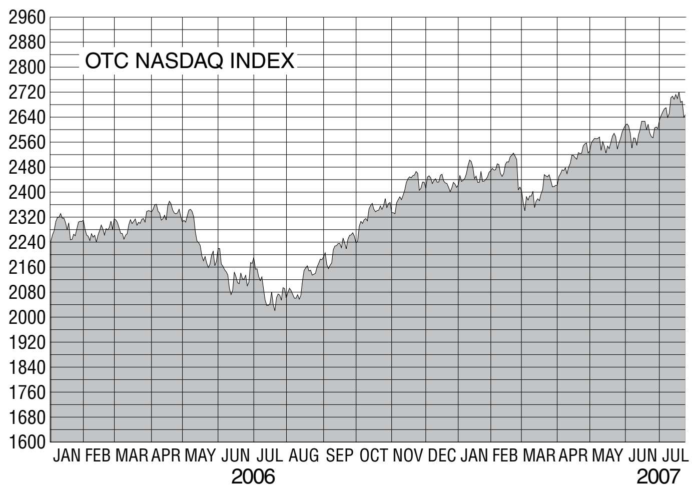
InvesTech® Research
Market Analyst

Vol07 Iss08 Technical and Monetary Investment Analysis JULY 27, 2007



4 Weeks Ending July 20, 2007

	High	Low	Last
Federal Funds	5.34%	5.22%	5.25%
30yr T-Bonds	5.28%	5.06%	5.06%
Gold (London PM)	$681.60	642.10	$681.60

	High	Low	Last	200D M.A.
DJIA	14000.41	13337.66	13851.08	12733.78
DJUA	520.77	487.84	511.85	481.29
NASDAQ	2720.04	2574.16	2687.60	2483.74
S&P 500	1553.08	1492.89	1534.10	1446.95

S&P 500 P/E Current: 16.9 70 yr Avg: 15.6

BEAR MARKET WARNING FLAGS!

Since our last issue, the DJIA has hit nine new record closing highs. Yet, at the same time, two of our primary indicators have turned bearish, our Housing Bubble Index has dropped into a freefall that rivals the dot-com bust of the late 1990s [see graphic], and breadth has taken a decisive turn for the worse – as noted by these developments…

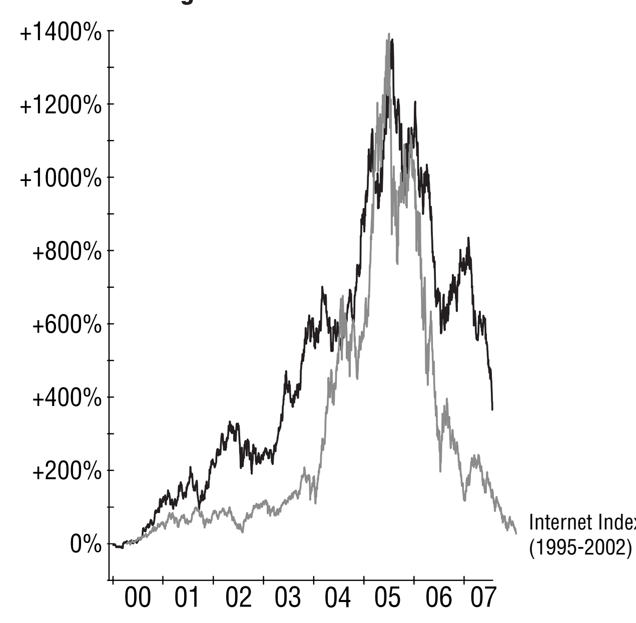
- The DJIA has closed higher in 5 of the past 8 trading days, but declining stocks outnumbered advancing stocks in 7 of those 8 sessions. **That type of negative breadth divergence has occurred only 15 times in 75 years – the majority of which were in bear markets.**

- On Monday of last week, the DJIA hit a record high while declining stocks overwhelmed advancing stocks by a 2:1 margin. **That ominous divergence has never occurred in the past 75 years of market history.**

Divergences are also appearing in major indexes, as the headline-grabbing DJIA has risen over 1000 points in the past five months – but the small-cap Russell 2000 Index has slipped lower. If that isn't a flight to quality, we don't know what is!

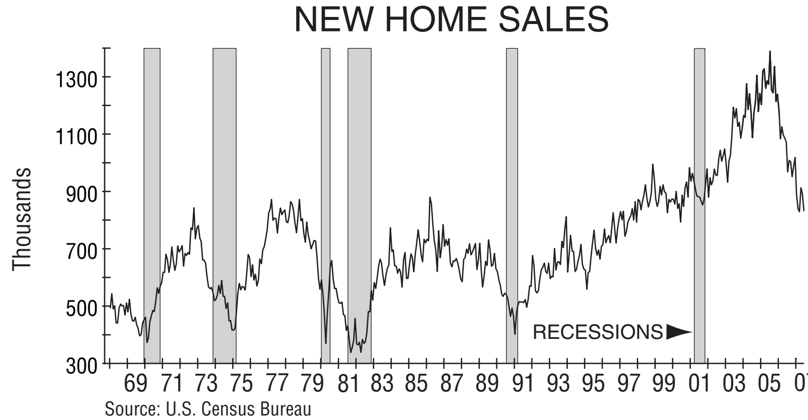
As a consequence, we are moving to a full bear market defensive mode. Inside this issue, we discuss what that means for our already conservative portfolio, and reveal which warning flags to watch closely in the coming weeks and months ahead…

Housing Bubble Bellwether Index

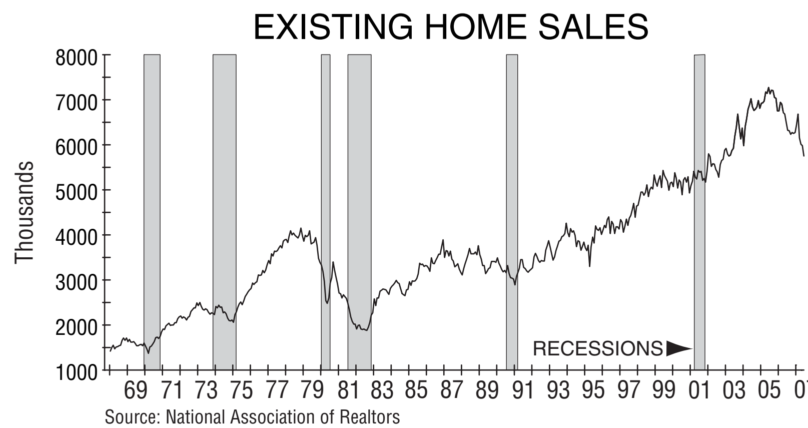


Housing Outlook: *From Dismal… to Dire*

The freefall in our Housing Bubble Bellwether Index (page 1) confirms that national headlines will get much worse in the months ahead. Inventories of unsold homes remain at record levels; and this week both New Home Sales and Existing Home Sales were reported sharply lower… with no bottom yet in sight.



Source: U.S. Census Bureau



Source: National Association of Realtors

Whitefish Pilot

102ND YEAR / 30th ISSUE THURSDAY, JULY 26, 2007 WHITEFISH, MONTANA 75¢

Spike in foreclosures reported here

By CONSTANCE SEE
Whitefish Pilot

A growing backlog of homes for sale in the Flathead Valley coupled with increases in foreclosures and bankruptcy filings have drawn the attention of professionals concerned about local real estate trends.

Northwest Montana Realtor Association president Ted Dykstra Jr. said he was surprised in March when the number of local homes in foreclosure increased from the typical 12-20 to as high as 80.

