
1999	1.3	3.7	4.1	No Cross	1279.64	1469.25	14.8	19.5
1971	1.9	0.0	4.0	No Cross	95.88	102.09	6.5	10.8
1988	2.2	– 1.5	4.0	No Cross	257.07	277.72	8.0	12.4
1979	3.3	2.8	4.0	No Cross	99.93	107.94	8.0	12.3
2001	5.7	– 1.8	3.5	3/12/01	1366.01	1148.08	– 16.0	– 13.0
1965	0.6	0.7	3.3	No Cross	87.56	92.43	5.6	9.1
1983	1.2	3.3	3.3	No Cross	145.30	164.93	13.5	17.3
1996	1.8	0.4	3.3	1/10/96	636.02	740.74	16.5	20.3
1994	– 0.1	0.7	3.3	3/30/94	481.61	459.27	– 4.6	– 1.5
1964	2.3	1.3	2.7	No Cross	77.04	84.75	10.0	13.0
2006	0.4	3.4	2.5	1/20/06	1280.08	1418.30	10.8	13.6
1995	0.2	0.3	2.4	No Cross	470.42	615.93	30.9	34.1
1947	– 0.7	0.1	2.4	No Cross	15.66	15.30	– 2.3	NC
1972	1.3	1.4	1.8	No Cross	103.94	118.05	13.6	15.6
1955	3.0	– 1.8	1.8	No Cross	36.63	45.48	24.2	26.4
1950	1.3	2.0	1.7	No Cross	17.05	20.41	19.7	21.8
2004	2.4	1.8	1.7	No Cross	1131.13	1211.92	7.1	9.0
1952	1.4	0.6	1.6	2/19/52	24.14	26.57	10.1	11.8
1944	1.7	1.7	1.5	No Cross	11.85	13.28	12.1	13.8
1945	2.4	1.2	1.4	No Cross	13.47	17.36	28.9	30.7
2007	0.003	– 0.4	1.4	3/2/07	1438.24	1468.36	2.1	3.5
1942	6.9	3.6	1.4	2/17/42	8.81	9.77	10.9	12.4
1938	– 0.6	7.3	1.3	2/3/38	10.69	13.21	23.6	25.2
1998	4.0	– 1.5	1.0	1/9/98	980.28	1229.23	25.4	26.7
1993	– 1.1	– 1.5	0.7	1/8/93	438.78	466.45	6.3	7.1
1966	0.1	0.8	0.5	3/1/66	92.88	80.33	– 13.5	– 13.1
1959	3.6	0.3	0.4	No Cross	55.42	59.89	8.1	8.5
1986	1.1	– 1.6	0.2	No Cross	211.78	242.17	14.3	14.6
1949	– 1.4	2.7	0.1	2/10/49	15.22	16.76	10.1	10.3
1953	1.8	– 0.9	– 0.7	2/11/53	26.38	24.81	– 6.0	– 6.6
1969	– 1.2	– 2.9	– 0.8	1/6/69	103.01	92.06	– 10.6	– 11.4
1984	2.1	2.4	– 0.9	1/25/84	163.41	167.24	2.3	1.4
1974	6.7	– 1.5	– 1.0	No Cross	96.57	68.56	– 29.0	– 29.7
2002	1.8	1.1	– 1.6	1/16/02	1130.20	879.82	– 22.2	– 23.4
1973	3.1	1.5	– 1.7	1/29/73	116.03	97.55	– 15.9	– 17.4
1982	– 1.8	– 2.4	– 1.8	1/5/82	120.40	140.64	16.8	14.8
1992	5.7	0.2	– 2.0	No Cross	408.79	435.71	6.6	4.5
2005	– 1.8	– 2.1	– 2.5	1/21/05	1181.27	1248.29	5.7	3.0
2003	1.2	3.4	– 2.7	1/24/03	855.70	1111.92	29.9	26.4
1940	2.6	1.4	– 3.5	1/12/40	12.05	10.58	– 12.2	– 15.3
1956	– 0.9	– 2.1	– 3.6	1/9/56	43.82	46.67	6.5	2.6
1962	0.4	– 3.4	– 3.8	1/5/62	68.84	63.10	– 8.3	– 11.8
1948	– 0.3	0.1	– 4.0	1/20/48	14.69	15.20	3.5	– 0.7
1957	1.2	– 0.9	– 4.2	1/18/57	44.72	39.99	– 10.6	– 14.3
1968	0.3	0.2	– 4.4	1/22/68	92.24	103.86	12.6	7.7
1981	2.0	– 2.0	– 4.6	No Cross	129.55	122.55	– 5.4	– 9.7
1941	3.1	1.6	– 4.8	1/21/41	10.07	8.69	– 13.7	– 17.9
1977	0.8	– 2.3	– 5.1	2/7/77	102.03	95.10	– 6.8	– 11.5
2000	– 4.0	– 1.9	– 5.1	1/4/00	1394.46	1320.28	– 5.3	– 10.1
2008	– 2.5	– 5.3	– 6.1	1/2/08	1378.55	903.25	– 34.5	– 38.5
1978	– 0.3	– 4.7	– 6.2	1/5/78	89.25	96.11	7.7	1.1
1990	4.1	0.1	– 6.9	1/15/90	329.08	330.22	0.3	– 6.6
1939	2.9	– 2.2	– 6.9	1/12/39	12.30	12.49	1.5	– 5.5
1960	2.4	– 0.7	– 7.1	1/12/60	55.61	58.11	4.5	– 3.0
1970	3.6	0.7	– 7.6	1/26/70	85.02	92.15	8.4	0.1
2009	7.4	0.7	– 8.6	1/20/09	825.88	—	—	—

