Bob Brinker's Marketimer

Volume 18, No. 2 www.bobbrinker.com February 7, 2003

"There is nothing new on Wall Street or in stock speculation. What has happened in the past will happen again and again. This is because human nature does not change, and it is human emotion that always gets in the way of human intelligence."
... Jesse Livermore

STOCK MARKET TIMING DJIA: 8109.82 S & P 500: 860.31

The Dow Jones Industrial Average has now entered its thirty–seventh month of this historic cyclical bear market, and the Standard and Poor's 500 Index and the Wilshire 5000 Index are now-in their thirty–fifth month. The length and severity of this cyclical bear market is consistent with past experience in secular bear megatrends.

The current cyclical bear market ranks among the three most severe since the l930's. All three have occurred during secular bear megatrends. The most severe cyclical bear market of all time began September 3, 1929, and ended July 8, 1932. During this brutal thirty–four month period, the DJIA declined from 381.17 to 41.22 for a monumental loss of 89% excluding dividends. This also marked the beginning of the twenty–year secular bear megatrend which persisted into 1949.

The other severe cyclical bear market began January 11, 1973 at DJIA 1051.70, and ended December 6, 1974 at DJIA 577.60. During this harsh cyclical bear market, the DJIA dropped 45% over a twenty–three month period, excluding dividends. This occurred in the midst of the secular bear megatrend that began in February of 1966 and ended August 12, 1982.

In our view, the current cyclical bear market is the first in a series of cyclical bears and cyclical bulls that will evolve during the secular bear megatrend that commenced during the first quarter of Year 2000. To date, although there has been some disconnect in the 30–stock DJIA, the broad market indexes have been marked down very sharply. As of this writing, the Standard and Poor's 500 Index is down 43% from its March, 2000 closing record high of 1527, and the Wilshire 5000 Index has recorded a total return loss of 42% from its record close in March of 2000. Once again, this severe cyclical bear market has occurred within the context of a secular bear megatrend.

Despite the severity of this bear market, we are convinced that once the selling is exhausted, investors will have an opportunity to return to a fully invested position in stock market portfolios in order to exploit the next cyclical bull market. We remain hopeful that our stock market timing model will return to bullish territory sometime during calendar year 2003.

It will be necessary for our stock market timing indicators to show further improvement in order for us to recommend reinvesting stock market cash reserves back into the equity market. Our economic and monetary indicators remain promising, however we continue to have concerns related to our valuation and sentiment indicators. The combination of generous valuations and disappointing corporate profits has been a major problem for this market to date. In our view, an improvement in the outlook for corporate profits is needed, along with a reduction in the level of investor complacency that is evident in our indicators.

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STOCK MARKET TIMING UPDATE ...continued from page 1

On the subject of stock market sentiment, the Investor's Intelligence survey, (New Rochelle, NY 10801), of bulls as a percentage of bulls plus bears, remains in the mid—60's on a four—week moving average basis. This reading continues to demonstrate widespread complacency regarding the stock market outlook within the advisory community. In addition, the level of equity mutual fund cash reserves recently stood at 4.8%, which is another indication of fund manager indifference to stock market risk in our view.

The possibility exists that a **Marketimer** buy signal may develop at a time when stock market valuations are higher than we would like to see them. If that occurs, the upside potential for the next cyclical bull market may become vulnerable following a gain in the Standard and Poor's 500 Index in excess of 25%. However, we believe there will be ample opportunity to monitor the valuation issue as the next cyclical bull market unfolds.

Our efforts remain focused on identifying the next cyclical bull market. We expect a one—to—three year period of favorable stock market action will follow our next buy signal. Until that occurs, we continue to recommend a patient approach to the stock market with high stock market cash reserve positions. Many false bottoms have been proclaimed throughout this bear market by a steady stream of false prophets, only to see stock prices melt away under the pressure of renewed stock market liquidation.

We recommend continuing to hold existing stock market cash reserves at this time. In addition, we recommend holding existing stock market positions, because we believe it is too late to become a seller at these levels. We also suggest holding existing positions in the Nasdaq 100 Index (QQQ) shares, which have recently shown a measure of resilience relative to the broad market indexes. We expect the Nasdaq indexes to post gains well in excess of the broad market indexes during the next cyclical bull market.

Marketimer subscribers should visit our website at www.bobbrinker.com to check our bulletin page on weekdays. Any major change in our recommended position that occurs between monthly newsletters will be posted there in the form of a bulletin, and will also be mailed to all subscribers. If a buy signal develops between monthly letters, we will include our model portfolio recommendations in the bulletin.