Annual foreclosure figures countywide had declined 34 percent from a high of 253 in 2002 to 166 in 2006, according to the Flathead County clerk and recorder's office. But on July 23, www.foreclosure.net listed 55 Flathead homes in foreclosure. A search of preforeclosures, foreclosures and bankruptcies showed 117 properties countywide.

"A lot of people have gotten themselves overextended," said Dykstra. "We've always been about six months to a year behind the rest of the nation. When 9/11 came, we were climbing in sales. Now that a recession or downturn in the market is here, we might be down for a little while, but it will probably turn around again by the end of the year."

He said the correction in the local real estate market began last March, traditionally the busiest month of the year for sales, and it's continuing.

"It came on in a slow spurt," said Dykstra. "I think it was due to the market being flooded with houses. Sales are just as strong this year, but there are more agents, more offices and everybody feels

See REAL ESTATE on Page A3

The Views, a condominium project near North Valley Hospital, is one of several large housing projects going up in Whitefish.

← Even here in our hot little resort community of Whitefish –*where realtors and developers think we're immune*– we've seen the first ominous headline appear in our local paper.

To a slowing economy that is already operating just above recessionary levels (first-half growth is estimated at only 1.7%), this could be the catalyst that ultimately triggers the next recession. In fact, the starting point may even be backdated to this month. But if so, no one can say the recession didn't come without warning…

IMF in warning on US recession

The annual report by IMF [International Monetary Fund] economists on the US said growth was "uncomfortably close to the 2 percent stall speed associated with past recessions."

***FT.com** – 6/23/07*

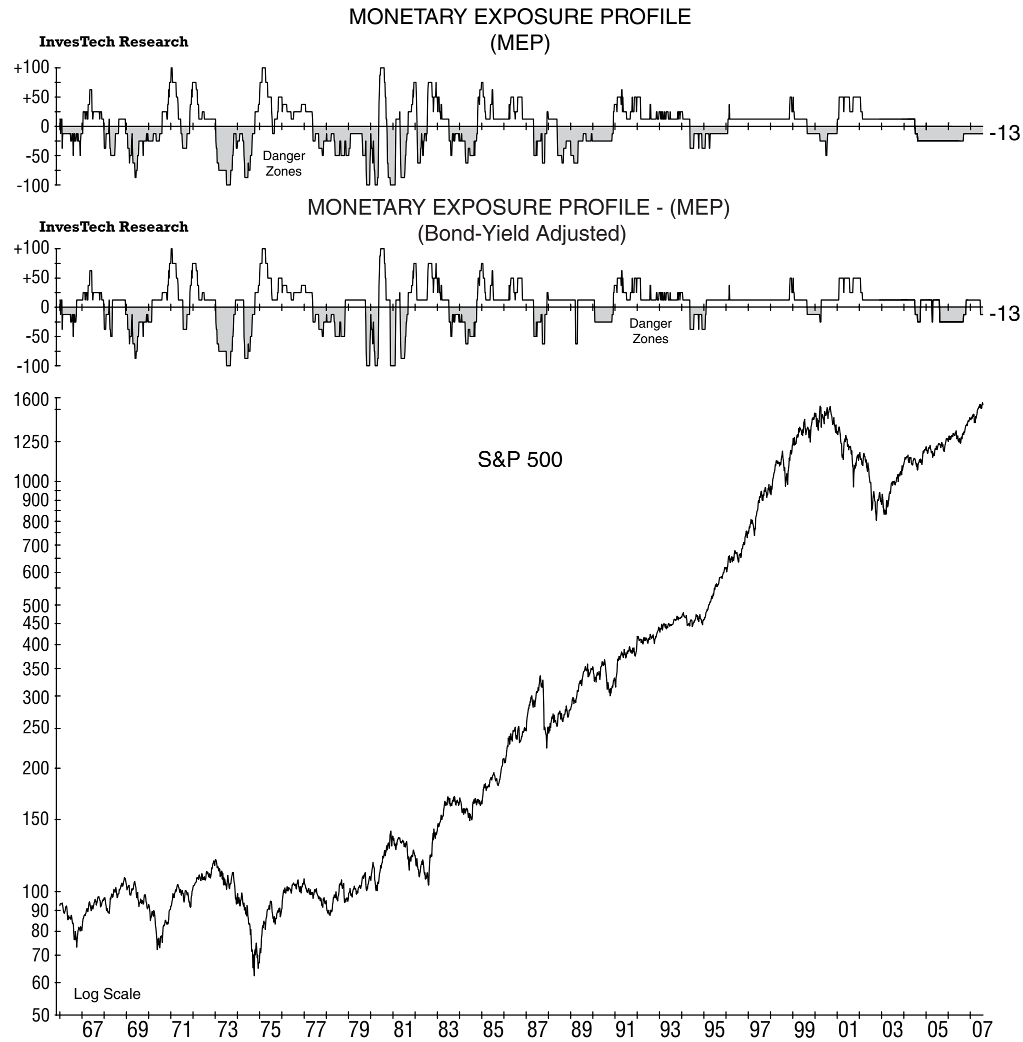
WARNING FLAGS

Outside the crumbling housing sector, there are a number of warning flags that we are carefully watching at this time.

Monetary

Our MEP Monetary Model gauges both monetary climate as set by the Federal Reserve [top graphic], as well as the monetary climate established by the bond market [middle graphic: Bond-Yield Adjusted MEP].

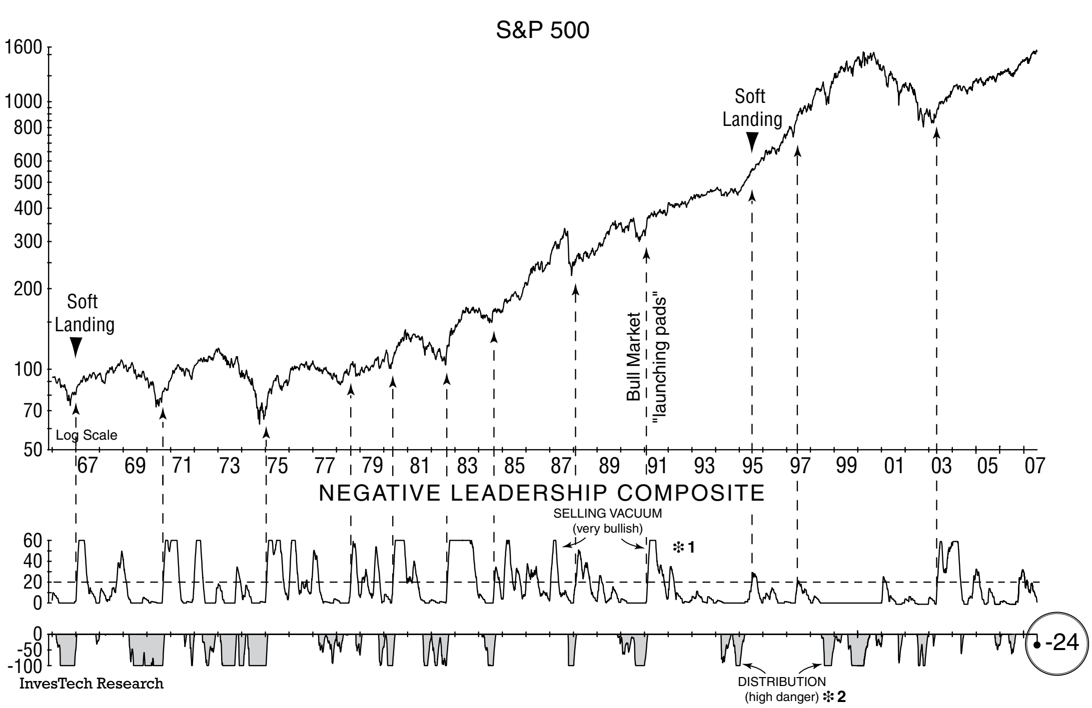
Both are now back into the negative or bearish region. So even though bond yields have softened a bit in recent weeks, this is considered a hostile monetary climate for stocks. **In short, this is when bear markets can –*and often do*– start.** ⟶



Leadership

The most dramatic change in technical indicators has come in new bearish "DISTRIBUTION [*2 shaded region] from our Negative Leadership Composite (below). Falling from 0 to -24 in two days is a <u>big</u> move – equaled on only three instances in the past 40 years.

