

Bob Brinker's Marketimer

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"Most dreams are attainable if
the dreamer is ready to devote
consistent, intelligent effort
to them."

...Dr. Bob Rotella

STOCK MARKET TIMING

DJIA: 10059.63

S & P 500: 1086.46

We remain skeptical about the rapid corporate earnings growth that many Wall Street pundits are forecasting this year. Our Standard and Poor's 500 Index operating earnings estimate for calendar year 2002 remains at \$44, within a range of \$43 to \$45. Our estimate is below the consensus of Wall Street estimates, however we expect the consensus estimate to come down as the year progresses. Based on the price level of the index at the end of April, the Standard and Poor's 500 is trading at a generous 24.5 times our \$44 estimate.

Marketimer is not alone in the view that valuation levels in the U.S. stock market remain high. A recent Merrill Lynch survey of over 300 money managers from around the world indicates that the majority of managers view U.S. equities as expensive relative to earnings power. Over 60% of the money managers surveyed regard the U.S. equity market as the most richly priced major market in the world. In our view, high valuation represents an ongoing problem for the stock market. While investors are seeking both improved earnings visibility and reasonable valuation, they are faced with the reality of uncertain earnings visibility in a richly priced market.

Since the first quarter of 2000, market behavior has been consistent with a secular bear market trend, which is now in its third year. We see no reason to believe there will be any change from the historical experience of a series of cyclical bear markets and cyclical bull markets over a period of many years within the framework of a primary secular bear market trend.

In an effort to estimate, in broad terms, how the current cyclical bear market compares to the cyclical bears that occurred during the last secular downtrend from February, 1966 through mid-August 1982, we are reviewing the five cyclical bear markets that occurred during that period.

		<u>DJIA</u>	<u>% Loss</u>	<u>Duration</u>
February	1966	995		
to October	1966	744	- 25.2%	8 months
December	1968	985		
to May	1970	632	- 35.9%	17 months
January	1973	1051		
to December	1974	577	- 45.1%	23 months
September	1976	1014		
to February	1978	742	- 26.9%	17 months
April	1981	1024		
to August	1982	777	- 24.1%	16 months

STOCK MARKET TIMING (continued from page 1)

These five cyclical bear markets registered declines ranging from 24.1% to 45.1%, for an average loss of 34.1%. The bear market durations ranged from 8 months to 23 months, for an average of 16.2 months.

Although the current cyclical bear market has seen some disconnection between the 30-stock Dow Jones Industrial Average and the broad market indexes such as the Standard and Poor's 500 and the Wilshire 5000, there is no question regarding the severity and duration of this bear market. Measuring from the record closing highs of March, 2000, the Standard and Poor's 500 Index has declined 27.1% through the end of April, 2002. During the same period, the Wilshire 5000 Index of all U.S. stocks has declined 28.2%.

We can see that the current cyclical bear market continues to be a very long and drawn-out process, although the percentage declines to date are slightly below the average loss of 34.1% for the five cyclical bear markets that occurred between February of 1966 and mid-August of 1982. Previous analysis of the last secular bear market discussed the fact that the overall stock market environment during that 16 1/2 year period was unrewarding. However, even during that difficult long-term downtrend, investors were presented with several opportunities to earn profits during four major cyclical bull markets as indicated below.

		<u>DJIA</u>	<u>% Gain</u>	<u>Duration</u>
October	1966	744		
to December	1968	985	+ 32.4%	26 months
May	1970	632		
to January	1973	1051	+ 66.4%	32 months
December	1974	577		
to September	1976	1015	+ 75.9%	21 months
February	1978	742		
to April	1981	1024	+ 38.0%	38 months

These four cyclical bull markets showed returns ranging from 32.4% to 75.9%, and lasted from 21 to 38 months each. Investors who chose to invest in the market during these cyclical bull market periods were able to generate significant stock market profits, even though the secular downtrend continued until mid-August of 1982.

The evidence suggests that we are now in the third year of a secular downtrend that commenced in the first quarter of 2000. All secular downtrends begin with an initial cyclical bear market, and the current cyclical bear market has already continued for a longer period of time than any of the five cyclical bear markets that occurred during the February, 1966 - August, 1982 secular downtrend.

Despite this fact, we are optimistic that a major cyclical bull market opportunity can develop within the next 12-months, with potential gains exceeding 25% in the Standard and Poor's 500 Index and the Wilshire 5000 Index. However, we remain cautious on the market outlook at this time, and we continue to recommend holding substantial stock market cash reserves until the **Marketimer** stock market timing model returns to bullish territory, thereby recommending a fully invested position in equity portfolios.

In the interim, we will remain patient in this very challenging stock market environment. We are also retaining our hold rating on Nasdaq 100 (QQQ) shares. Although the shares remain weak, we expect them to trade well above current levels during the next cyclical bull market.

