Bob Brinker's Marketimer

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"Live beyond your means; then
you are forced to work hard,
you have to succeed."
...Edward G. Robinson

STOCK MARKET TIMING DJIA: 10368.86 S & P 500: 1131.78

Although recessions are responsible for many economic dislocations, there is a positive aspect to the recessionary process. Although no one enjoys seeing any individual lose a job and the salary that goes with it, this is all part of a much needed economic health restoring exercise in the wake of the type of extended economic boom seen in the late l990's.

We expressed concern about the health of the economy in **Marketimer** in December of 1999, just prior to the stock market's approach to the historic record highs of the first quarter of 2000. At that time we said "investors may become increasingly concerned about the risk of economic contraction if a policy of steady interest rate hikes becomes habitual Federal Reserve behavior in the face of strong economic growth and the growing wealth effect of stock market appreciation." We added, "the biggest risk investors must monitor over the next several months is the risk the Federal Reserve will overtighten and thereby precipitate a period of economic weakness."

Of course, the Fed did overtighten, and during the first quarter of 2000, amidst the most overvalued stock market conditions in history, the 17 1/2 year secular bull market that began August 13, 1982, staged its final attempt at new record highs for both the Standard and Poor's 500 Index and the Wilshire 5000 Index. On the heels of five consecutive years of 27% compound annual returns for these broad based indexes, many investors misread the conditions at that time, and instead of raising substantial stock market cash reserves, they declared investors had entered a "new era" wherein valuation and earnings power were no longer important. However, instead of a "new era" of investing, participants were witness to a new bear market as the financial system went about the business of unwinding the excesses of a speculative mania.

The process of going through recessionary times has been underway since spring of 2001. The fallout has been extensive, with millions of workers losing jobs, and a growing list of major corporations entering into bankruptcy proceedings. In addition, this recession has produced the largest corporate bankruptcy in history in the name of Enron. The Houston Astros are so embarrassed that their home field is named "Enron Park" that they have requested permission to change the name of the ballpark to anything but Enron.

Is there any reason to look forward to a more optimistic future? To some extent, in our view, the answer is yes. Although we believe additional patience will be required in order to set the stage for a better stock market, we do regard the probability of a new cyclical bull market beginning later this year as very high.

This month we are making an effort to estimate, in broad terms, what kind of a money making opportunity the next cyclical bull market may provide investors who have stock market cash reserves available to put into the market when the time comes.

STOCK MARKET TIMING (continued from page 1)

As subscribers know, we are concerned about the risk of a valuation induced secular bear market trend dating back to the first quarter of 2000. A valuation based secular bear trend would be characterized by price/earnings ratio deterioration over the long–term. However, even if we have entered such a secular downtrend in valuation, we believe significant cyclical bull markets will occur and will provide one–to–three year windows of opportunity to invest in the stock market and generate profits.

We have studied the secular bear market period from February 9, 1966 through August 12, 1982 in order to analyze the cyclical bull market opportunities that occurred. During this 16 1/2 year period, the Dow Jones Industrial Average declined from 995.15 to 776.98, and the Standard and Poor’s 500 Index ended the period almost exactly where it began. Although investors collected their dividends, they did not enjoy the fruits of long–term capital appreciation in the DJIA or the Standard and Poor’s 500 Index. However, there were several excellent opportunities to generate attractive stock market gains, despite the very poor long–term market performance.

There were four major cyclical bull markets between February, 1966 and August, 1982. From October, 1966 through December, 1968, the DJIA gained 32.4% over 26 months. From May, 1970 through January, 1973, the DJIA gained 66.4% over 32 months. From December, 1974 through September, 1976, the DJIA gained 75.9% over 21 months. And from February, 1978 through April, 1981 the DJIA gained 38% over 38 months.

The four cyclical bull markets during this period gained from 32.4% to 75.9%, for an average gain of 53.2%. They lasted from 21 to 38 months, for an average duration of 29 months. These figures underscore the excellent money making potential that investors were presented with, despite the dismal secular trend during the period.

In our view, the probability is high that a new secular bear market began in March of 2000 in the Standard and Poor’s 500 Index and the Wilshire 5000 Index. However, we also believe a series of cyclical bull markets and cyclical bear markets is inevitable in a secular downtrend. Investors will therefore have opportunities to profit during cyclical bull market periods if they act in a timely manner.

We believe a new cyclical bull market is likely to begin later this year from a still to be determined low–risk entry point. We anticipate the length of the next cyclical bull market will be one–to–three years. Although our next buy signal will be based on expected Standard and Poor’s 500 Index gains in excess of 25%, it is noteworthy to observe the smallest gain of the four cyclical bull markets that occurred during the February, 1966–August, 1982 secular downtrend was 32.4%, and the average gain for the four cyclical bull markets of that era was 53.2%.