The sharp increase in the number of stocks hitting new 12-month lows reveals that this selloff is not just profit taking (in which case, only the new highs would decrease). Institutions are starting to batten down the hatches and employ bear market defenses – which is a little difficult when you're managing tens or hundreds of billions of dollars.



✻1 SELLING VACUUM [-BULLISH-]: This confirms the absence of negative or downside leadership. It is normally a very bullish signal since a stock market without any downside leadership is destined to move much higher.

✻2 DISTRIBUTION [-BEARISH-]: This signals that investors are anxious to sell stocks regardless of whether their position is at a loss, or the stock market is tumbling to new lows. It carries bearish implications as it suggests investors will use any rallies to get out of the market.

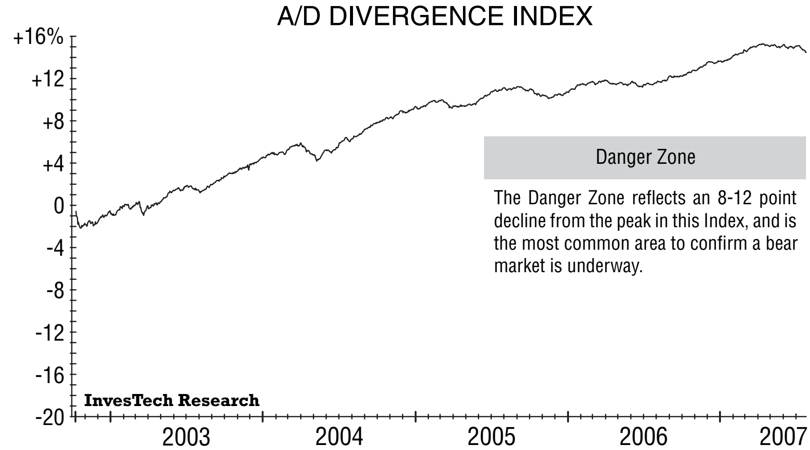
Breadth

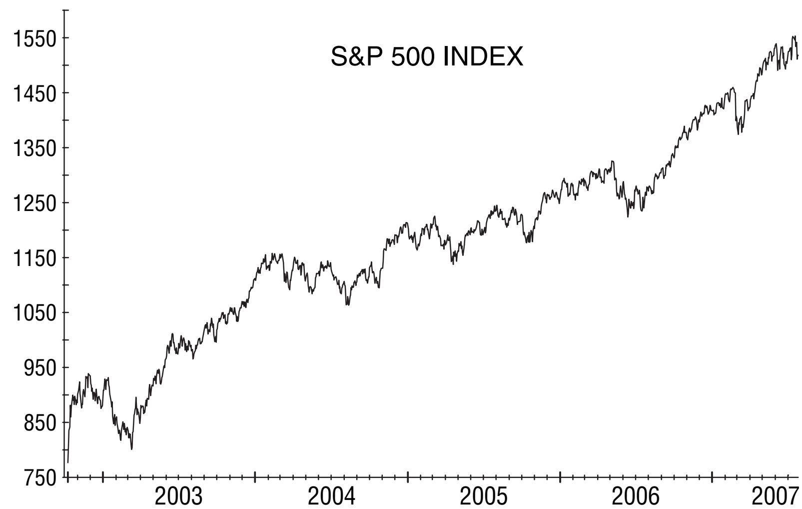
As noted on page one, we have seen some significant divergences develop in market breadth.

When the DJIA scores a new record high by closing up over 40 points, yet there are twice as many stocks closing down for the day (as the number closing up), then something is wrong. When the DJIA closes higher in 7 out of 8 days, but breadth is positive (advancing stocks outnumber declining stocks) on only 1 of those days, then something is wrong.

That "wrong" confirms that fewer stocks are participating and investors become more selective in stock purchases. Historically, this is known as *"a flight to quality"* – and it is clearly underway.

As yet, the decline in our A/D Divergence is no more serious than during several other corrections in this 5-year old bull market. But if we have, indeed, seen the final bull market highs, we should expect to see this A/D Divergence decline rapidly as the flight to quality increases.





Coppock Guide

Our long-term subscribers should be very familiar with the Coppock Guide shown on the next page, as we were following it closely when the stock market bubble peaked in 2000. To refresh your memory–and for the benefit of our new subscribers– we'll review some of the history behind this key indicator and why the current configuration in this graph is so important…

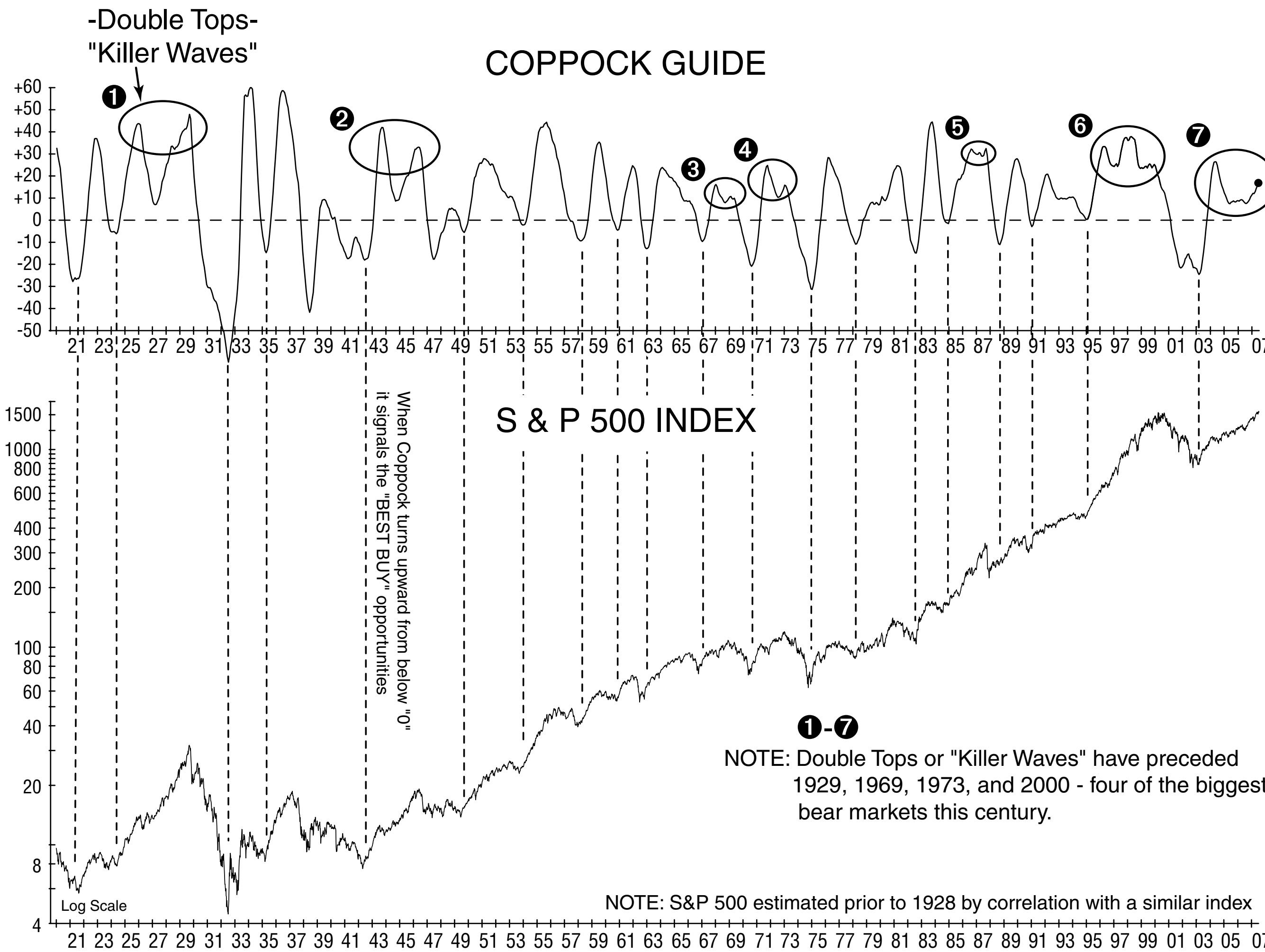
The Coppock Guide or Curve was originally developed 50 years ago by Edwin S. Coppock. It's been modified and adapted by a few analysts since then, but the only notable publicity it receives is an occasional mention in a timely *Barron's* article or from independent, technically-oriented newsletters. Yet, this indicator has a remarkable 80-year track record when it comes to signaling the start of a new bull market for stocks. And it is one of the few technical tools that would have kept anxious investors from stepping prematurely into the middle of the 1929-32 record stock market decline.