Based on S&P 500, Post-Election Years Highlighted

ETF Corner: Show Me the Money

By J. Taylor Brown

Thank you to everyone who attended my presentation at the Money Show in Orlando. Your questions were both compelling and insightful. As I continue to grow the *ETF Lab* into its own stand alone product I will attempt to provide the resources that you require for informed ETF buying. As a reminder, the complete *ETF Lab* is emailed to you on the first Thursday of each month. The ETF Corner is not only a recap of that email, but an opportunity to issue any new recommendations or updates. If you are not receiving the *ETF Lab,* please ensure that your email address is up to date or contact Wiley customer support.

It was amazing to see how ETFs, once a fringe investment at best, has grown to be a featured topic at one of the most prestigious conventions in the world. Individual investors are embracing ETFs as institutional traders have for quite a while. During the next bull market, I envision both growth and acceptance to continue.

Recent market action has afforded us the opportunity to establish positions in ETFs that are poised to do well in what I feel is an imminent market recovery. What caught my attention most at The World Money Show was the sheer volume of market mavens who believe that the market is doomed. There were a few prognosticators who make a bullish case, but by in large there was a storm cloud over the entire convention center.

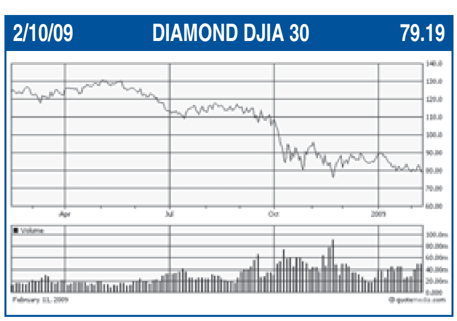
I like this mentality! Contrarian investing is the key to making money in this environment. While it is never wise to fight the tape, recent market action is indeed encouraging. The Dow continues to do a two-step around 8K establishing a fairly strong support level there. I consider any transient below 8000 a good buying opportunity for the **Diamonds** (DIA). But even more encouraging is the leadership role that tech has taken since the meltdown last fall. I have been touting tech since the washout and still advocate buying the **PowerShares QQQ** (QQQQ), **Ultra Technology ProShares** (ROM) and **Ultra Semiconductor ProShares** (USD) at the buy limits prescribed in the ETF Portfolio on page 11.

There is uncertainty abound on Wall Street these days; but what is troubling for investors is that most of it is of the exogenous kind. While earnings and forecasts make sense to most investors and specific market developments can be analyzed, the posturing in Washington D.C. is hanging around Wall Street's neck like a two-ton albatross. Until our legislators stop this nauseating bickering, investors will suffer.

We need action, not debate. Obama was elected, and while I personally do not necessarily endorse all of the initiatives proposed by the President and the Congress, now is not the time for delay. He brought this point of view to the country in his press conference Monday evening. I think that in the coming days, or possibly weeks, the stimulus package and the plan for cleaning up the financial system will go through. This will rally the markets. After their enactment, let the debate rage. Both sides of the aisle have good ideas, and I think that the new ethic of civility in the beltway will take shape. There is time for that, and it will take time. But enough is enough.

Most Active

We are coming off of the worst January is history; further testament to the need for action. Investors are skittish and are amassing hoards of cash on the sidelines. This is exemplified by the sharp decrease in total volume for the 10 most active ETFs last month. The **S&P 500 Spyder** (SPY) saw its average daily volume slashed by over 25% since November and almost 35% since October. Another development of note is the **Direxion Financial Bull 3X** (FAS) has worked its way into the list of most actives. I have been advising establishing ETF positions in the **Ultra Financials ProShares** (UYG), a 200% leveraged financial ETF for months, but the new popularity in the triple has me looking into it as well.



Largest By Market Cap

The big boys, with the exception of **SPDR Gold** (GLD) and **iShares Lehman 1-3 Yr Treasury Bond** (SHY) got hammered last month. In case you haven't heard it was the worst January ever last month. **iShares EAFE** (EFA) and **iShares Japan** (EWJ) both shed over 10%. While the domestic markets may be bad, foreign markets, for the most case are even worse. Small caps, which tend to lag in poor credit environments, also got pummeled with the **iShares Russell 2000** (IWM) off 9.7%.