FEDERAL RESERVE POLICY UPDATE

It comes as no surprise that the Federal Open Market Committee elected to leave short—term interest rates unchanged at their January 28—29 meeting. The reality is, short—term interest rates are negative in real terms. The federal funds rate is 1.25% in nominal terms, however after adjustment far consumer price inflation of 2.4% over the past year, the inflation—adjusted federal funds rate is negative 1.15%. There is very little the Fed can do to short—term interest rates at this point that would make a difference, given the fact real short—term rates are already in negative territory.

We believe the Federal Reserve is assuming some type of additional fiscal stimulus will be applied to the economy by mid—year. Based on this assumption, it is likely the Fed will continue to maintain the status quo for short—term interest rates, which is part of their highly accommodative monetary policy approach. Very low short—term rates are likely to prevail until concrete evidence of a sustainable economic recovery becomes apparent. In the interim, as the consumer continues the process of reliquify—ing, the ongoing economic malaise will encourage the Fed to remain accommodative in their monetary policy decisions. So far the Fed has given the U.S. economy its full attention despite a very weak U.S. dollar in the foreign exchange markets. We see no evidence this approach will change based on the policy decisions we have seen to date.

FEDERAL RESERVE POLICY UPDATE ... continued from page 2

Monetary aggregate growth is not very impressive when one considers the extent of monetary ease the Federal Reserve has applied since early in 2001. The monetary base shows real year—over—year growth of 4.5%, down from 5.7% last month. The narrowly defined money supply, M—1, which consists mainly of currency in circulation and demand deposits, shows year—over—year contraction of 0.6% in real terms, versus 2% growth last month. The more broadly defined M—2 aggregate shows year—over—year real growth of 4.2%, down from 4.6% last month. We are witnessing one of the most aggressive Federal Reserve easing efforts in modern history, and it has been underway for two years. It is aimed at resurrecting an economy that has been unable to show meaningful new jobs growth as corporate CEO's remain concerned with a lack of business visibility and a plethora of excess capacity.

Latest Monthly Data
($ billions)

	January 2003	January 2002	Y-O-Y Changes	Real Y-O-Y* Changes
Monetary Base	$ 710.6	$ 664.5	+ 6.9%	+ 4.5%
M—1	$ 1,198.1	$ 1,177.3	+ 1.8%	+ 0.6%
M—2	$ 5,810.3	$ 5,450.2	+ 6.6%	+ 4.2%

* Real changes year—over—year, adjusted for consumer price index increase of 2.4% for calendar year 2002.

BALANCED INVESTING

Marketimer publishes model portfolio III on page eight for subscribers seeking current investment income along with capital preservation and modest growth. The portfolio is allocated evenly between equities and fixed—income investments, however most equity monies in the portfolio have been invested in stock market cash reserves since January of 2000. This portfolio is ideally suited for investors nearing or already enjoying a retirement lifestyle, regardless of age.

Marketimer model portfolio III earned a total return of 127% for the ten—year period ended December 31, 2002, for a compound annual return of 8.55%. This total return performance was almost identical to the compound annual rate of return of 8.6% for the Vanguard Total Stock Market Index (VTSMX). This means that the **Marketimer** balanced model portfolio III produced essentially the same compound annual rate of return over the past ten years as the riskier Total Stock Market Index, which tracks the Wilshire 5000 Index of all U.S. stocks. However, model portfolio III maintains a much lower beta than the stock market. The beta coefficient for model portfolio III has remained below 0.20 since January of Year 2000, and the current reading is 0.14. This compares with a 1.02 beta coefficient for the Total Stock Market Index.

We believe many subscribers approaching retirement may find these figures enlightening. Based on these results, investors have enjoyed the full return of the stock market over the past decade without exposure to high levels of risk and volatility over long periods of time.

A study originated by Neuberger & Berman has demonstrated that investors with a 50% position in the Standard and Poor's 500 Index along with 50% in intermediate term Treasuries earned compound annual returns equal to 84% of the Standard and Poor's 500 Index since 1960. This further underscores the benefits of balanced investing for those seeking to control both risk and volatility over the long—term.