The Coppock Guide has been described as a "barometer of the market's emotional state." As such, it moves very slowly and methodically from one emotional extreme to another. Its historical value lies in signaling or confirming the best, low risk buying opportunities in history. All of these are noted by the dashed lines to the S&P 500 Index in the graph.

By calculation, this index is actually the 10-month weighted moving total of a 14-month rate of change plus an 11-month rate of change of a market index. In other words, it's really just a momentum oscillator. Because of this, it reverses direction when the momentum or rate of change in the market peaks. And since market bottoms are usually sudden or "spiked" reversals, the Coppock Guide works amazingly well in triggering buy signals.

After dropping to '0' or below, a mere 1 point upturn in this index can usually be treated as an excellent buying opportunity. And often, the more negative the Coppock Guide is when it turns upward, the more impressive the profits ahead. The only four false signals under this guideline were in 1938, 1941, 1947, and in November 2001.

However, the Coppock Guide has never been noted for timely sell signals. The reason is that market tops are usually slow, rounding formations in which momentum (and the Coppock) peak up to a year or more ahead of the market. So other technical or monetary tools must be used to gauge when to reduce exposure and shift to a higher cash reserve.



InvesTech Research

Except, that is, in a few cases. And that's where the carnage comes in, as explained below…

In the late 1960s, a technician named Don Hahn observed another phenomenon about the Coppock Guide. **When a double-top occurs without the Coppock falling to '0', it identifies a bull market that hasn't experienced any normal, healthy washouts or corrections. That's a runaway bull market usually headed for disaster.** This double-top has occurred only 6 times in 80 years – with 4 of them accompanying the start of the most notorious bear markets of the Twentieth Century: 1929, 1969, 1973 and 2000.

So there is a critical historical aspect to double-tops: *They can result in nasty bears!* This table shows the month of the second peak, along with the timing of the start of the S&P 500 bear market. And a glance at those resulting bear markets reveals why the double-top in the Coppock Guide has been nicknamed a "Killer Wave." The average decline (excluding the -86% loss in 1929) was almost -40%!

COPPOCK GUIDE

	2nd Peak in "Killer Wave"	Start of S&P 500 Bear	Bear Market Loss
1	Oct 1929	Sept 7, 1929	-86.2%
2	May 1946	May 29, 1946	-28.8%
3	Feb 1969	Nov 29, 1968	-36.1%
4	Jan 1973	Jan 11, 1973	-48.2%
5	Sept 1987	Aug 25, 1987	-33.5%
6	Apr 1998	Mar 24, 2000	-49.1%
7	Aug 2007 ?	?	?

As evident in the graph, the Coppock Guide has been developing a second peak over the past few months. This dramatically raises the odds that what lies ahead may be severe! As noted in the table, the DJIA typically enters a bear market during formation of the second peak. If we have seen the bull market high, we project that this Coppock will start declining from the latest peak in the next month.

At this point, there are two vital thoughts to remember. First, is the inherent danger that accompanies a double top –or "killer wave"– in the Coppock Guide. The second, and perhaps most critical insight is that a true low-risk buying opportunity will not appear until this model declines to or below '0' and again turns upward. So discipline and patience are warranted now, as we wait and watch this double-top formation play itself out.

NEWSFLASH

Editor James Stack will be a Guest on PBS' *Nightly Business Report* with Paul Kangas on Friday, July 27. Check local listings for broadcast times in your area.

Tune in for Editor Jim Stack's FREE Webcast Events Recorded LIVE at the 2007 Las Vegas Money Show

If you missed Jim Stack's Keynote Address or workshops at the 2007 Las Vegas Money Show, you're in luck! You can now view a FREE on-demand webcast of Jim's educational and informative presentations! Don't miss…

Managing Risk In a Rising Market (Keynote Address)
Tune in for Jim's words of caution for investors –including insights into the areas you can make money– as he delivers this Money Show keynote address. Additionally, learn where the dangers and opportunities lie and find out how to protect your portfolio in a falling market.

Is a Bear Looming in 2007? Where to Watch
Hear why Jim believes the U.S. economy and stock market are on a collision course. Learn how to spot the warning signs and be better prepared to weather the ill effects of a possible recession.

This is an exciting opportunity to see a video recording of Jim Stack's workshops *while also viewing all the graphics referred to in his presentation*… on your computer… when and where it's convenient for you! For more information, simply visit the **Newsflash!** section of our website at www.investech.com today!

Are your travel plans bringing you through Montana this summer?
If so, we invite you to stop by our offices in Whitefish, Montana to meet our staff and tour our facilities. Just call our office at **406-862-7777** (weekdays, 8:30am-5pm Mountain Time) or email investech@investech.com, prior to your arrival and we'll provide you with directions and a map to our office *(publication deadlines are excluded!)*. We always enjoy meeting our valued subscribers and clients and hope to see you soon!

PERSONAL PERSPECTIVE

Expect the Unexpected!

We've written about a number of growing risks in our issues of the past six months, including leveraged derivatives… the yen carry trade… and unprecedented housing market woes ["Denial" is not just a river in Egypt, as they say].

The U.S. economy is now in the 6th year of the 4th longest economic recovery of the past century. This is when things can go wrong – and usually do. For the most part, we're in uncharted waters when it comes to the housing sector, and the boom-to-bust unwinding has been underway for over 18 months.