New 52-Week Highs and Lows

If there is indeed a bright spot in the bucket of mud, it is the new 52-week highs and lows. New lows have ended their death spiral that began in June. It is the first time that the ETF market has avoided triple digit new 52-week lows since April and May last year. Since the eye-popping 642 and 562 new lows set in October and November the last two months have produced a sanguine 50 in December and 62 in January. We have yet to see an expansion in new highs, but given the protracted downturn, when the market recovers, they should snap back.

Weekly Advances/ Declines

Santa Claus brought a sack full of advances and the week ending January 2 saw one of the best ratios ever. Since then, it has been a rough go of it with three straight weeks of decliners dominating. The last week of January saw some moderation, but did I mention that it was the worst January in the history of mankind yet?

Leaders

Gasoline rose sharply for the first time since taking a nosedive in September making the **United Stated Gasoline Fund** (UGA) the big winner last month, up 20.4%. Chile, of all places, had a banner month as well with the **iShares MSCI Chile** (ECH), up 12.8%, the second best performer in January. Money has been flowing to emerging markets in general as evident in the 9.4% gain in **PowerShares Emerging Markets Sovereign Debt** (PCY), fifth on last months leaders list.

The remaining ETFs on January's leaders list are all inflation hedges and flights to safety. The third and fourth best ETFs were silver plays with the **iShares Silver Trust** (SLV) and the **PowerShares Deutsche Bank Silver** (DBS) tacking on 11.8% and 11.1% respectively. A troika of gold plays rounded out the leaders list as well with **SPDR Gold** (GLD), up 5.5%, **iShares Comex Gold** (IAU), up 5.4% and **PowerShares Deutsche Bank Gold** (DGL), up 5.3%. Not surprisingly, a precious metals hybrid, the **PowerShares Deutsche Bank Precious Metals** (DBP) split the difference between the performance of silver and gold and tacked on 6.7%, sixth best in January. We have open buy limits on silver and gold in our portfolio and are recommending adding positions on pullbacks. Look at the current advice section towards the bottom for details.

The remaining ETF on the leaders list, **Market Vectors Long Municipal** (MLN), was up 5.6%. The MLN is emblematic of investor's flight to safety. Moreover, Munis are, in general, yielding higher than the anemic return on T-notes.

Laggards

It should come as no surprise the laggards list is comprised entirely of retail and banks, all of which had a month that they would rather forget. No explanation is needed here. Look at the list and weep. While I wouldn't touch retail with a ten-foot pole, financials are currently one of my top investment ideas.

Sector Performance

Only Bear/Short ETFs posted a gain as a sector last month adding 13.2%. Did I fail to mention the January was the worst in history? There was no shortage of sector-wide disasters. Financials lost 26.0% as a sector last month with several of the leveraged ETF shedding over 30%. Real Estate got rocked to the tune of 15.4%, Dividend ETFs lost 13.8%, and Materials and Industrials/Transports both shed over 10%. The balance of the sectors managed to hold on somewhat in the face of a bad month.

Foreign ETFs were not spared January's wrath either with Foreign Multinational losing 11.5% and Foreign Markets ETFs off 10.5%. By in large, foreign stock markets are faring far worse than our domestic economy.

Mid Caps did "best," losing 8.0%, with Large Caps close behind, off 8.2%. Small/Micro Cap ETFs, down 11.8%, will continue to flail in this credit environment. Broad index ETFs did just as bad losing 11.2% in January.

Current Advice/ Recommendations

Healthcare Providers begins its bullish period towards the middle of March. It has a 12.3% average 10 year return and a more recent 7.1% gain over the past 5 years. I have been offering two options for ETF investors when there is a leveraged option to trade a seasonality. We will track both in the ETF Portfolio, but it is up to you to decide on your comfort level and appetite for risk, as leveraged ETFs are quite volatile. Note that the expected return is double the historical average. The auto sell point is set 10% above the doubled expectations.

The leveraged option is **Rydex 2x S&P Select Sector Health Care** (RHM). The RHM is a relatively new issue, but has a good pedigree so I am not as gun shy as I typically am with new ETFs. Buy the RHM with a buy limit of 50.00, an expected return of 63.20 and an auto sell at 68.53. Also implement a stop loss at 40.00.

2/10/09 RYDEX 2X S&P HEALTHCARE 47.66

2/10/09 ISHARES DJ US HEALTHCARE PROV 37.41

The more conservative approach is **iShares Dow Jones US Healthcare Providers** (IHF), an ETF that Almanac Investors are familiar with as we have traded it three times since its debut in early 2006. Our first trade yielded a modest 7.1% gain, while the second two both lost 8.1%. Buy the IHF at 39.00 or better. The expected return is 43.80 and the auto sell point is 48.18. Implement a 34.00 stop loss.