Today’s stock market continues to face valuation issues, and this is providing an ongoing strong headwind for equity investors. The combination of anemic economic activity, coupled with the prospect of a subpar recovery and more stringent attention to accounting standards is likely to restrain corporate earnings growth this year. As a result, we are lowering our Standard and Poor’s 500 Index earnings estimate for 2002 from a range of $45 to $47, to a range of $43 to $45. Our new single point estimate is $44. Based on the current level of the Standard and Poor’s 500 Index, this earnings estimate yields a price/earnings multiple of 25.7, which remains high by historical standards.

We continue to recommend holding stock market cash reserves until the next cyclical bull market buy signal develops. Subscribers holding Nasdaq 100 (QQQ) shares can hold these shares in anticipation of much higher prices in the next cyclical bull market in our view. Although we look forward to returning to a fully invested position in the stock market portion of portfolios, we also recognize the dual benefits of both stock market cash reserves and patience in a major bear market now entering its twenty-fourth month.

FEDERAL RESERVE UPDATE

The Federal Open Market Committee is scheduled to meet on March 19, however we view this meeting as a non—event in terms of the economy and the financial markets. After reducing short—term interest rates eleven consecutive times during 2001, the greatest rate cutting spree in the U.S. central bank's history, rates are now close to zero in real terms. The current federal funds rate of 1.75%, adjusted for inflation, yields a real federal funds rate of only 0.65%. The current discount rate of 1.25%, adjusted for inflation, is just 0.15%. Interest rates have already been cut to extraordinarily low levels.

The purpose of the Fed's aggressive policy of monetary ease has been to increase the growth of the money supply in an effort to provide a basis for economic recovery. Money supply growth has been robust. The monetary base now shows a year—over—year growth rate of 8.8% in real terms, which is in line with last month's year—over—year figure of 8.9%. The narrowly defined M—1 money supply, which consists mostly of demand deposits and currency in circulation, shows year—over—year real growth of 6.8%, slightly above last month's 6.6% figure. And the broader M—2 monetary aggregate shows year—over—year real growth of 8%, just above last month's 7.7% growth rate.

So the problem with the economy is not the money supply, but rather (1) the lack of incentive for corporate CEO's to become more aggressive with their capital spending plans in the face of very low factory utilization rates; and (2) the continued lack of evidence that sustainable incremental consumer demand is on the horizon. As for the health of the consumer, installment debt is at historic record highs, and the personal savings rate remains far below normal for a recession. Consumers have clearly stretched out their borrowing during the recession, rather than increase their savings in an effort to reliquify.

Here are the latest year—over—year monetary figures:

Table A
Latest Monthly Data
(Billions)

	February 2002	February 2001	Y-O-Y Changes	Real Y-O-Y* Changes
Monetary Base	$ 666.3	$ 606.2	+ 9.9%	+ 8.8%
M—1	$ 1,176.1	$ 1,090.0	+ 7.9%	+ 6.8%
M—2	$ 5,484.9	$ 5,027.8	+ 9.1%	+ 8.0%

* adjusted for consumer price index increase of 1.1% for the year ended 1—31—02.

TIAA-CREF EQUITY INDEX FUND

TIAA—CREF Equity Index Fund (800—223—1200) has been added to the Marketimer No—Load Fund Recommended List on page four, and TIAA—CREF Growth Equity Fund has been deleted from coverage. TIAA—CREF Equity Index Fund tracks the performance of the broad—based Russell 3000 Index. The fund tends to perform in line with the overall U.S. equity market, and is available on a no—load basis with a very low annual expense ratio of 0.26%. The fund has a very low turnover rate, therefore annual taxable distributions are small. This makes the fund highly tax—efficient and leads to better after—tax investment returns for shareholders.

