Bob Brinker's Marketimer

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"The difficulty always lies in supplying the means of production, not in stimulating the desire for consumption; and we have seen that production alone furnishes the necessary incomes to spend. Thus, it is the aim of good government to stimulate production, of bad government to stimulate consumption."

... Jean-Baptiste Say

STOCK MARKET TIMING **DJIA: 8571.60** **S & P 500: 908.34**

The **Marketimer** stock market timing model turned unfavorable in January of Year 2000 at the same time we developed negative readings in all five of our root causes of a bear market. Since that time, we have seen the most severe cyclical bear market decline in the broadbased Standard and Poor's 500 Index since the Great Depression. However, cyclical bear markets, even when they are long and very pronounced, eventually run their course and set the stage for the development of a new cyclical bull market. In our view, this is precisely what we are seeing in the current latter stages of this cyclical bear market. As a result, we believe the probability of a **Marketimer** buy signal is increasing as each month goes by.

We are especially encouraged by the improvement we are seeing in our **Marketimer** long–term stock market timing indicators. Our four key long–term gauges are expected to signal a new cyclical bull market within the next several months. Here is a summary of our primary stock market timing indicators as the autumn season moves into its final few weeks:

Economic Cycle:

This remains a key ingredient for the next cyclical bull market. Historically, the stock market begins to discount a major economic recovery several months in advance. This is the reason that even after a cyclical bull market begins, the economic news background can remain negative for several months, as the last vestiges of economic weakness make financial news headlines. We expect modest economic growth in calendar year 2003, with real GDP growth within an estimated range of 2.25% to 2.75%. However, this may be enough to persuade investors that the economy may continue to improve into 2004, thereby raising investor interest in the stock market.

Monetary Policy:

The Federal Reserve has promoted a highly accommodative monetary policy since calendar year 2001, when eleven consecutive easings were implemented. However, to some extent, the Fed has been "pushing on a string" as easy monetary conditions have not persuaded CEO's to build factories, purchase equipment, and hire new workers. The twin problems holding back CEO's are a plethora of excess capacity, combined with uncertainty about the growth prospects for final demand. However, the longer the Fed's accommodative monetary policy remains in place, the better the chance that a gradual improvement in overall business conditions can take root during calendar 2003.

STOCK MARKET TIMING (continued from page 1)

Valuation:

Although Wall Street earnings estimates have been in steady decline, **Marketimer** has been able to stay with our conservative Standard and Poor's 500 Index earnings estimates, which were far below Wall Street projections earlier this year. We estimate Standard and Poor's 500 Index operating earnings of $42.20 for 2002 and $47.10 for 2003. Our GAAP estimates for 2002 and 2003 are $37.20 and $42.10 respectively. GAAP earnings include all charges, except those from discontinued operations and some extraordinary items.

Based on our calendar year 2002 operating earnings estimate of $42.20, the Standard and Poor's 500 Index was valued at 18.4 times earnings when it recorded its most recent cyclical bear market closing low of 776.77 on October 9. As the November **Marketimer** goes to press, the Standard and Poor's 500 Index stands at 908.34. This brings the current p/e ratio, based on our 2002 operating earnings estimate, to 21.5. If our forecast of 12% earnings growth next year is correct, the p/e ratio based on our 2003 operating earnings estimate is 19.3.

Although these valuation levels are well above those that have prevailed at many prior major bear market bottoms, it is possible we will see a gradual reduction of p/e ratios in several stages during a series of cyclical bear markets. Such a series of cyclical bears would be part of the ongoing secular bear megatrend that we believe commenced in the first quarter of Year 2000, when the Standard and Poor's 500 Index recorded its record closing high of 1527.46 on March 24, 2000. If we are to see a series of cyclical bear markets and cyclical bull markets over a period of many years, it would not be necessary for the absolute low p/e ratio of the secular bear megatrend to occur at the bottom of the first cyclical bear market. We continue to estimate the duration of each cyclical trend in an approximate range of one—to—three years.

The current cyclical bear market has entered its thirty—second month for the Standard and Poor's 500 Index, the Wilshire 5000 and the Nasdaq. In our view, this cyclical bear market will play itself out either later this year or during the first few months of next year. We expect to issue a buy signal to return all stock market cash reserves to the stock market when our timing model returns to bullish territory.

Sentiment:

We are encouraged by the recent improvement in the **Investors Intelligence** (New Rochelle, NY 10801) survey, which has been showing a higher level of bearish advisor sentiment as a percentage of total bearish and bullish sentiment. This index, which is a contrary indicator, recently recorded the lowest number of bulls since 1994 at 28.4%, and a favorable reading of only 39.7% bulls as a percentage of bulls and bears. This survey covers 140 investment letters, including **Marketimer**. This is an indication that the stock market deterioration in this bear market is now shaking the confidence of the permabulls, who are always the last to turn bearish in a prolonged bear market. It would appear that those who were holding on to their hopes for a “new era of investing” are now beginning to realize that it was all a mirage.