FEDERAL RESERVE UPDATE

The U.S. economy expanded at a 5.8% annual rate in the first quarter, as inventory figures contributed most of the improvement. Business stockpiles were reduced at an annual rate of \$36.2 billion during the quarter. This compares with a record \$119.3 billion annual rate of inventory reduction during the fourth quarter of 2001. The inventory factor accounted for 3.1% of the 5.8% first quarter increase in GDP.

We expect the Federal Open Market Committee to make no change in short-term interest rates at the May meeting. In mid-April, Fed Chairman Alan Greenspan stated "The behavior of inventories currently is the driving force in the near-term outlook," and he added "The pickup in the growth of economic activity will be short-lived unless sustained increases in final demand kick in before the positive effects of inventory investment dissipate."

Clearly, the Fed Chairman remains concerned about the health of the economy. Orders to rebuild inventory must be followed by sustainable growth in final demand in order to provide impetus for economic recovery going forward. The Fed Chairman acknowledged this when he said "We have seen encouraging signs in recent months that underlying trends in final demand are strengthening, but the dimensions of the pickup are still not clear." The final demand issue has been further clouded by global economic weakness, which reduces the growth of U.S. exports.

The consumer may not be in a strong position to drive the economy, given the fact that reliquification has not taken place despite the economic contraction in 2001. For example, the consumer savings rate, which normally increases sharply during a recession, has barely moved, and remains at very low levels.

The growth rate of the monetary aggregates has receded in recent weeks. Although the Federal Reserve surely continues to support an accommodative monetary policy given the concerns about sustainable economic growth, we have seen reductions in year-over-year growth for the monetary base, M-1 and M-2. The monetary base now shows a year-over-year growth rate of 8.6% in real terms, down slightly from 8.8% last month. The M-1 monetary aggregate, which consists primarily of currency in circulation and demand deposits, shows real year-over-year growth of 3.1%, down from 5.8% last month. The broader M-2 aggregate shows real year-over-year growth of 4.6%, down from 6.8% last month. Real monetary growth remains an essential prerequisite of a sustainable economic recovery.

Table A
Latest Monthly Data
(Billions)

	<u>April 2002</u>	<u>April 2001</u>	<u>Y-O-Y</u> <u>Changes</u>	<u>Real Y-O-Y*</u> <u>Changes</u>
Monetary Base	\$ 662.2	\$ 601.2	+10.1%	+ 8.6%
M-1	\$ 1,166.8	\$ 1,116.0	+ 4.6%	+ 3.1%
M-2	\$ 5,468.9	\$ 5,153.2	+ 6.1%	+ 4.6%

* adjusted for consumer price index increase of 1.5% for the year ended 3-31-02

DODGE AND COX STOCK FUND

There is only one managed mutual fund that has been on the **Marketimer** No-Load Fund Recommended List every calendar year since 1988. That fund is Dodge and Cox Stock Fund, a value-based fund that invests in companies with strong fundamentals. Next month, in the June edition, we will update the progress of this outstanding no-load fund which is one of the very few managed funds that has outperformed the Standard and Poor's 500 Index since 1988.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.\$	% Total Return						\$1000 INV. 1-1-97=	EST. ^a YD.	TEL. SWCH	ANN. ^b EXP.	PRICE 4-30-02
			'97	'98	'99	'00	'01	'02 (4-30)					
Baron Growth Fund 767 Fifth Avenue 49 th Floor New York, NY 10153 800-992-2766	G BGRFX	\$ 771	31.1	0.1	44.7	(4.6)	12.7	5.1	\$ 2146	0.0%	#	1.40%	32.24
Baron Small Cap Fund 767 Fifth Avenue 49 th Floor New York, NY 10153 800-992-2766	CGA BSCFX	\$ 791	-	2.2	70.8	(17.5)	5.2	13.5	---	0.1%	#	1.39%	17.27
Gabelli Asset Fund One Corporate Center Rye, NY 10580 800-422-3554	G GABAX	\$1938	38.1	15.9	28.5	(2.4)	0.2	2.0	\$ 2052	0.7%	Yes	1.37%	33.68
Gabelli Growth Fund One Corporate Center Rye, NY 10580 800-422-3554	G GABGX	\$2680	42.6	29.8	46.3	(10.6)	(24.1)	(11.9)	\$ 1619	0.0%	Yes	1.37%	25.26
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200	Russell \$ 101 3000 TCEIX		-	-	-	-	(11.6)	(4.3)	---	0.1%	Yes	0.26%	7.70
TIAA/CREF Growth&Income 730 Third Avenue New York, NY 10017 800-223-1200	G&I TIGIX	\$ 614	-	30.5	24.5	(7.3)	(13.4)	(6.7)	---	0.9%	Yes	0.43%	11.24