Subscribers should be aware of the differences between TIAA—CREF Equity Index Fund and Vanguard Total Stock Market Index Fund. TIAA—CREF Equity Index Fund is easier for new investors to buy, due to its low $1500 initial minimum, versus the $3000 initial minimum investment requirement for Vanguard Total Stock Market Index. Also, whereas TIAA—CREF Equity Index tracks about 98% of the U.S. total market capitalization through the Russell 3000 Index, Vanguard Total Stock Market Index tracks the entire U.S. stock market through the Wilshire 5000 Index. Although Vanguard invests in many of the stocks in the Wilshire 5000 Index, it does not invest in every stock in the index.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '97	'98	'99	'00	'01	'02 (2-28)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 2-28-02
Baron Growth Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766	G BGRFX	$ 721	31.1	0.1	44.7	(4.6)	12.7	(1.6)	$ 2009	0.0%	#	1.40%	30.17
Baron Small Cap Fund 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766	CGA BSCFX	$ 711	-	2.2	70.8	(17.5)	5.2	1.6	---	0.1%	#	1.39%	15.45
Gabelli Asset Fund One Corporate Center Rye, NY 10580 800-422-3554	G GABAX	$1867	38.1	15.9	28.5	(2.4)	0.2	(0.8)	$ 1995	0.7%	Yes	1.37%	32.70
Gabelli Growth Fund One Corporate Center Rye, NY 10580 800-422-3554	G GABGX	$2723	42.6	29.8	46.3	(10.6)	(24.1)	(8.2)	$ 1687	0.0%	Yes	1.37%	26.34
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200	Russell 3000 TCEIX	$ 101	-	-	-	-	(11.6)	(3.2)	---	0.1%	Yes	0.26%	7.79
TIAA/CREF Growth&Income 730 Third Avenue New York, NY 10017 800-223-1200	G&I TIGIX	$ 624	-	30.5	24.5	(7.3)	(13.4)	(4.9)	---	0.9%	Yes	0.43%	11.48

* 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.$	% Total Return '97	'98	'99	'00	'01	'02 (2-28)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 2-28-02
Dodge & Cox Stock 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979	G&I DODGX	$9491	28.4	5.4	20.2	16.3	9.3	0.6	$ 2080	1.6%	#	0.55%	101.13
Dodge & Cox Balanced 1 Sansome St. (35th Fl.) San Francisco,CA 94104 800-621-3979	G&I DODBX	$6103	21.2	6.7	12.0	15.1	10.0	0.8	$ 1848	3.2%	#	0.53%	65.92
Neuberger & Berman Focus Fund 605 Third Avenue New York, NY 10158 800-877-9700	CGA NBSSX	$1478	24.1	13.2	26.0	12.4	(6.7)	(7.3)	$ 1721	0.0%	Yes	0.85%	31.80
Vanguard Calvert Social Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Social Index VCSIX	$ 96	---	---	---	(9.0)	(14.1)	(5.5)	---	1.0%	Yes	0.25%	7.33
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-266-5623	G SNXFX	$4051	31.9	27.1	21.0	(8.2)	(12.3)	(3.1)	$ 1582	0.8%	Yes	0.46%	30.97
Vanguard Index 500 P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	S&P 500 VFINX	$72010	33.2	28.6	21.1	(9.1)	(12.0)	(3.4)	$ 1603	1.0%	No	0.18%	102.31

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

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BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '97	'98	'99	'00	'01	'02 (2-28)	$1000 INV. 1-1-97=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 2-28-02
Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Index VEXMX	$3048	26.7	8.3	36.2	(15.5)	(9.2)	(4.6)	$ 1368	1.0%	No	0.25%	22.02
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	Russell 2000 NAESX	$3488	24.6	(2.6)	23.1	(2.7)	3.1	(3.7)	$ 1443	1.0%	No	0.24%	19.08
Vanguard Index Total Stock Market Portfolio (address/phone above)	Wilshire 5000 VTSMX	$15336	31.0	23.3	23.8	(10.6)	(11.0)	(3.3)	$ 1539	1.0%	No	0.20%	24.90
Vanguard International Growth Portfolio (address/phone above)	Non USA VWIGX	$6090	4.1	16.9	26.3	(8.6)	(18.9)	(4.5)	$ 1088	1.1%	Yes	0.52%	14.33
Rowe Price European 100 East Pratt St. Baltimore, MD 21202 800-638-5660	Europe PRESX	$ 849	17.0	25.8	19.7	(6.7)	(20.7)	(4.4)	$ 1246	1.0%	Yes	1.01%	15.31
Longleaf Partner's Int'l 6410 Poplar Ave. Suite 900 Memphis, TN 38119 800-445-9469	Int'l Growth LLINX	$ 774	---	---	24.4	25.9	10.5	(0.1)	---	2.3%	#	1.79%	12.33
Rydex OTC Fund 6116 Executive Blvd. Suite 400 Bethesda, MD 20852 800-820-0888	CGA RYOCX	$ 864	21.9	86.5	100.6	(37.8)	(34.7)	(13.9)	$ 1595	0.0%	Yes	1.15%	9.51

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

TIAA-CREF EQUITY INDEX FUND (continued from page 3)

The annual expense ratio on Vanguard Total Stock Market Index is 0.20%, however investors with balances under $10,000 are charged a $10 annual maintenance fee. TIAA–CREF Equity Index does not charge such a fee on balances under $10,000. The fund is available in all states, and telephone switching into other TIAA–CREF funds is available. The fund symbol is TCEIX. We believe TIAA–CREF Equity Index Fund offers broad diversification, very low expenses, a highly tax–efficient investment strategy, and a very low initial investment requirement. We regard this fund as a high–quality no–load index fund for long–term growth objectives.