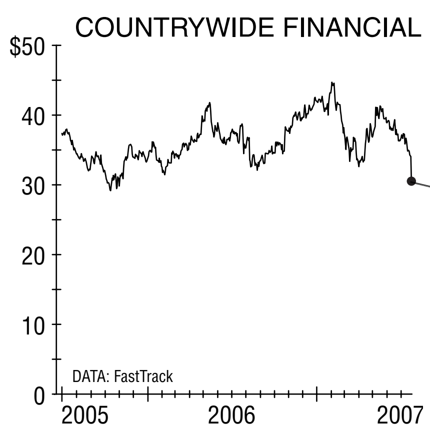
To say that homebuilders are still springing surprises on investors would be an understatement…

Beazer Homes Swings to 3Q Loss
Beazer Homes Swings to Third-Quarter Loss on Charges, Price Cuts
Associated Press *– 7/26/07*

D.R. Horton Swings to 3Q Loss
D.R. Horton Swings to 3rd-Quarter Loss on Massive Inventory Charges
Associated Press *– 7/26/07*

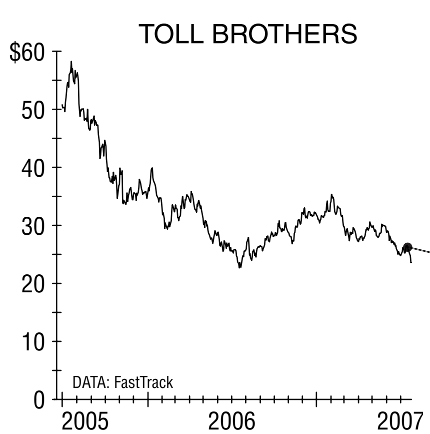
Pulte Homes Swings to 2Q Loss
Pulte Homes Swings to $507.6 Million 2nd-Quarter Loss As Revenue Plummets
Associated Press *– 7/25/07*

Even conservative mortgage stalwart, Countrywide Financial, has admitted their lending battleship is taking on water, as their stock drops to new 3-year lows:



"It just takes a long time to turn a battleship around. This is a huge battleship, and we're headed in the wrong direction."
Angelo Mozilo, CEO, Countrywide Financial Corp. *– 7/24/07*

Countrywide's number of past due home equity loans to customers <u>with good credit quality</u> have more than doubled in the past year to 5.4% (or 1-in-20). And 1-in-5 of their subprime loans are now past due. Is it any wonder that builders are blaming their woes on the lending institutions, as they watch for any signs that their market has hit bottom?:



"I think there ought to be regulation of subprime. I think there ought to be regulation of prime. I don't think that the economy is best left to its own devices almost ever. The excesses that are permitted in the mortgage industry can and perhaps have led us into a dark hole."
Robert Toll, CEO, Toll Brothers *– 7/16/07*

We think they'll be waiting for a long time.

(Continued on page 8…)

(Continued from page 7...)

One Bank of America report estimates that approximately $500 billion of adjustable rate mortgages (ARMs) are scheduled to be reset this year, with an average increase of 200 basis points (2%). That represents up to a 35% increase in monthly payments. And in 2008, nearly $700 billion in ARMs will reset – almost 3/4's of which are subprime-rated, according to Bill Gross of PIMCO.

As a result, fewer buyers are qualifying for loans, and the once-hottest real estate markets are feeling the greatest pain:

First rung on property ladder gets harder to reach

…The number of people who are moving in with friends or family, or sharing apartments or houses to save money, has caught economists at the Realtors association off-guard. The growth in "new households" – first-time buyers or first-time renters – has plunged 70% from last year's rate.

"This is very unusual," says Lawrence Yun, the NAR's [National Association of Realtors] senior economist. "Even during a recession, household formations do not slow to this current level."

***USA Today** – 7/16/07*

Foreclosures go through the roof

Risky mortgages have an ugly payback across the Bay Area, state

The number of Bay Area homes lost to foreclosure during the second quarter hit the highest level in almost two decades, and the region's homeowners also received a record-high number of mortgage default notices, according to a report to be released today… One ominous change is that notices of default increasingly are leading to foreclosure. This year almost half – 45.4 percent – of notices of default resulted in homes being lost to foreclosure. A year ago, only 12 percent of notices of default resulted in foreclosure.

***San Francisco Chronicle** – 7/25/07*

STRATEGY:

Our portfolios are already the most defensively positioned in over four years. Even so, we are taking steps to reduce exposure as warning flags increase.

Most notably, we've pulled additional profits off the table from our international holdings [see the current *Portfolio Strategy* issue]. It's not that foreign economies have the same recession risk as the U.S.; but trees don't grow to the sky, and we don't think this DJ World Stock Index (which excludes U.S. stocks) can maintain its current momentum.

In other words, if the U.S. stock market enters a bear market, then global markets will likely experience a sizable correction. We should note that last month Morgan Stanley issued a "triple-sell warning" on European equities for the first time since the high-tech bust of 2000, and this week Ned Davis Research's Super-10 Indicator Composite triggered a sell signal.

As a contrarian, we don't like crowds, but these are two firms we don't mind having in our camp.

In closing, we would be a lot more worried if our portfolios were not already allocated in a "safety-first" manner, or if valuations were near extremes of the late 1990s. That does not mean the risk of a bear market and/or recession should be underestimated. And it doesn't ensure our portfolio against losses in a bear market. It simply means our losses should be considerably more mild than major indexes, and that we should have more time to evaluate additional steps to protect our portfolio if the outlook deteriorates further.

James B Stack

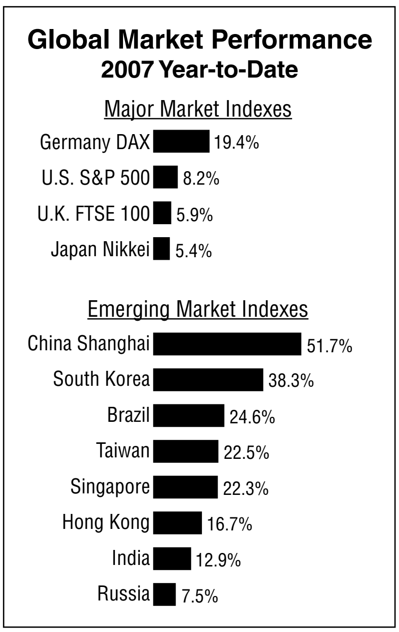
INVESTECH RESEARCH

PORTFOLIO STRATEGY

Vol07 Iss08 — Safety-First Asset Allocation — JULY 27, 2007

Global Update and Outlook

Blue chip stock indexes in the U.S. have continued to tack on bull market gains this year, and the same is true for most foreign markets as well. However, performance going forward will depend on the economic outlook and monetary policy in these countries, as well as their dependence on exports to other regions.



DATA: *The Wall Street Journal*

Among the major stock markets shown in the table at left, Germany's DAX Index holds the lead with double-digit gains through July 20. While the U.S., Britain and Japan markets are less impressive, all have hit new bull market highs in the past 2 months. These returns are modest, however, compared to the gains in major emerging markets. China's Shanghai Composite is up over 50% so far this year, following a gain of 130% in 2006. Other Asian markets are also thriving this year, but haven't seen the parabolic run-up evident in the domestic China market.

In January, we looked at the projected GDP growth in these developed and emerging economies for 2007. With half the year behind us, there are some changes in *The Economist* poll of experts, as shown in the table at right – most of them to the upside.