* 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						\$1000 INV. 1-1-97=	EST. ^a YD.	TEL. SWCH	ANN. ^b EXP.	PRICE 4-30-02
			'97	'98	'99	'00	'01	'02 (4-30)					
Dodge & Cox Stock 1 Sansome St. (35th Fl.) San Francisco, CA 94104 800-621-3979	G&I DODGX	\$9742	28.4	5.4	20.2	16.3	9.3	1.6	\$ 2101	1.6%	#	0.55%	101.70
Dodge & Cox Balanced 1 Sansome St. (35th Fl.) San Francisco, CA 94104 800-621-3979	G&I DODBX	\$6164	21.2	6.7	12.0	15.1	10.0	1.8	\$ 1867	3.2%	#	0.53%	66.04
Neuberger & Berman Focus Fund 605 Third Avenue New York, NY 10158 800-877-9700	CGA NBSSX	\$1577	24.1	13.2	26.0	12.4	(6.7)	(1.7)	\$ 1825	0.0%	Yes	0.85%	33.73
Vanguard Calvert Social Index Fund P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Social Index VCSIX	\$ 101	---	---	---	(9.0)	(14.1)	(7.7)	---	1.0%	Yes	0.25%	7.16
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-266-5623	G SNXFX	\$4032	31.9	27.1	21.0	(8.2)	(12.3)	(4.7)	\$ 1556	0.8%	Yes	0.46%	30.46
Vanguard Index 500 P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	S&P 500 VFINX	\$72104	33.2	28.6	21.1	(9.1)	(12.0)	(5.8)	\$ 1563	1.0%	No	0.18%	99.42

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						\$1000 INV. 1-1-97=	EST. ^a YD.	TEL. SWCH	ANN. ^b EXP.	PRICE 4-30-02
			'97	'98	'99	'00	'01	'02 (4-30)					
Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739	Index VEXMX	\$3212	26.7	8.3	36.2	(15.5)	(9.2)	0.8	\$ 1445	1.0%	No	0.25%	23.28
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	Russell 2000 NAESX	\$3808	24.6	(2.6)	23.1	(2.7)	3.1	4.9	\$ 1572	1.0%	No	0.24%	20.80
Vanguard Index Total Stock Market Portfolio (address/phone above)	Wilshire 5000 VTSMX	\$15917	31.0	23.3	23.8	(10.6)	(11.0)	(4.0)	\$ 1527	1.0%	No	0.20%	24.65
Vanguard International Growth Portfolio (address/phone above)	Non USA VWIGX	\$6190	4.1	16.9	26.3	(8.6)	(18.9)	1.1	\$ 1152	1.1%	Yes	0.52%	15.18
Rowe Price European 100 East Pratt St. Baltimore, MD 21202 800-638-5660	Europe PRESX	\$ 881	17.0	25.8	19.7	(6.7)	(20.7)	(0.9)	\$ 1292	1.0%	Yes	1.01%	15.86
Longleaf Partner's Int'l 6410 Poplar Ave. Suite 900 Memphis, TN 38119 800-445-9469	Int'l Growth LLINX	\$ 806	---	---	24.4	25.9	10.5	3.6	---	2.3%	#	1.79%	12.78
Rydex OTC Fund 6116 Executive Blvd. Suite 400 Bethesda, MD 20852 800-820-0888	CGA RYOCX	\$ 827	21.9	86.5	100.6	(37.8)	(34.7)	(19.5)	\$ 1491	0.0%	Yes	1.15%	8.89

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 5.53%, and an average maturity of 5.9 years. Vanguard Ginnie Mae Fund continues to generate excellent current income, and the share price value has remained firm due to ongoing concern regarding the durability of the economy. Our current recommendations for fixed-income investors are:

<u>Fund</u>	<u>% Weighting</u>	<u>Current Yield</u>	<u>Avg. Maturity</u>
Vanguard Fixed-Income Short-Term Federal (VSGBX)	25%	4.56%	3.2 years
Vanguard Ginnie Mae Fund (800-662-7447)(VFIIX)	50%	5.99%	6.0 years
Dodge & Cox Income Fund (800-621-3979) (DODIX)	25%	5.59%	8.5 years

We also recommend Vanguard Inflation Protection Securities Fund (VIPSX), with a current yield of 3.02% plus inflation adjustments which are paid out quarterly. Vanguard also offers tax-free municipal bond funds for residents of CA, FL, MA, NJ, NY, OH and PA, as well as a tax-exempt municipal bond fund available in all states.

