

**Quote of the week**

“Don’t worry about middle age; you’ll outgrow it.”  
*Laurence J. Peter*

The talking head technical guys on TV have their shorts in a wad all worried that the S&P 500 has been more than 20% above the 200 day moving average since July 21st. To them this indicates a very risky stock market and one overdue for a pullback.

One of our favorite economist types is Ed Yardeni. We first started following him in the early 1980’s when he, and we, were at Prudential-Bache Securities. He got his doctorate at Yale, worked at the Fed, and taught at Columbia before going to Wall Street. Smart guy.

Back in 1988 the Dow Jones Industrial average was at 2100 and was clawing it’s way back up after the Crash of ’87. Treasury bonds were yielding over 9%. In the October 1988 Forbes magazine he stated he felt bond yields would go to 5% and the Dow to 5000. Keep in mind the highest the Dow had ever been was 2600...and he was predicting a double from the peak to 5000. A lot of people thought he was out of his mind, but within 6 years the Dow hit 5000.

In 1996 when the Dow was still in the 5000’s, Barron’s ran an article and quoted Ed saying the Dow would hit 10,000 before the decade ended. In 1999 the Dow hit 10,000.

In Ed Yardeni’s research this week he talked about the market being above the 200 day moving average, and instead of just wringing his hands he dug back in history to see if it had happened before. He wanted to know if the big move above the 200 day moving average acted as a precursor to a pull-back?

Ed and his quant researcher looked at 12,000 trading days back to 1962 and found only two times when the market had busted 20% above the 200 day moving average. The first was May through July of 1975 and the other was October through December of 1982.

To the right is the first time from 1975. You can see the market hit a bottom at the end of 1974, bounced up, wobbled around while it was over 20% above the moving average and then exploded up another 25% from there in the next 6 months.



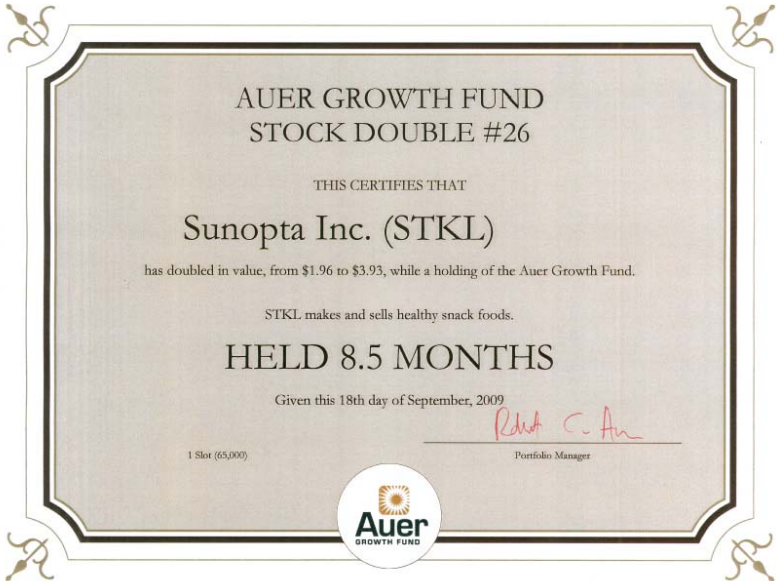
To the left is the second time from 1982. You can see the market hit a bottom in the summer of 1982, bounced up, wobbled around while it was over 20% above the moving average and then exploded up another 20% from there in the next 6 months.



One unique trading discipline the Auer's employ is to automatically sell a stock when it doubles in price. This year they've had 26 stocks double for them.

When they double in price Bob makes up a certificate. Sort of like a diploma...they graduate from the portfolio! Cracks the rest of us up. Below is the last one.

Above is today. The market hit bottom in March, bounced up 45%, and now may wobble. Yardeni's thought is the S&P 500 could go to 1335 by April, which equates to 12,200 on the Dow.



Our portfolios are firing on all cylinders right now. Our growth portfolios and the Auer Growth fund have a bit of cash, but it hasn't hurt us. The cash might come in handy if a market wobble hands us a bargain.

Back in May Bob was interviewed in New York and stated the bull market had plenty of snort left in it. Turned out he was right. On Tuesday he was interviewed again and two videos were made from it.

Click this picture for the first half →



Click here for the second half →



Watch them...he's a smart guy too.

| <b>Performance year-to-date as of 9/24/09</b> |             |
|---|-------------|
| <b>Sheaff Brock Growth Model</b>              | <b>+33%</b> |
| S&P 500                                       | +18%        |
| Dow Jones Industrials                         | +13%        |
| <b>Sheaff Brock Dividend Growth</b>           | <b>+16%</b> |
| Dow Jones Dividend Index                      | + 4%        |
| <b>Auer Growth Fund</b>                       | <b>+40%</b> |

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