Our natural gas trade has already given up a decent return over the past few days. Natural Gas's seasonality begins in late February and runs through June with a 10-yr historical average return of 18.9%. I am recommending **United States Natural Gas** (UNG) with a buy limit of 19.50, Stop Loss of 16.75, Expected Return of 23.19 and Auto Sell of 23.30.

We continue to recommend adding positions on pullbacks for the open ETFs in the Almanac Investor ETF Portfolio. Of the new ETFs recommended in last month's issue, we have only managed to add **PowerShares WilderHill Clean Energy** below our 7.50 Buy Limit. I am nudging the buy limits up on silver and gold. Buy **iShares Silver** (SLV) at 11.50 and **SPDR Gold Shares** (GLD) at 82.50.

We are maintaining the remainder of our buy limits below current market valuations as we are in no rush to increase out exposure to equities. Our portfolio is currently well balanced and well positioned.

Disclosure Note: At press time, officers of the Hirsch Organization held positions in DDM, ERX, FAS, QLD, ROM, SSO, URE, USD, UWM and UYG.

2008 Free Lunch Menu: Check Please

By Christopher Mistal

Our annual Free Lunch Menu of yearend bargain stocks was emailed to subscribers on Sunday, December 21. This year's list was compiled using the close of Friday before Christmas. This ensured healthy levels of market activity and afforded us plenty of time over the weekend to remove any questionable shares.

After filtering out all preferred stocks, new issues, closed-end funds, splits and any other non-regular common stocks we selected 88 stocks that were all down at least 45% from their 52-week high, but not more than 95%. In the table you will see selections from the NYSE, NASDAQ, AMEX and Bulletin Board along with their performance.

This is a short-term trading strategy. You get in and get out as soon as you have a significant gain. These stocks all behave differently and there is no automatic trigger point to sell at. Our standard trading rules do not apply for these trades. You should be out of all of these stocks between the middle of February and the beginning of March as small cap outperformance begins to wane (2009 Almanac, page 106). Advice a la G.M Loeb, never forget why you bought a stock.

This year's list got off to a strong start as the market rallied briskly away from the November lows. Numerous outsized gains were delivered by the Free Lunch basket until the market turned in early January. Outperformance is waning and the time has arrived to close out any existing positions.

On average all bargain stocks in the list have gained 11.4% since December 19 while the NYSE has lost 2.4%. Only the AMEX Composite (+8.6%) and NASDAQ (+1.7%) have posted a gain. The Dow, S&P 500 and Russell 2000 have all posted modest losses over the same time.