2007 GDP Forecasts*
(% change yr/yr)

	12/2006 Estimate	Current Estimate
Major Markets		
Germany	+ 1.5%	+ 2.8%
United States	+ 2.2	+ 2.1
Britain	+ 2.4	+ 2.8
Japan	+ 2.0	+ 2.6
Emerging Markets		
China	+ 9.4%	+10.3%
South Korea	+ 4.2	+ 4.3
Brazil	+ 3.3	+ 3.9
Taiwan	+ 3.9	+ 4.2
Singapore	+ 5.0	+ 5.5
Hong Kong	+ 5.0	+ 5.3
India	+ 7.4	+ 8.1
Russia	+ 6.5	+ 6.7

* *The Economist* poll of GDP Forecasts

The Economist *– 7/21/07*

Among the major markets, Germany has seen the greatest upward revision in projected growth, followed by Japan. The U.S. estimates were left relatively unchanged, with GDP expected to increase 2.1% this year. A word of warning… both the European Union and the Bank of England are currently in the process of raising key interest rates, which will inevitably start to weigh on Europe's economies at some point. Japan, on the other hand, might welcome a little inflation to accompany its improving outlook, as the discount interest rate there is still lingering around 0.5%. Emerging countries, and particularly Southeast Asia, are currently growing at twice the rate of their developed counterparts. Here too, economists have revised most of their projections higher, with a 10% increase in GDP envisioned for China this year despite government efforts to rein in the economy.

Strategy

Asia continues to drive global growth, but part of that growth is based on exports to developed countries where interest rates are rising. Asian mutual funds have enjoyed big gains, but we caution against extrapolating that track record into the future. If the U.S. enters a bear market, it will negatively impact these economies. For now, we still feel an investment in Asia is justified, but only if one takes steps to manage risk. In other words, be selective – Asia mutual funds should be diversified in their country exposure – and don't overweight the region.

Based on the deteriorating technical strength in the U.S. stock market and significant gains in our Asia fund position, we are advising subscribers to lock in some profits with the following changes in our model portfolios:

1. Reduce T. Rowe Price New Asia (PRASX) to 3% in both model portfolios.
2. Sell Dentsply International (XRAY), which is up almost 30% this year and is trading close to historically high price-to-cash flow levels.

If indicated by our technical models, any further defensive changes will be announced on the InvesTech Hotline.

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PORTFOLIO UPDATE & NEWS
BCE INC. (BCE)

BCE Inc. (BCE – $38.78) ***has been downgraded to a hold on buyout news.*** Over the July 1 weekend, BCE agreed to be acquired by an investor group led by Teachers Private Capital (an arm of the Ontario Teachers Pension Plan Board), Providence Equity Partners, and Madison Dearborn Partners in a $35 billion all-cash deal. The per share offer price is C$42.75 (approximately $41.05 in U.S. dollars). If the deal is completed, it will be the largest leveraged buyout in history.

The acquisition price represents a 40% premium from the price of the shares before discussions of a sale became public. The offer values the company at roughly 8 times earnings before interest, taxes, and depreciation. That's somewhat below the value of other recent telecommunication transactions, but, with BCE's slower growth profile and reliance on wireline assets, we feel the price is a fair one.

The deal will require approval from shareholders as well as federal government regulators, and is expected to close in the first quarter of 2008. Given the current share price discount of 6% to the buyout price, the expected dividend payments, and the strong Canadian all-cash terms of the offer, we are continuing to hold existing positions for now. However, we do not advise purchasing additonal shares at this time.

Bruce Morison – Senior Portfolio Manager, SFM

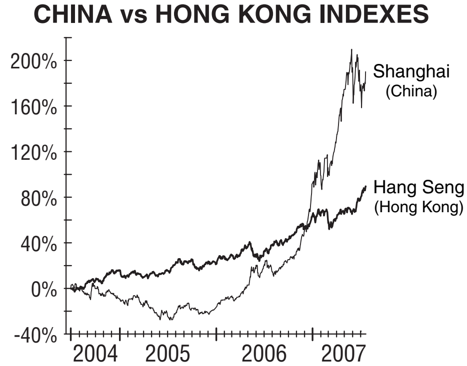
QUESTION & ANSWER

Q: *T. Rowe Price New Asia (PRASX) in the Model Portfolio is 29.2% invested in China according to the company's website. Has this fund become too risky?*

– F. E., Marana, AZ

A: As highlighted in this issue of *Portfolio Strategy*, Asian countries continue to show exceptional growth compared to other global markets. Long-term, this region of the world offers a great investment opportunity, and we believe that our Model Portfolio should have some exposure to emerging markets in this area. China's market is in an apparent bubble, but our prudent selection of a diversified mutual fund limits direct exposure to the higher risks in this market.

CHINA vs HONG KONG INDEXES



When InvesTech first recommended the T. Rowe Price New Asia fund to subscribers, we advised keeping the allocation at a modest level (originally 4% of the portfolio) due to the fund's volatility and elevated risk profile. We are now reducing the allocation to this fund to 3%. So, although PRASX has 29% invested in Chinese companies, our total direct investment in China is slightly less than 1%.

Though risk to the overall portfolio from this limited position is relatively small, the increase in the fund's Chinese investments and its rising valuations are reasons for concern. We would prefer to see a lower risk profile, but as we outline below, there are very few actively managed diversified Asia ex-Japan funds offering lower exposure to Chinese stocks. One exception is the Matthews Asian Growth and Income fund (MACSX). This fund is invested in a broad array of Asian countries with just 5% in China. Unfortunately, the fund is closed to new investors. For those who already have a position in Matthews Asian Growth and Income, it is our preferred investment in the region and is currently held in Stack Financial Management accounts.

In the Model Portfolio we continue to recommend T. Rowe Price New Asia, and it's worth noting that this fund has more than doubled in price since it was added in February 2005. The fund has an expense ratio of just 1% –very reasonable for an actively managed international offering– and the added benefit of long-term manager, Frances Dydasco, who has been with the fund for over 10 years. This veteran manager is based in Singapore and her expertise in Asian investments and strong track record are proven assets. While exposure to China has increased over the past year, the fund continues to focus on companies with long-term growth and attractive valuation. Also, Chinese investments are limited to high quality stocks listed on U.S. exchanges or the Hong Kong stock market. As shown in the graph below, the Hong Kong market has not seen the run-up that has dramatically raised risk in the domestic Shanghai market over the past two years.

Within the Asia ex-Japan category, we find only two other investment alternatives which meet our stringent screening criteria: iShares MSCI Pacific ex-Japan (EPP) and Fidelity Southeast Asia (FSEAX). These funds are listed along with our current recommendations in the table below. While the iShares are on our Top-Rated Funds list, they are not an ideal proxy for any of the other Asia funds listed. The iShares Pacific ex-Japan is a market capitalization weighted index fund with no exposure to China or India,

Diversified Asia Ex-Japan Mutual Fund Alternatives

Fund Name	Symbol	Fund Inception	Manager Tenure	% China	3-yr Return Annualized	Net Assets ($MM)	Expense Ratio	Minimum Purchase*	Phone Number
T. Rowe Price New Asia	PRASX	09/1990	10.7 yrs	29.2%	39.4%	3,426	1.05%	$2,500	800-638-5660
Matthews Asian Growth & Income	MACSX	09/1994	12.8 yrs	5.5%	23.1%	2,204	1.19%	Closed	800-789-2742
Fidelity SouthEast Asia	FSEAX	04/1993	14.2 yrs	20.4%	41.7%	3,260	1.04%	$2,500	800-544-9797
iShares MSCI Pacific Ex-Japan	EPP	10/2001	1.4 yrs	0.0%	31.1%	3,494	0.50%	n/a	800-474-2737

* Minimum purchase requirements may vary by institution.