As we continue the process of monitoring our stock market timing indicators, we recommend retaining stock market cash reserves until our model returns to bullish territory. We also recommend holding existing stock market positions at current levels, along with holdings of Nasdaq 100 (QQQ) shares. We expect the Nasdaq to register major gains during the next cyclical bull market.

STOCK MARKET TIMING UPDATE (continued from page 2)

Marketimer subscribers are encouraged to visit our website at www.bobbrinker.com to check the bulletin page on a weekday basis, as any major change in our recommended position will be posted there if the change occurs between monthly newsletters. When our next buy signal occurs, we will include our complete model portfolio recommendations for model portfolios one, two, three and active/passive for subscribers at the website, in addition to mailing the information.

FEDERAL RESERVE UPDATE

Consumer confidence fell sharply in October based on the latest Conference Board survey. The index fell to 79.4 from a revised 93.7 in September, an unusually large one–month decline for this index. Consumer confidence has now declined five consecutive months, and is at its lowest level since November of 1993. Major factors impacting the index included a weak labor market, geopolitical uncertainty, and the worst bear market since the 1930's.

The latest Beige Book survey prepared by the Federal Reserve Bank of Minneapolis confirms that most districts continue to report sluggish economic activity. Retail sales remain weak nationwide, and motor vehicle sales have eased from very high levels. Manufacturing activity remains anemic, however home building and residential real estate activity has been upbeat. Commercial real estate softness is not surprising given underlying business conditions. Labor markets are lackluster nationwide. Most districts report strong consumer loan demand and weak commercial loan demand. Some further deterioration in credit quality is also evident.

We are comfortable with any decision that is made by the Federal Reserve to lower short–term interest rates in response to the ongoing economic malaise. The final FOMC meeting this year is scheduled for December 10, and although short–term rates are at forty–year lows, the Fed may implement additional short–term rate reductions in the absence of evidence of rising final demand and meaningful jobs growth.

The M–1 monetary aggregate, which consists primarily of currency in circulation and demand deposits, continues to grow at a very slow pace in real terms. However, moderate real growth is continuing in the monetary base and the more broadly defined M–2 monetary aggregate. The monetary base shows year–over–year real growth of 5%, down from 7.2% last month. Year–over–year real growth for M–1 stands at 2.6%, up from 1.7% last month. Year–over–year real growth for M–2 is 5.2%, close to last month's level.

These slow to moderate real growth rates serve to underscore the fact that the Federal Reserve can lead borrowers to the trough, but they cannot force anybody to drink from that trough. In this case, despite extraordinary Fed efforts to ease monetary policy and provide the lowest short–term interest rate environment in four decades, the growth rates of the monetary aggregates have been restrained by the economic realities of excess capacity and tentative growth in final demand.

Latest Monthly Data
($ billions)

	October 2002	October 2001	Y-O-Y Changes	Real Y-O-Y* Changes
Monetary Base	$ 688.1	$ 646.0	+ 6.5%	+ 5.0%
M–1	$ 1,195.2	$ 1,148.1	+ 4.1%	+ 2.6%
M–2	$ 5,747.1	$ 5,385.0	+ 6.7%	+ 5.2%

* Real changes year–over–year, adjusted for consumer price index increase of 1.5% for the 12–month period through 9–30–02.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '97	'98	'99	'00	'01	'02 (10-31)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 10-31-02
Baron Growth Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766	G BGRFX	$ 932	31.1	0.1	44.7	(4.6)	12.7	(13.4)	$ 1768	0.0%	#	1.40%	26.56
Baron Small Cap Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766	CGA BSCFX	$ 725	-	2.2	70.8	(17.5)	5.2	(10.3)	---	0.0%	#	1.39%	13.64
Gabelli Asset Fund One Corporate Center Rye, NY 10580 800-422-3554	G GABAX	$ 1651	38.1	15.9	28.5	(2.4)	0.2	(16.7)	$ 1675	0.0%	Yes	1.37%	27.45
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200	Russell 3000 TCEIX	$ 131	-	-	-	-	(11.6)	(21.5)	---	1.0%	Yes	0.26%	6.32
TIAA/CREF Growth&Income 730 Third Avenue New York, NY 10017 800-223-1200	G&I TIGIX	$ 507	-	30.5	24.5	(7.3)	(13.4)	(23.1)	---	1.0%	Yes	0.43%	9.21

* Investment Objective Codes: CGA = Capital Gains Aggressive; G = Growth; G&I = Growth & Income
a) Estimated annual yield represents approximate investment income for last 12-months expressed as percentage of fund assets.
b) Annual expense ratio reflects investment advisory fees and other expenses expressed as percentage of total fund assets.
Telephone redemption available.