2008 FREE Lunch Menu of Bargain Stocks
88 Friday-Before-Xmas NYSE, NASDAQ, AMEX & OTCBB New Lows

		52 Week Low	52 Week High	% Down From High	12/19/08 Close	2/9/09 Close	
NYA	NYSE Composite	—	—	—	5616.12	5479.88	– 2.4%
AAV	Advantage Energy	3.88	13.53	– 71.3%	4.03	3.63	– 9.9%
AIB	Allied Irish Banks Plc	4.55	47.72	– 90.5%	4.59	3.19	– 30.5%
BXC	Bluelinx Holdings	1.09	7.54	– 85.5%	1.19	2.33	95.8%
CAP	CAI International	2.90	20.44	– 85.8%	2.90	3.27	12.8%
CT	Capital Trust	3.12	38.84	– 92.0%	3.95	2.90	– 26.6%
CSV	Carriage Services	1.66	9.50	– 82.5%	1.86	1.99	7.0%
EPL	Energy Partners	1.67	16.50	– 89.9%	1.74	1.14	– 34.5%
FBN	Furniture Brands Intl	1.66	15.46	– 89.3%	1.66	2.05	23.5%
GGC	Georgia Gulf	1.15	9.00	– 87.2%	1.15	1.00	– 13.0%
IRE	Gov & Co Bank of Ireland	3.97	63.72	– 93.8%	4.07	3.65	– 10.3%
HNR	Harvest Nat Res Inc	4.30	13.43	– 68.0%	4.50	4.62	2.7%
HIT	Hitachi	41.27	77.33	– 46.6%	41.43	29.64	– 28.5%
ITP	Intertape Polymer	0.67	3.59	– 81.3%	0.68	0.62	– 9.6%
KED	Kayne Anderson Energy	7.04	25.62	– 72.5%	7.40	12.86	73.8%
MWE	Markwest Energy	8.20	38.50	– 78.7%	8.83	11.43	29.4%
SNN	Smith & Nephew	31.25	69.20	– 54.8%	31.56	38.24	21.2%
THC	Tenet Healthcare	0.99	6.88	– 85.6%	1.07	1.14	6.5%
TNC	Tennant Co	17.53	47.83	– 63.3%	17.82	14.41	– 19.1%
VM	Virgin Mobile	0.60	9.42	– 93.6%	0.60	0.97	61.7%
VQ	Venoco Inc.	2.05	24.38	– 91.6%	2.46	3.29	33.7%
WNS	WNS Holdings	6.31	20.00	– 68.5%	6.31	6.24	– 1.1%
XRM	Xerium Technologies	0.66	8.41	– 92.2%	0.70	0.71	1.4%
				Average Change NYSE Bargain Stocks			8.5%
XAX	AMEX Composite	—	—	—	1341.44	1457.26	8.6%
AZC	Augusta Resources	0.47	6.95	– 93.2%	0.51	0.49	– 3.9%
CXM	Cardium Therapeutics	0.40	3.19	– 87.5%	0.53	1.09	105.7%
CEP	Constellation Energy	2.50	33.46	– 92.5%	2.52	2.91	15.5%
KRU	Crusader Energy	1.07	7.57	– 85.9%	1.27	0.69	– 45.7%
DNE	Dune Energy	0.12	2.30	– 94.8%	0.12	0.19	58.3%
ERSO*	Empire Resources	1.22	5.80	– 79.0%	1.35	0.68	– 49.6%
GSX	Gasco Energy	0.28	4.55	– 93.8%	0.28	0.43	53.6%
HKN	HKN Inc.	3.03	13.60	– 77.7%	3.50	2.53	– 27.7%
ILE	Isolagen	0.20	2.76	– 92.8%	0.22	0.30	36.4%
KOG	Kodiak Oil Gas	0.34	5.50	– 93.8%	0.36	0.29	– 18.5%
RAE	Rae Systems	0.50	2.89	– 82.7%	0.53	0.43	– 18.9%
XPL	Solitario Exploration	1.38	6.10	– 77.4%	1.44	1.32	– 8.3%
				Average Change AMEX Bargain Stocks			8.1%
IXIC	NASDAQ Composite	—	—	—	1564.32	1591.56	1.7%
CIDM	Access Integrated Tech	0.39	4.50	– 91.3%	0.39	0.61	56.4%
ADLR	Adolor	1.27	6.09	– 79.1%	1.61	2.44	51.6%
AFFM	Affirmative Insurance	0.85	10.58	– 92.0%	0.90	1.23	36.7%
AFFY	Affymax Inc.	8.75	23.38	– 62.6%	9.25	16.50	78.4%
ALOG	Analogic Corporation	26.36	76.93	– 65.7%	27.77	28.84	3.9%
AREX	Approach Resources	5.82	30.00	– 80.6%	5.87	8.13	38.5%
BLTI	Biolase Technology	0.82	4.64	– 82.3%	0.98	0.70	– 28.6%
BBEP	Breitburn Energy	5.25	30.36	– 82.7%	5.30	7.23	36.4%
CALL	Callwave	0.53	3.15	– 83.2%	0.53	0.58	9.4%
CWST	Casella Waste System	2.19	14.49	– 84.9%	2.40	2.53	5.4%
CNVR	Convera	0.20	3.89	– 94.9%	0.26	0.19	– 25.5%
CREL	Corel Corporation	2.87	11.49	– 75.0%	2.95	3.42	15.9%
COSI	Cosi Inc	0.20	3.24	– 93.8%	0.22	0.32	43.2%
DXYN	Dixie Group	1.57	9.55	– 83.6%	1.64	1.47	– 10.4%
HILL	Dot Hill Systems	0.45	4.12	– 89.1%	0.46	0.59	28.3%
EROC	Eagle Rock Energy	5.05	19.33	– 73.9%	5.14	7.58	47.5%
FTWR	Fibertower	0.15	2.45	– 93.9%	0.16	0.17	4.4%
FSGI	First Security Group	4.75	9.70	– 51.0%	4.75	4.22	– 11.1%
FLML	Flamel Technologies	3.60	14.40	– 75.0%	3.68	5.10	38.6%
GEOY	Geoeye Inc.	14.75	37.37	– 60.5%	15.02	21.59	43.7%
GOOD	Gladstone Commercial	7.93	18.50	– 57.1%	8.13	8.15	0.2%
HYGS	Hydrogenics	0.38	2.45	– 84.5%	0.38	0.46	21.0%
ISSC	Innovative Solutions	3.31	12.61	– 73.8%	3.52	3.93	11.6%
KPPC	Kapstone Paper	2.91	8.53	– 65.9%	2.99	1.59	– 46.8%
KSW	KSW Inc	1.79	7.04	– 74.6%	2.67	2.65	– 0.7%
LUNA	Luna Innovations Inc	2.00	9.90	– 79.8%	2.00	1.45	– 27.5%
MSCS	Msc.Software Corp	5.75	14.03	– 59.0%	6.14	6.12	– 0.3%
NLST	Netlist	0.24	2.33	– 89.7%	0.25	0.25	0.0%
TSPT**	Transcept Pharmaceuticals	4.45	17.00	– 73.8%	5.30	3.96	– 25.3%
PHHM	Palm Harbor Homes	3.70	13.15	– 71.9%	4.61	4.05	– 12.1%
PDFS	PDF Solutions	1.37	9.94	– 86.2%	1.53	1.45	– 5.2%
PDLI	PDL Biopharma Inc.	5.67	17.98	– 68.5%	6.75	6.49	– 3.9%
PARD	Poniard Pharmaceuticals	1.66	6.39	– 74.0%	1.73	2.48	43.4%
QCCO	QC Holdings Inc.	4.03	12.00	– 66.4%	4.04	4.39	8.7%
RLOG	Rand Logistics Inc.	3.41	6.45	– 47.1%	3.41	4.00	17.3%
ROSG	Rosetta Genomics	1.31	6.25	– 79.0%	1.39	3.67	164.0%
SPRO	Smartpros Ltd	2.25	6.19	– 63.7%	2.39	2.57	7.5%
SUAI	Specialty Underwrite	2.36	6.14	– 61.6%	2.42	3.50	44.6%
SIVB	SVB Financial Group	24.56	69.90	– 64.9%	25.06	23.11	– 7.8%
TTWO	Take-Two Interactive	8.15	27.95	– 70.8%	8.43	7.98	– 5.3%
VNDA	Vanda Pharmaceuticals	0.48	7.90	– 93.9%	0.53	0.75	41.5%
VCGH	VCG Holding	1.40	15.00	– 90.7%	1.42	1.65	16.2%
VRAZ	Veraz Networks	0.37	5.38	– 93.1%	0.38	0.62	63.2%
ZIXI	Zix	1.08	5.30	– 79.6%	1.11	1.23	10.8%
				Average Change NASDAQ Bargain Stocks			17.7%
	OTCBB Bargain Stocks	—	—	—			
ECTE	Echo Therapeutics	0.23	2.15	– 89.3%	0.40	0.40	0.0%
ENLU	Enerlume Energy Mgmt	0.24	2.74	– 91.2%	0.26	0.33	26.9%
EXOU	Exousia Advanced Mat	0.25	1.01	– 75.2%	0.30	0.24	– 20.0%
IBIN	IBSG International	0.42	2.30	– 81.7%	0.42	0.02	– 95.3%
LIVC	Live Current Media I	0.35	3.48	– 89.9%	0.45	0.40	– 11.1%
NFEI	New Frontier Energy	0.35	1.38	– 74.6%	0.36	0.30	– 16.7%
NIMU	Non-Invasive Monitor	0.28	0.98	– 71.4%	0.340	0.43	26.5%
OLEPF	Oromin Explorations	0.31	4.10	– 92.3%	0.310	0.60	93.5%
PPRG	Patient Portal Tech	0.16	1.65	– 90.3%	0.29	0.32	10.3%
TAMO	Tamm Oil and Gas	0.80	3.14	– 74.5%	0.95	0.30	– 68.4%
				Average Change OTCBB Bargain Stocks			– 5.4%
				Average Change All Bargain Stocks			*11.4%*