We continue to maintain our long—held conviction that a balanced investment portfolio approach makes very good sense for investors either approaching or enjoying a retirement lifestyle. We believe **Marketimer** model portfolio III is best suited to subscribers whose investment objectives include current investment income along with capital preservation and modest growth.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '98	'99	'00	'01	'02	'03 (1-31)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 1-31-03
Baron Growth Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766 www.baronfunds.com	G BGRFX	$ 954	0.1	44.7	(4.6)	12.7	(12.3)	(2.3)	$ 1334	0.0%	#	1.40%	26.28
Baron Small Cap Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766 www.baronfunds.com	CGA BSCFX	$ 676	2.2	70.8	(17.5)	5.2	(9.7)	(0.1)	$ 1367	0.0%	#	1.39%	13.30
Gabelli Asset Fund One Corporate Center Rye, NY 10580 800-422-3554 www.gabelli.com	G GABAX	$ 1433	15.9	28.5	(2.4)	0.2	(14.3)	(2.7)	$ 1215	0.0%	Yes	1.37%	27.49
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200 www.tiaa-cref.org/mfs	Russell 3000 TCEIX	$ 126	---	---	---	(11.6)	(21.5)	(2.4)	---	1.0%	Yes	0.26%	6.08
TIAA/CREF Growth&Income 730 Third Avenue New York, NY 10017 800-223-1200 www.tiaa-cref.org/mfs	G&I TIGIX	$ 477	30.5	24.5	(7.3)	(13.4)	(23.9)	(2.9)	$ 964	1.0%	Yes	0.43%	8.87

* 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.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.[*] OBJ.	SIZE MIL.$	'98	'99	'00	'01	'02	'03 (1-31)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 1-31-03
			% Total Return										
Dodge & Cox Stock 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979 www.dodgeandcox.com	G&I DODGX	$ 12781	5.4	20.2	16.3	9.3	(10.5)	(2.9)	$ 1400	1.7%	#	0.55%	85.45
Dodge & Cox Balanced 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979 www.dodgeandcox.com	G&I DODBX	$ 7340	6.7	12.0	15.1	10.0	(2.9)	(1.7)	$ 1444	3.1%	#	0.53%	59.70
Vanguard Calvert Social Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	Social Index VCSIX	$ 95	---	---	(9.0)	(14.1)	(24.2)	(2.2)	---	0.8%	Yes	0.25%	5.69
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-266-5623 www.schwab.com/funds	G SNXFX	$ 3037	27.1	21.0	(8.2)	(12.3)	(21.2)	(2.5)	$ 951	1.1%	Yes	0.46%	24.24
Vanguard Balanced Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	G&I VBINX	$ 2933	17.8	13.6	(2.0)	(3.1)	(9.5)	(1.5)	$ 1133	3.0%	No	0.22%	15.42
Vanguard Index 500 P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	S&P 500 VFINX	$ 53690	28.6	21.1	(9.1)	(12.0)	(22.1)	(2.6)	$ 945	1.5%	No	0.18%	79.02

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

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.[*] OBJ.	SIZE MIL.$	% Total Return '98	'99	'00	'01	'02	'03 (1-31)	$1000 INV. 1-1-98=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 1-31-03
Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Index VEXMX	$ 2511	8.3	36.2	(15.5)	(9.2)	(18.1)	(2.2)	$ 907	1.1%	No	0.25%	18.33
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	Russell 2000 NAESX	$ 2785	(2.6)	23.1	(2.7)	3.1	(20.0)	(2.7)	$ 936	1.4%	No	0.24%	15.23
Vanguard Index Total Stock Market Portfolio (address/phone above)	Wilshire 5000 VTSMX	$ 13758	23.3	23.8	(10.6)	(11.0)	(21.0)	(2.5)	$ 935	1.4%	No	0.20%	19.56
Vanguard International Growth Portfolio (address/phone above)	Non USA VWIGX	$ 4642	16.9	26.3	(8.6)	(18.9)	(17.8)	(3.4)	$ 869	1.8%	Yes	0.52%	11.75
Rowe Price European 100 East Pratt St. Baltimore, MD 21202 800-638-5660	Europe PRESX www.troweprice.com	$ 614	25.8	19.7	(6.7)	(20.7)	(18.7)	(4.3)	$ 867	2.7%	Yes	1.01%	12.32
Longleaf Partner's Int'l 6410 Poplar Ave. Suite 900 Memphis, TN 38119 800-445-9469	Int'l Growth LLINX www.longleafpartners.com	$ 958	---	24.4	25.9	10.5	(16.5)	(2.3)	---	1.1%	#	1.79%	9.74
Rydex OTC Fund 6116 Executive Blvd. Suite 400 Bethesda, MD 20852 800-820-0888	CGA RYOCX www.rydexfunds.com	$ 594	86.5	100.6	(37.8)	(34.7)	(38.6)	(0.3)	$ 930	0.0%	Yes	1.15%	6.77

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 INVESTMENTS

Marketimer's fixed—income recommendations have a current average yield of 4.12%, an average maturity of 6.3 years, and an average duration of 3.1. 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 fund's current duration of 1.9 suggests that a one percent increase in corresponding interest rates would result in an estimated 1.9% decline in the fund's net asset value.