MODEL PORTFOLIO CHANGES

The following model portfolio changes are effective on the March 15 close:

Model Portfolio I and Model Portfolio II

SELL: 5% position in TIAA–CREF Growth & Income, eliminating this holding;
BUY: 5% position in TIAA–CREF Equity–Index, establishing this position.

There are no changes in Model Portfolio III. TIAA–CREF Growth & Income Fund remains in Model Portfolio III.

INTEREST RATES / FIXED- INCOME INVESTMENTS

Marketimer's fixed–income recommendations have a current average yield of 5% and an average maturity of 3.9 years. Vanguard Ginnie Mae Fund continues to perform well, and offers a generous AAA rated current investment yield of 6.37%.

Fixed-Income Investing		% Weighting	Current Yield	Average Maturity
Vanguard Fixed-Income Short-Term Federal	VSGBX	50%	3.55%	3.2 years
Vanguard Ginnie Mae Fund (800-662-7447)	VFIIX	50%	6.37%	4.5 years

We also recommend Vanguard Inflation Protected Securities Fund (VIPSX) with a current yield of 3.14% plus inflation adjustments which are paid out quarterly. Vanguard also offers several tax–free municipal funds with low expense ratios and state tax exemptions for residents of CA, FL, MA, NJ, NJ, OH and PA.

INDIVIDUAL ISSUES

The individual issues listed below are rated “hold” at this time. Specific stock exposure should be limited to no more than 4% in order to manage company stock risk. SPY, VTI, DIA and QQQ are exchange–traded funds linked to index performance.

ISSUES	Beta	Exchange	Symbol	3-03 Price	Est. earnings per share	
Microsoft	1.25	Nasdaq	MSFT	61.37	1.85 (6-02)	2.10 (6-03)
Vodafone/AirTouch	1.05	NYSE	VOD	19.08	0.75 (3-02)	0.80 (3-03)
S&P Dep. Receipts	1.00	AMEX	SPY	113.74	3.75 (2001)	4.40 (2002)
Total Market VIPERs	1.03	AMEX	VTI	104.69	n/a	
DJIA Diamonds	0.85	AMEX	DIA	103.84	4.35 (2001)	4.85 (2002)
Nasdaq 100 Index	1.75	AMEX	QQQ	35.74	*	

* **Marketimer** estimates the 40 largest profitable companies in the Nasdaq 100 Index are trading at a weighted average p/e ratio of approximately 41.8 based on projected earnings for 2002. These companies comprise close to 73.5% of the total index.

ACTIVE/PASSIVE PORTFOLIO

The Marketimer active/passive portfolio currently holds a 65% stock market cash reserve, with 25% invested in Vanguard Total Stock Market Index, 5% in T. Rowe Price European or Vanguard European Index and 5% in Vanguard International Growth. This portfolio is designed for long–term no–load fund investors seeking broad diversification, low expenses, high tax–efficiency and risk management. Our favorite money market fund is Vanguard Prime Money Market, with a current yield of 1.72%. Vanguard also offers a tax–exempt money fund with a current tax free yield of 1.35%.

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	%	Beta	Value 2-28-02	% Change
Baron Growth	05	1.05	$ 4,716	
Baron Small Cap.	05	1.11	3,957	
Rowe Price European	05	0.68	2,775	
Vanguard Int'l. Growth	05	0.72	2,265	
TIAA/CREF Equity Index	10	1.00	6,829	
TIAA/CREF Growth Income	05	1.03	9,287	
Money Market	65	0.00	101,177	
	100%	0.33	$ 131,006	+ 555%

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

Current Holdings	%	Beta	Value 2-28-02	% Change
Gabelli Asset Fund	05	0.71	$ 4,225	
Rowe Price European	05	0.68	3,097	
Dodge & Cox Stock Fund	05	0.61	4,984	
Vanguard Int'l. Growth	05	0.72	2,302	
TIAA/CREF Equity Index	10	1.00	6,702	
TIAA/CREF Growth Income	05	1.03	4,730	
Money Market	65	0.00	81,776	
	100%	0.29	$ 107,816	+ 439%

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

Current Holdings	%	Beta	Value 2-28-02	% Change
Vanguard Short-Term Federal	25	0.00	$ 27,860	
Vanguard Ginnie Mae Fund	25	0.00	31,783	
Rowe Price European	02.5	0.68	2,409	
Dodge & Cox Stock Fund	05	0.61	9,592	
TIAA/CREF Growth & Income	07.5	1.03	9,109	
Vanguard Int'l. Growth	02.5	0.72	1,985	
Money Market	32.5	0.00	39,306	
	100%	0.14	$ 122,044	+ 205%

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