Vanguard Prime Money Market Fund currently yields 1.8%, and Vanguard Tax-Exempt Money Market Fund yields 1.6%. Tax-exempt money market funds are also available for residents of CA, NJ, NY, OH and PA. Investors in high brackets may also wish to invest in state general obligation tax-exempt bonds with maturities in the 10-to-12 year range.

INDIVIDUAL ISSUES

Marketimer recommends limiting exposure to individual company stocks to no more than 4% of an equity portfolio. Index shares, such as SPY, VTI, DIA and QQQ are not limited to 4% because they are linked to the performance of underlying indexes. The following issues are currently rated hold.

<u>ISSUES</u>	<u>Beta</u>	<u>Exchange</u>	<u>Symbol</u>	<u>4-30 Price</u>	<u>Est. earnings per share</u>	
Microsoft	1.25	Nasdaq	MSFT	52.75	1.85 (6-02)	1.90 (6-03)
Vodafone/AirTouch	1.05	NYSE	VOD	16.36	0.75 (3-03)	0.78 (3-03)
S&P Dep. Receipts	1.00	AMEX	SPY	109.18	3.87 (2001)	4.40 (2002)
Total Market VIPERS	1.03	AMEX	VTI	102.22	n/a	
DJIA Diamonds	0.85	AMEX	DIA	100.94	3.70 (2001)	4.92 (2002)
Nasdaq 100 Index	1.75	AMEX	QQQ	31.56	*	

* **Marketimer** estimates the 40 largest profitable companies in the Nasdaq 100 Index are trading at a weighted average multiple of approximately 48.0 based on projected earnings for 2002. These companies comprise 75.6% of the Nasdaq 100 Index.

These 40 companies, ranked in order of market capitalizations, are:

MSFT, INTC, CSCO, QCOM, AMGN, DELL, ORCL, NXIM, AMAT, IMNX, CEFT, XLNX, LLTC, BBY, KLAC, PAYX, SEBL, SBUX, AAPL, CMCSK, VRTS, ALTR, CHIR, EBAY, CTAS, GENZ, FISV, INTU, BMET, COST, PSFT, IDPH, ADBE, MEDI, ERTS, BGEN, FLEX, NVLS, DISH and APOL.

ACTIVE PASSIVE PORTFOLIO

The **Marketimer** active/passive investment portfolio continues to hold a 65% stock market cash reserve. The balance of the portfolio is invested 25% in the Vanguard Total Stock Market Index (VTSMX), 5% in T. Rowe Price European (PRESX) or Vanguard European Index (VEURX), and 5% in Vanguard International Growth (VWIGX). This portfolio features broad diversification, low expenses, high tax-efficiency, and risk management.

The investment objective of the active/passive portfolio is long-term growth. Current investment income is not a material factor for investors choosing this portfolio. Model Portfolio II also has similar investment objectives.

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)

<u>Current Holdings</u>	<u>%</u>	<u>Beta</u>	<u>Value 4-30-02</u>	<u>% Change</u>
Baron Growth	05	1.05	\$ 5,039	
Baron Small Cap.	05	1.11	4,424	
Rowe Price European	05	0.68	2,875	
Vanguard Int'l. Growth	05	0.72	2,399	
TIAA/CREF Equity Index	15	1.00	15,946	
Money Market	<u>65</u>	<u>0.00</u>	<u>101,482</u>	
	<u>100%</u>	<u>0.33</u>	<u>\$ 132,165</u>	<u>+ 561%</u>

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

<u>Current Holdings</u>	<u>%</u>	<u>Beta</u>	<u>Value 4-30-02</u>	<u>% Change</u>
Gabelli Asset Fund	05	0.71	\$ 4,345	
Rowe Price European	05	0.68	3,209	
Dodge & Cox Stock Fund	05	0.61	5,032	
Vanguard Int'l. Growth	05	0.72	2,438	
TIAA/CREF Equity Index	15	1.00	11,308	
Money Market	<u>65</u>	<u>0.00</u>	<u>82,022</u>	
	<u>100%</u>	<u>0.29</u>	<u>\$ 108,354</u>	<u>+ 442%</u>

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

<u>Current Holdings</u>	<u>%</u>	<u>Beta</u>	<u>Value 4-30-02</u>	<u>% Change</u>
Vanguard Short-Term Federal	25	0.00	\$ 28,028	
Vanguard Ginnie Mae Fund	25	0.00	32,008	
Rowe Price European	02.5	0.68	2,496	
Dodge & Cox Stock Fund	05	0.61	9,684	
TIAA/CREF Growth & Income	07.5	1.03	8,933	
Vanguard Int'l. Growth	02.5	0.72	2,103	
Money Market	<u>32.5</u>	<u>0.00</u>	<u>39,424</u>	
	<u>100%</u>	<u>0.14</u>	<u>\$ 122,676</u>	<u>+ 207%</u>

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