** Now Traded on Pink Sheets*
*** Formly Novacea Adjusted for 1-5 reverse split*

Stock Updates – Stimulus is Coming

By Christopher Mistal

Caterpillar (CAT – Feb 2009)
Buy Limit 32.00

CAT was added to the portfolio on January 20 at 38.00. This was just ahead of their disappointing earnings release and lower guidance for 2009. Massive amounts of stimulus are in the works globally and once the spending begins CAT is likely to benefit.

Energy Conversion Devices (ENER – Feb 2009) **HOLD**

ENER was added on a dip to the portfolio January 20 at 24.00. This proved to be a timely purchase as ENER has just been upgraded by PiperJaffray from "neutral" to "buy".

FuelCell Energy (FCEL – Feb 2009)
Buy Limit 4.00

A position in FCEL was established on January 16 at 4.00. Shares have been drifting sideways with the market and are currently just below the buy limit. FCEL remains attractive at its current level.

Ingersoll Rand (IR – Feb 2009)
Buy Limit 17.00

On January 21, IR was added to the portfolio at 17.00. And just like FCEL it too has been trading in step with the broad indices. IR is attractive at current levels.

Pacific Ethanol (PEIX – Feb 2009)
Buy Limit 0.50

PEIX was added to the portfolio on the close of the market on January 15. Our current administration appears to be committed to investing in the future and stimulating the economy at the same time. Corn ethanol may have been put out to pasture, but PEIX is more diversified and stands a fair chance of profiting as the U.S. attempts to reduce its foreign oil imports.

Plug Power (PLUG – Feb 2009)
Buy Limit 1.00

PLUG was added on the close of the market on January 15. PLUG is an alternative energy play that is likely to receive a boost as we spend and invest our way out of this recession.

Quanta Service (PWR – Feb 2009)
Buy Limit 17.00

PWR has not traded below our buy limit, yet. Continue to be patient for the time being.