Fund	**Weighting**	**Yield**	**Avg. Mat.**	**Duration**
Vanguard Ginnie Mae Fund (800—662—7447)(VFIIX)	50%	4.99%	2.4	1.9
Vanguard Inflation-Protected Securities (VIPSX)	25%	1.95%*	13	4.7
Dodge & Cox Income Fund (800—621—3979) (DODIX)	25%	4.55%	7.5	3.8

* plus inflation adjustments based on the consumer price index and paid quarterly.

For subscribers seeking tax—exempt investment income, we like general obligation bonds issued by states, with maturities in the 10—to—12 year range. These bonds have date—certain maturities that guarantee repayment of principal as long as the issuer remains solvent.

Our favorite money market funds are Vanguard Prime Money Market, with a current yield of 1.17%, and for tax—exempt short—term income, Vanguard Tax—Exempt Money Market, with a current yield of 1.06%.

INDIVIDUAL ISSUES

In order to limit specific stock risk, exposure to any one company stock should not exceed 4% in our view. The following issues are currently rated hold:

Issue (Symbol)	Beta	Exchange	2/03 Price	Estimated earnings per share	
Microsoft (MSFT)	1.27	Nasdaq	48.56	2.00 (6-03)	2.15 (6-04)
Vodafone/AirTouch (VOD)	1.10	NYSE	18.67	0.97 (3-03)	1.10 (3-04)
S&P Dep. Receipts (SPY)	1.00	AMEX	86.23	4.22 (2002)	4.71 (2003)
Total Market VIPERs (VTI)	1.02	AMEX	81.12	n/a	
Nasdaq 100 Index (QQQ)	1.67	AMEX	24.49	*	

* **Marketimer** estimates that the 40 largest companies in the Nasdaq 100 Index are trading at an average PIE of 28 times projected 2003 operating earnings. These companies account for about 80% of the Nasdaq 100 Index market capitalization.

ACTIVE/PASSIVE PORTFOLIO

This portfolio is designed for long—term no—load fund investment and includes broad diversification, low—expenses, tax—efficiency and risk management. The portfolio currently holds 65% of total assets in stock market cash reserves, 25% in Vanguard Total Stock Market Index, 5% in T. Rowe Price or Vanguard European, and 5% in Vanguard International Growth.

MANAGED ACCOUNTS

While **Marketimer** offers monthly guidance, professional investment management services are provided by GE Private Asset Management, a money management firm which invests in top performing no—load stock, bond and money—market funds with programs personalized to meet individual objectives. 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 1-31-03	% Change
Baron Growth	BGRFX	05	1.00	$ 4,108	
Baron Small Cap.	BSCFX	05	1.05	3,501	
Rowe Price European	PRESX	05	0.69	2,258	
Vanguard Int'l. Growth	VWIGX	05	0.70	1,884	
TIAA/CREF Equity Index	TCEIX	15	1.02	12,768	
Money Market		65	0.00	102,629	
		100%	0.33	$ 127,148	+ 536 %

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

Current Holdings	Symbol	%	Beta	Value 1-31-03	% Change
Gabelli Asset Fund	GABAX	05	0.74	$ 3,554	
Rowe Price European	PRESX	05	0.69	2,520	
Dodge & Cox Stock Fund	DODGX	05	0.60	4,301	
Vanguard Int'l. Growth	VWIGX	05	0.70	1,915	
TIAA/CREF Equity Index	TCEIX	15	1.02	9,054	
Money Market		65	0.00	82,946	
		100%	0.29	$ 104,290	+ 421 %

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

Current Holdings	Symbol	%	Beta	Value 1-31-03	% Change
Vanguard Inflation Protected Securities	VIPSX	25	0.00	$ 29,759	
Vanguard Ginnie Mae Fund	VFIIX	25	0.00	35,399	
Rowe Price European	PRESX	02.5	0.69	1,960	
Dodge & Cox Stock Fund	DODGX	05	0.60	8,276	
TIAA/CREF Growth & Income	TIGIX	07.5	1.02	7,115	
Vanguard Int'l. Growth	VWIGX	02.5	0.70	1,652	
Money Market		32.5	0.00	39,869	
		100%	0.14	$ 124,030	+ 210 %