Data: Morningstar – 6/30/07

only 20% in Hong Kong, and over 65% of the assets invested in Australia. Fidelity Southeast Asia, which we are adding to our Top-Rated Funds table, has 20% invested in China and 13% in Hong Kong with a risk profile very similar to that of T. Rowe Price New Asia. It has performed comparably, but we see no compelling reason to recommend the Fidelity fund over the T. Rowe Price offering.

We'll be watching T. Rowe Price New Asia's exposure to China versus other Asian markets, and if risk and valuation warrant, we may consider putting this fund on hold or even exiting the position. However, given the strong outlook for Asian economies and our limited 3% exposure to Asia ex-Japan investments, we continue to recommend T. Rowe Price New Asia for now.

MODEL PORTFOLIO

NEXT ISSUE: August 24, 2007

CHANGES SINCE OUR LAST ISSUE: As announced on the 7/27/07 Financial Hotline and in this issue, we recommend the following changes to the Model Portfolio:

- Reduce the position in T. Rowe Price New Asia (PRASX) to 3%.
- Sell all shares of Dentsply International (XRAY).

FOR NEW SUBSCRIBERS: Purchases after our initial recommendation must be made at your discretion. We generally advise bringing your portfolio in line with the following allocation as soon as possible; however, we do not recommend purchasing BCE at this time pending the potential buyout.

***InvesTech's Financial Hotline** is updated after 9:30 p.m. (EST) on Tuesday and 12 noon (EST) on Friday.*

EARNINGS UPDATE:

STOCK	EARNINGS	NOTES
PepsiCo Inc.	$ .94/ .80 (+17%)	Revenue +10%.
Aflac, Inc.	$ .86/ .75 (+15%)	Revenue up 2%.

CURRENT ADVICE	PERCENT	COMPANY	SYMBOL/EXCH		52 - WEEK Hi	Low	INIT. RECOMMENDED Date	Price	RECENT PRICE	P/E	YIELD
BUY/HOLD	6%	**ISHARES RUSSELL MIDCAP VALUE INDEX** Exchange traded fund designed to track the Russell Midcap Value Index.	IWS	amex	164.30	128.21	9/8/04	@ 99.15	159.33	16	2.0%
BUY/HOLD	5%	**THE JAPAN FUND** Invests in Japanese securities and corporate debt. Holds about 60% of assets in small- and mid-cap stocks.	SJPNX	———	13.07	11.27	5/12/99	@ 7.63	12.81	21	1.1%
BUY/HOLD	4%	**ISHARES MSCI JAPAN** ETF that seeks to provide results that correspond to the performance of the Japanese market, as measured by the MSCI Japan Index.	EWJ	amex	15.16	12.74	10/26/05	@ 11.83	14.61	19	0.7%
REDUCE TO	3%	**T. ROWE PRICE NEW ASIA** Invests at least 80% of assets in China, Hong Kong, India, Indonesia, Malaysia, Phillipines, Singapore, South Korea, Thailand and Taiwan.	PRASX	———	19.58	10.42	2/28/05	@ 8.73	19.58	21	1.1%
BUY/HOLD	3%	**ENCANA CORP.** One of the world's largest independent oil & gas companies active in the exploration, production & marketing of natural gas & crude oil.	ECA	nyse	66.87	42.38	5/6/02	@ 15.68	63.70	13	0.9%[1]
BUY/HOLD	4%	**AFLAC, INC.** The world's largest underwriter of supplemental cancer insurance, with operations primarily in Japan and the U.S.	AFL	nyse	54.00	41.63	1/3/03	@ 31.60	51.26	17	1.5%
BUY/HOLD	4%	**AUTOMATIC DATA PROCESSING INC.** One of the world's largest providers of transaction processing, data communications, and information services.	ADP	nyse	51.50	42.57	5/5/03	@ 30.47	47.95	25	1.9%
BUY/HOLD	4%	**EQUITABLE RESOURCES, INC.** An integrated energy company with emphasis on Appalachian area natural-gas production, transmission, and distribution.	EQT	nyse	53.70	33.36	5/5/03	@ 19.31	52.34	31	1.7%
SELL		**DENTSPLY INTERNATIONAL INC.** Designs, develops, manufactures and markets dental products to over 120 countries under well established brand names.	XRAY	otc	39.30	29.44	5/5/03	@ 18.27	Sell all shares on 7/27/07		
BUY/HOLD	4%	**DEVON ENERGY CORP.** Largest U.S. independent oil & gas producer with annual reserve growth of 15% over the past 15 years.	DVN	nyse	83.97	57.19	1/21/04	@ 30.10	81.80	13	0.6%
BUY/HOLD	4%	**PEPSICO INC.** The world's premier consumer product company focused on convenient foods and beverages.	PEP	nyse	69.64	61.15	9/8/04	@ 49.70	64.67	21	2.2%
HOLD	3%	**BCE INC.** Canada's largest communications company serving over 26 million customers.	BCE	nyse	39.88	22.23	1/26/05	@ 23.98	39.32	22	2.7%[1]
BUY/HOLD	8%	**ISHARES DJ HEALTH CARE** Exchange traded fund designed to track the Dow Jones Health Care Index.	IYH	amex	71.70	61.00	1/25/06	@ 63.65	69.77	23	1.3%
BUY/HOLD	3%	**DIAGEO PLC** The world's largest producer and distributor of alcoholic drinks.	DEO	nyse	86.95	66.59	5/26/06	@ 67.00	85.18	18	2.4%[1]
BUY/HOLD	7%	**RYDEX INVERSE S&P 500 STRATEGY FUND** Mutual fund designed to provide investment results that inversely correlate with the performance of the S&P 500 Index.	RYURX	———	41.50	35.26	6/19/06	@ 41.31	35.73	n/a	3.1%
BUY/HOLD	3%	**WALGREEN CO.** Nation's largest drugstore operating over 5700 stores. Company has over 30 consecutive years of earnings and dividend growth.	WAG	nyse	51.60	39.91	6/1/07	@ 45.13	45.49	22	0.8%

[1] Net dividend yield based on current exchange rate and adjusting for 15% foreign withholding tax.

ALTERNATE MUTUAL FUND PORTFOLIO

This portfolio is offered as an alternative to the Model Portfolio for those who wish to limit investments to mutual funds.

CHANGES SINCE THE LAST ISSUE: As announced on the 7/27/07 hotline, we recommend reducing the position in T. Rowe Price New Asia (PRASX) to 3%. The entry price of T. Rowe Price Equity-Income has been adjusted to reflect the 6/27/07dividend.