StemCells (STEM – Feb 2009) **HOLD**

STEM was added to the portfolio on January 16 at 1.50 and five trading days later half of the initial position was sold on a double.

Disclosure Note: At press time, officers of the Hirsch Organization held positions in STEM.

Almanac Investor Stock Portfolio

Ticker	Company	Recommended Date	Recommended Price	2/9/09 Price	Value***	Net % Return***	Buy Limit[1]	Stop Loss[1]	Current Advice[1]
CAT	**Caterpillar**	1/14/09	38.00	32.72	$861.05	-13.9%	32.00	30.00	Buy Dips, Added 1/20 @ 38.00
ENER	**Energy Conversion Devices**	1/14/09	24.00	28.16	$1,173.33	17.3%		26.00	HOLD, Added 1/20 @ 24.00
FCEL	**FuelCell Energy**	1/14/09	4.00	3.97	$992.50	-0.7%	4.00	3.25	Buy Current, Added 1/16 @ 4.00
IR	**Ingersoll Rand**	1/14/09	17.00	16.99	$999.41	-0.1%	17.00	13.50	Buy Current, Added 1/21 @ 17.00
PEIX	**Pacific Ethanol**	1/14/09	0.48	0.48	$1,000.00	N/C	0.50	0.39	Buy Current, Added 1/15 @ 0.48
PLUG	**Plug Power**	1/14/09	1.00	1.02	$1,020.00	2.0%	1.00	0.88	Buy Dips, Added 1/15 @ 1.00
PWR	**Quanta Services**	1/14/09	17.00	21.16	Not Yet		17.00		Buy Dips
STEM	**StemCells** [2]	1/14/09	1.50	2.52	$840.00	84.0%		2.00	HOLD, Added 1/16, Sold Half 1/26 @ 3.00
EFJI	**EF Johnson**	2/11/09	1.25	1.17	New		1.20		Buy
HYC	**Hypercom**	2/11/09	1.00	1.75	New		1.20		Buy
PRX	**Par Pharmaceutical**	2/11/09	12.56	13.26	New		12.56		Buy
SHS	**Sauer-Danfoss**	2/11/09	8.00	9.38	New		8.00		Buy
WPI	**Watson Pharmaceutical**	2/11/09	24.35	28.57	New		24.35		Buy
	Cash From Half & Closed Positions				$58,726.60				
	Total Portfolio Value				$65,612.90				

% Change from Last Issue	1.4%
% Change from Last 12 Issues	-11.2%
Portfolio % Gain Since Inception - July 2001	198.2%

Almanac Investor ETF Portfolio

Ticker	Company	Recommended Date	Recommended Price	2/9/09 Price	Net % Return***	Buy Limit[1]	Stop Loss[1]	Auto Sell	Current Advice[1]
ERX	**Direxion Energy Bull 3X**	12/4/08	31.09	40.11	29.0%		32.47		HOLD
UYG	**ProShares Ultra Financial**	12/4/08	5.30	3.70	-30.2%	5.50	2.73		Buy Current
URE	**ProShares Ultra Real Estate**	12/4/08	4.76	4.59	-3.6%	5.50	3.07		Buy Current
USD	**ProShares Ultra Semiconductor**	12/4/08	11.32	15.66	38.3%		13.67		HOLD
ROM	**ProShares Ultra Tech**	12/4/08	18.64	24.15	29.6%		21.09		HOLD
USO	**Unites States Oil**	12/4/08	35.41	28.25	-20.2%	34.00	24.00		Buy Current
DIA	**Diamond DJIA 30**	12/17/08	82.00	82.75	0.9%	82.00	77.49		Buy Dips, Added 1/14 @ 82.00
QQQQ	**PowerShares QQQ**	12/17/08	28.00	31.50	12.5%	28.00	29.50		Buy Dips, Added 1/20 @ 28.00
SPY	**S&P 500 SPDR**	12/17/08	84.00	87.10	3.7%	84.00	81.57		Buy Dips, Added 1/14 @ 84.00
TIP	**iShares Barclays TIPS Bond**	1/14/09	95.00	100.50	Not Yet	95.00			Buy Dips
SLV	**iShares Silver**	1/14/09	10.00	12.72	Not Yet	11.50			Buy Dips
NLR	**Market Vectors Nuclear Energy**	1/14/09	17.75	19.47	Not Yet	17.75			Buy Dips
PBW	**PowerShares WilderHill Clean Energy**	1/14/09	7.50	8.42	12.3%	7.50	7.89		Buy Dips, Added 1/22 @ 7.50
PUW	**PowerShares WilderHill Prog Energy**	1/14/09	13.00	15.15	Not Yet	13.00			Buy Dips
GLD	**SPDR Gold**	1/14/09	77.50	88.32	Not Yet	82.50			Buy Dips
UNG	**United States Natural Gas**	2/5/09	19.23	19.91	3.5%	19.50	16.75	23.30	Buy Dips, Added 2/5 in ETF Lab
IHF	**iShares DJ US Healthcare Prov**	2/11/09	39.00	38.77	New	39.00	34.00		Buy
RHM	**Rydex 2x S&P HealthCare**	2/11/09	50.00	50.99	New	50.00	40.00	68.53	Buy