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FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '97	'98	'99	'00	'01	'02 (10-31)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 10-31-02
Dodge & Cox Stock 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979	G&I DODGX	$ 11946	28.4	5.4	20.2	16.3	9.3	(14.1)	$ 1776	1.7%	#	0.55%	85.14
Dodge & Cox Balanced 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979	G&I DODBX	$ 7255	21.2	6.7	12.0	15.1	10.0	(6.6)	$ 1713	3.1%	#	0.53%	59.56
Vanguard Calvert Social Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Social Index VCSIX	$ 94	---	---	---	(9.0)	(14.1)	(23.4)	---	0.8%	Yes	0.25%	5.94
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-266-5623	G SNXFX	$ 3412	31.9	27.1	21.0	(8.2)	(12.3)	(21.0)	$ 1290	1.1%	Yes	0.46%	25.25
Vanguard Index 500 P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	S&P 500 VFINX	$ 56411	33.2	28.6	21.1	(9.1)	(12.0)	(21.8)	$ 1298	1.5%	No	0.18%	81.87

R) 0.50% redemption fee on shares held less than six months.

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Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Index VEXMX	$ 2514	26.7	8.3	36.2	(15.5)	(9.2)	(19.9)	$ 1149	1.1%	No	0.25%	18.49
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	Russell 2000 NAESX	$ 2872	24.6	(2.6)	23.1	(2.7)	3.1	(22.2)	$ 1166	1.4%	No	0.24%	15.42
Vanguard Index Total Stock Market Portfolio (address/phone above)	Wilshire 5000 VTSMX	$ 13838	31.0	23.3	23.8	(10.6)	(11.0)	(21.0)	$ 1257	1.4%	No	0.20%	20.13
Vanguard International Growth Portfolio (address/phone above)	Non USA VWIGX	$ 4658	4.1	16.9	26.3	(8.6)	(18.9)	(18.6)	$ 927	1.8%	Yes	0.52%	12.22
Rowe Price European 100 East Pratt St. Baltimore, MD 21202 800-638-5660	Europe PRESX	$ 657	17.0	25.8	19.7	(6.7)	(20.7)	(20.2)	$ 1040	2.7%	Yes	1.01%	12.77
Longleaf Partner's Int'l 6410 Poplar Ave. Suite 900 Memphis, TN 38119 800-445-9469	Int'l Growth LLINX	$ 918	---	---	24.4	25.9	10.5	(17.5)	---	1.1%	#	1.79%	10.18
Rydex OTC Fund 6116 Executive Blvd. Suite 400 Bethesda, MD 20852 800-820-0888	CGA RYOCX	$ 515	21.9	86.5	100.6	(37.8)	(34.7)	(37.8)	$ 1152	0.0%	Yes	1.15%	6.87

x) Vanguard Index Extended and Small Cap funds charge purchase fees of 0.5% or less to defray expenses of broad diversification; annual expense ratios on these funds are extraordinarily low.
#) telephone redemption available

INTEREST RATES / FIXED-INCOME SECURITIES

Marketimer's fixed—income recommendations have a current average yield of 4.23%, an average maturity of 7.3 years, and an average duration of 3.2. Duration is the weighted average of the times that interest payments and the final return of principal are received. The academic rule of thumb is that the percentage change in the price of a bond or bond fund is the duration multiplied by the change in interest rates. Applying duration to the Vanguard Ginnie Mae Fund, the current duration of 2.0 suggests that a one percent increase in corresponding interest rates would result in an estimated decline of 2% in the fund's net asset value per share.

Fund (Symbol)	Weighting	Yield	Avg. Mat.	Duration
Vanguard Ginnie Mae Fund (800—662—7447)(VFIIX)	50%	4.93%	4.0	2.0
Vanguard Inflation-Protected Securities (VIPSX)	25%	2.11%*	13.3	4.7
Dodge & Cox Income Fund (800—621—3979) (DODIX)	25%	4.95%	8.2	4.0

* plus adjustments for inflation; all distributions are paid near the end of each calendar quarter

INDIVIDUAL ISSUES

Marketimer follows a four percent guideline for individual company stock ownership. This encourages subscribers to avoid placing very high percentages in any one company stock in order to manage specific stock risk. The following issues are rated "hold" at this time:

Issue (Symbol)	Beta	Exchange	11-4 Price	Estimated earnings per share	
Microsoft (MSFT)	1.27	Nasdaq	56.10	1.95 (6-03)	2.15 (6-04)
Vodafone/AirTouch (VOD)	1.10	NYSE	16.63	0.86 (3-03)	0.97 (3-04)
S&P Dep. Receipts (SPY)	1.00	AMEX	91.13	4.22 (2002)	4.71 (2003)
Total Market VIPERs (VTI)	1.02	AMEX	84.74	n/a	
DJIA Diamonds (DIA)	0.86	AMEX	85.70	4.85 (2002)	5.30 (2003)
Nasdaq 100 Index (QQQ)	1.67	AMEX	25.90	*	

* **Marketimer** estimates that the 40 largest companies in the Nasdaq 100 Index are trading at an average p/e ratio of 29.7 times projected 2003 operating earnings. These companies account for 80% of the Nasdaq 100 Index market capitalization.

MONEYTALK ON CNBC THANKSGIVING NIGHT

Your editor will host a special edition of Bob Brinker's Moneytalk on CNBC on Thursday, November 28 (DirecTV channel 355, DISH channel 208, and check your local listings for CNBC in your area). Broadcast times are 9pm and midnight eastern, and 6pm and 9pm pacific.

ACTIVE/PASSIVE PORTFOLIO

The **Marketimer** active/passive portfolio invests for long—term growth objectives. This portfolio features broad diversification, tax—efficiency, very low expenses, and risk management. The portfolio remains mostly in stock market cash reserves pending our next buy signal, at which time the portfolio will return to a fully invested equity position. Current holdings include 65% stock market cash reserves, 25% Vanguard Total Stock Market Index, 5% T. Rowe Price European or Vanguard European Index, and 5% Vanguard International Growth.

MANAGED ACCOUNTS

GE Private Asset Management provides managed account services which include investment in selected no—load stock, bond and money market funds with programs designed to meet individual objectives and risk tolerance levels. The minimum account size is $100,000. For details call 800—252—2044.

MARKETIMER NO-LOAD MUTUAL FUND MODEL PORTFOLIOS

The *Marketimer* no-load model portfolios are designed to provide investors seeking aggressive, growth and balanced objectives with a strategic approach to investing in no-load funds over the long-term.

Model Portfolio I is designed for investors with *aggressive growth* investment objectives. Such investors seek maximum returns and are willing and able to accept high levels of risk and volatility. Current income is not a factor in this portfolio.

Model Portfolio II is designed for investors with *long-term growth* objectives. Such investors seek to enhance the value of capital over time and assume a reasonable level of diversified market risk. Current income is not an important factor.

Model Portfolio III is designed as a *balanced* portfolio for current investment income along with capital preservation and modest growth. The portfolio is allocated evenly between equities and fixed-income securities. This portfolio is best suited to investors nearing or already enjoying a retirement lifestyle.

MARKETIMER MODEL PORTFOLIO I ($20,000 value on 1-1-88)

Current Holdings	Symbol	%	Beta	Value 10-31-02	% Change
Baron Growth	BGRFX	05	1.00	$ 4,151	
Baron Small Cap.	BSCFX	05	1.05	3,494	
Rowe Price European	PRESX	05	0.69	2,315	
Vanguard Int'l. Growth	VWIGX	05	0.70	1,931	
TIAA/CREF Equity Index	TCEIX	15	1.02	13,088	
Money Market		65	0.00	102,298	
		100%	0.33	$ 127,277	+ 536%

MARKETIMER MODEL PORTFOLIO II ($20,000 value on 1-1-88)

Current Holdings	Symbol	%	Beta	Value 10-31-02	% Change
Gabelli Asset Fund	GABAX	05	0.74	$ 3,547	
Rowe Price European	PRESX	05	0.69	2,584	
Dodge & Cox Stock Fund	DODGX	05	0.60	4,284	
Vanguard Int'l. Growth	VWIGX	05	0.70	1,963	
TIAA/CREF Equity Index	TCEIX	15	1.02	9,281	
Money Market		65	0.00	82,679	
		100%	0.29	$ 104,302	+ 422%

MARKETIMER MODEL PORTFOLIO III ($40,000 value on 3-1-90)

Current Holdings	Symbol	%	Beta	Value 10-31-02	% Change
Vanguard Inflation Protected Securities	VIPSX	25	0.00	$ 28,597	
Vanguard Ginnie Mae Fund	VFIIX	25	0.00	33,688	
Rowe Price European	PRESX	02.5	0.69	2,010	
Dodge & Cox Stock Fund	DODGX	05	0.60	8,175	
TIAA/CREF Growth & Income	TIGIX	07.5	1.02	7,362	
Vanguard Int'l. Growth	VWIGX	02.5	0.70	1,693	
Money Market		32.5	0.00	39,740	
		100%	0.14	$ 121,265	+ 203%