PERCENT	FUND	SYMBOL	52-WEEK Hi	52-WEEK Low	INIT. RECOMMENDED Date	INIT. RECOMMENDED Price	RECENT PRICE	ALTERNATE FUNDS
36%	T-BILLS	----------						Money Market Fund
7%	T. ROWE PRICE MID-CAP GROWTH	RPMGX	63.89	47.32	5/5/03	28.98	63.89	Mid-Cap Growth or Blend funds below
18%	T. ROWE PRICE EQUITY-INCOME	PRFDX	32.07	25.07	4/12/04	20.97	31.54	Large-Cap Value funds below
10%	ARTISAN MID CAP VALUE	ARTQX	23.19	17.18	11/29/04	15.01	22.87	Mid-Cap Value funds below
5%	THE JAPAN FUND	SJPNX	13.07	11.27	5/12/99	7.63	12.81	International–Japan funds below
4%	MATTHEWS JAPAN FUND	MJFOX	18.20	15.98	10/26/05	16.23	16.51	International–Japan funds below
10%	VANGUARD ENERGY FUND	VGENX	80.68	54.66	11/4/03	23.49	79.83	Specialty–Energy funds below
3%	T. ROWE PRICE NEW ASIA	PRASX	19.58	10.42	2/28/05	8.73	19.58	International–Asia funds below
7%	RYDEX INVERSE S&P 500 FUND	RYURX	41.50	35.26	6/19/06	41.31	35.73	Specialty–Bear Market funds below

THE TOP-RATED FUNDS

FUND	SYMBOL	OBJECTIVE	CURRENT PERF[1] 6wk	CURRENT PERF[1] YTD	PAST PERF[1] 2006	PAST PERF[1] 3yr annl	PAST PERF[1] 5yr annl	RECENT[2] PRICE	NTF[3]
LARGE-CAP FUNDS									
VANGUARD EQUITY-INCOME	VEIPX	Large-Cap Value	+ 1.8%	+ 8%	+ 21%	+ 15%	+ 15%	27.09	
➤ T. ROWE PRICE EQUITY-INCOME	PRFDX	Large-Cap Value	+ 0.7%	+ 9%	+ 19%	+ 15%	+ 16%	31.54	
➤ SOUND SHORE FUND	SSHFX	Large-Cap Value	+ 3.5%	+ 10%	+ 17%	+ 15%	+ 17%	42.83	F,S,A
ISHARES RUSSELL 1000 VALUE (ETF)	IWD	Large-Cap Value	+ 0.4%	+ 7%	+ 22%	+ 17%	+ 17%	87.67	
VANGUARD GROWTH (ETF)	VUG	Large-Cap Growth	+ 3.4%	+ 11%	+ 9%	+ 12%	n/a	64.20	
MID-CAP FUNDS									
ARIEL APPRECIATION	CAAPX	Mid-Cap Blend	+ 0.7%	+ 10%	+ 11%	+ 12%	+ 14%	53.24	F,S,A
➤ T.ROWE PRICE MID-CAP GROWTH[4]	RPMGX	Mid-Cap Growth	+ 4.1%	+ 19%	+ 7%	+ 19%	+ 20%	63.89	
➤ VANGUARD STRATEGIC EQUITY	VSEQX	Mid-Cap Blend	+ 0.6%	+ 12%	+ 13%	+ 18%	+ 20%	26.42	
➤ ARTISAN MID CAP VALUE[4]	ARTQX	Mid-Cap Value	+ 1.1%	+ 13%	+ 14%	+ 20%	+ 23%	22.87	F,S,A
JANUS MID CAP VALUE	JMCVX	Mid-Cap Value	+ 2.0%	+ 12%	+ 15%	+ 16%	+ 19%	26.72	F,S,A
➤ ISHARES RUSSELL MIDCAP VALUE (ETF)	IWS	Mid-Cap Value	+ 0.1%	+ 10%	+ 20%	+ 20%	+ 21%	159.33	
ISHARES RUSSELL MIDCAP GROWTH (ETF)	IWP	Mid-Cap Growth	+ 2.7%	+ 15%	+ 11%	+ 18%	+ 19%	118.08	
SMALL-CAP FUNDS									
PENNSYLVANIA MUTUAL INV	PENNX	Small-Cap Blend	+ 1.7%	+ 12%	+ 15%	+ 18%	+ 19%	12.90	
ISHARES RUSSELL 2000 VALUE (ETF)	IWN	Small-Cap Value	- 1.9%	+ 3%	+ 23%	+ 15%	+ 18%	81.50	
ISHARES RUSSELL 2000 GROWTH (ETF)	IWO	Small-Cap Growth	+ 2.5%	+ 11%	+ 13%	+ 15%	+ 17%	87.18	
SPECIALTY FUNDS									
AMER. CENT. GLOBAL GOLD FUND	BGEIX	Precious Metals	+11.0%	+ 5%	+ 27%	+ 25%	+ 21%	20.54	F,S,A
FIDELITY SELECT GOLD	FSAGX	Precious Metals	+11.7%	+ 9%	+ 25%	+ 30%	+ 21%	37.91	F
STREETTRACKS GOLD SHARES (ETF)	GLD	Precious Metals	+ 5.2%	+ 7%	+ 23%	n/a	n/a	67.58	
FIDELITY SELECT NATURAL GAS	FSNGX	Energy	+ 3.6%	+ 29%	+ 5%	+ 32%	+ 30%	46.58	F
T. ROWE PRICE NEW ERA	PRNEX	Energy	+ 8.9%	+ 29%	+ 17%	+ 32%	+ 29%	59.55	
➤ VANGUARD ENERGY	VGENX	Energy	+ 8.7%	+ 26%	+ 20%	+ 36%	+ 33%	79.83	
VANGUARD ENERGY (ETF)	VDE	Energy	+ 8.8%	+ 27%	+ 19%	n/a	n/a	107.73	
LEUTHOLD GRIZZLY SHORT FUND	GRZZX	Bear Market	+ 2.0%	- 6%	- 12%	- 11%	- 16%	4.76	F,S,A
PRUDENT BEAR FUND	BEARX	Bear Market	+ 1.0%	+ 2%	+ 9%	+ 2%	- 3%	5.82	F,S,A
➤ RYDEX INVERSE S&P 500 STRATEGY FUND	RYURX	Bear Market	- 1.1%	- 4%	- 7%	- 7%	- 11%	35.73	F,S
PROSHARES SHORT S&P 500 (ETF)	SH	Bear Market	- 1.0%	- 4%	n/a	n/a	n/a	58.80	
➤ ISHARES DJ HEALTH CARE (ETF)	IYH	Health Care	- 1.0%	+ 6%	+ 6%	+ 8%	+ 12%	69.77	
INTERNATIONAL FUNDS – ASIA/JAPAN									
➤ T. ROWE PRICE NEW ASIA	PRASX	Int'l – Asia	+16.1%	+ 38%	+ 36%	+ 44%	+ 30%	19.58	
➤ MATTHEWS ASIAN GROWTH & INCOME[4]	MACSX	Int'l – Asia	+ 6.2%	+ 16%	+ 23%	+ 25%	+ 22%	20.94	F,S,A
FIDELITY SOUTHEAST ASIA	FSEAX	Int'l – Asia	+14.7%	+ 40%	+ 37%	+ 47%	+ 30%	38.63	F
ISHARES MSCI PACIFIC EX-JAPAN (ETF)	EPP	Int'l – Asia	+ 6.7%	+ 23%	+ 32%	+ 32%	+ 27%	154.64	
FIDELITY JAPAN	FJPNX	Int'l – Japan	+ 1.8%	+ 8%	- 5%	+ 15%	+ 14%	18.39	F
➤ MATTHEWS JAPAN	MJFOX	Int'l – Japan	- 3.8%	- 5%	- 6%	+ 2%	+ 10%	16.51	F,S,A
➤ THE JAPAN FUND	SJPNX	Int'l – Japan	+ 1.8%	+ 1%	- 4%	+ 9%	+ 13%	12.81	F,S,A
➤ ISHARES MSCI JAPAN (ETF)	EWJ	Int'l – Japan	- 0.3%	+ 3%	+ 6%	+ 13%	+ 13%	14.61	

➤ Preferred Selection

1 % Return with dividends & capital gains reinvested
2 Price – Net asset value/share (NAV)
3 No Transaction Fee (NTF)
4 Closed to new investment

F – Fidelity NTF
S – Schwab OneSource
A – TD Ameritrade

Data Sources: Morningstar Principia Plus
Investors FastTrack