Open Position Average % Return	**6.9%**
Average Total % Return	**1.5%**

*[1] STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss. [2] Half position. * Adjusted. ** Canadian Dollars.*

**** 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

Psychological: *Shattered.* A fundamental problem with the market right now, beyond the obvious, is an utter lack of trust in the government. After years of ineptitude, not only investors, but the general public seems unwilling to trust the government to handle not only this crisis, but any crisis. We have grown accustomed to pithy sound bites explaining complex situations, regardless of "truthiness." Until some semblance of trust is reestablished, the market will be prone to panic.

Fundamental: *Improved.* GDP contracted at 3.8%, significantly better that the consensus estimate of a 5.4% decline. Unemployment swelled to 7.6%, but job losses were not nearly as disastrous as forecasted. Inflation is in check, and the deflation fears have abated somewhat. We are in the midst of earnings season, and there have been few unexpected catastrophes. Fundamentals are clearly not in control of the market as bad news offers little shock and good news little catalyst.

Technical: *Holding.* The November lows have not buckled under significant pressure. As long as this remains true, we remain bullish. A substantial base is being built around Dow 8K, NASDAQ 1500. The S&P is another story as recent rebalancing has altered its makeup.

Monetary: *Put up or shut up.* It is time for Bernanke and Geithner to step up. The Street is in dire need of leadership and guidance. Strongly worded statements have little impact. The credit market is beginning to thaw, and continued Fed and Treasury action is required. The banking system is on the brink and failure is not an option.

Seasonal: *Bullish.* Though there have been some recent bumps in the road, March has a bullish bent. We are coming to the end of the "Best Six Months" and think that there is still some decent upside. The January Barometer registered its worst reading in history, but seasonal trends are not in control. The market is rudderless and the course is far from set.

MARCH 2009

Bullish Sector Seasonalities:

Start: Healthcare Providers
In Play: Pharmaceutical, Consumer, Banking, Broker/Dealer, Cyclical, Materials, Real Estate, Transports, Oil, Natural Gas
Finish: Biotech

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT	SUN
2 **First Trading Day Dow Up 9 of Last 13** Construction Spending ISM Index Personal Income/Spending Semiconductor Billings	**3** Vehicle Sales	**4** **March Historically Strong Early in the Month** Beige Book ISM Non-Mfg. Index	**5** Chain Store Sales Factory Orders Productivity and Costs	**6** Consumer Debt ECRI Future Inflation Index Employment Rate	**7**	**8** **Daylight Saving Time Begins**
9	**10** **Dow: 0.5% Up 13 Down 8 Rank #9** Wholesale Trade	**11** **Average March Gains Last 21 Years:** **S&P: 0.6% Up 13 Down 8 Rank #7** Treasury Budget	**12** **NAS: 0.04% Up 14 Down 7 Rank #8** Business Inventories Retail Sales	**13** Import/Export Prices Int'l Trade Deficit U Mich Consumer Sentiment	**14**	**15**
16 **Monday Before Triple Witching Dow Up 16 of Last 21** Industrial Production NAHB Housing Mrkt Index	**17** FOMC Minutes Housing Starts PPI	**18** **Dow Down 1469 Points March 9-22 in 2001** CPI	**19** Leading Indicators Philadelphia Fed Survey SEMI Book to Bill Ratio	**20** **March Triple Witching Dow Up 5 of Last 7 Massive Gains in 2003, Up 2.3% and 2008, Up 2.2%**	**21**	**22**
23 Existing Home Sales	**24**	**25** **March Historically Weak Towards the End of Month** **Week After Triple Witching, Dow Down 15 of Last 21 But Rallied 4.9% in 2000 and 3.1% in 2007** Durable Goods New Home Sales	**26** Final Q4 GDP	**27** Personal Income/Spending U Mich Consumer Sentiment	**28**	**29**
30 Agricultural Prices	**31** **March Last Trading Day Dow Down 10 of Last 14** Chicago PMI Consumer Confidence					

***TUESDAYS:** Weekly Chain Store Sales & Avg Hourly Earnings
***WEDNESDAYS:** Oil & Gas Inventories
***THURSDAYS:** Weekly Unemployment Report, Weekly Mutual Fund Flows & Weekly Natural Gas Storage Report
***FRIDAYS:** Weekly Leading Economic Index
**Except holidays*

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

Bull symbol signifies a favorable day based on the S&P 500 Rising 60% or more of the time on a particular trading day 1988-2008

Bear symbol signifies an unfavorable day based on the S&P 500 Falling 60% or more of the time on a particular trading day 1988-2008