Using the Business Cycle to Allocate Assets.

Presented by

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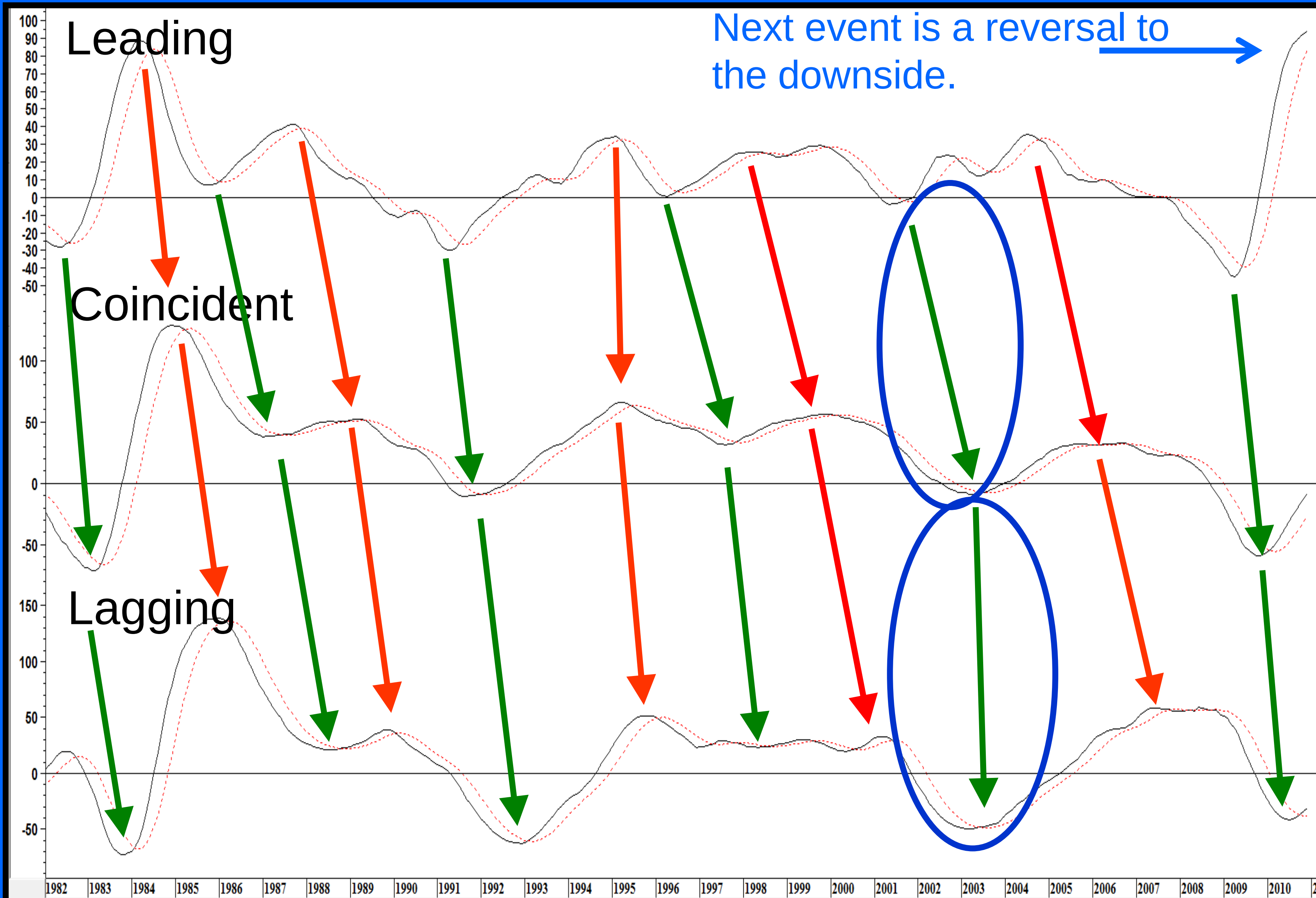
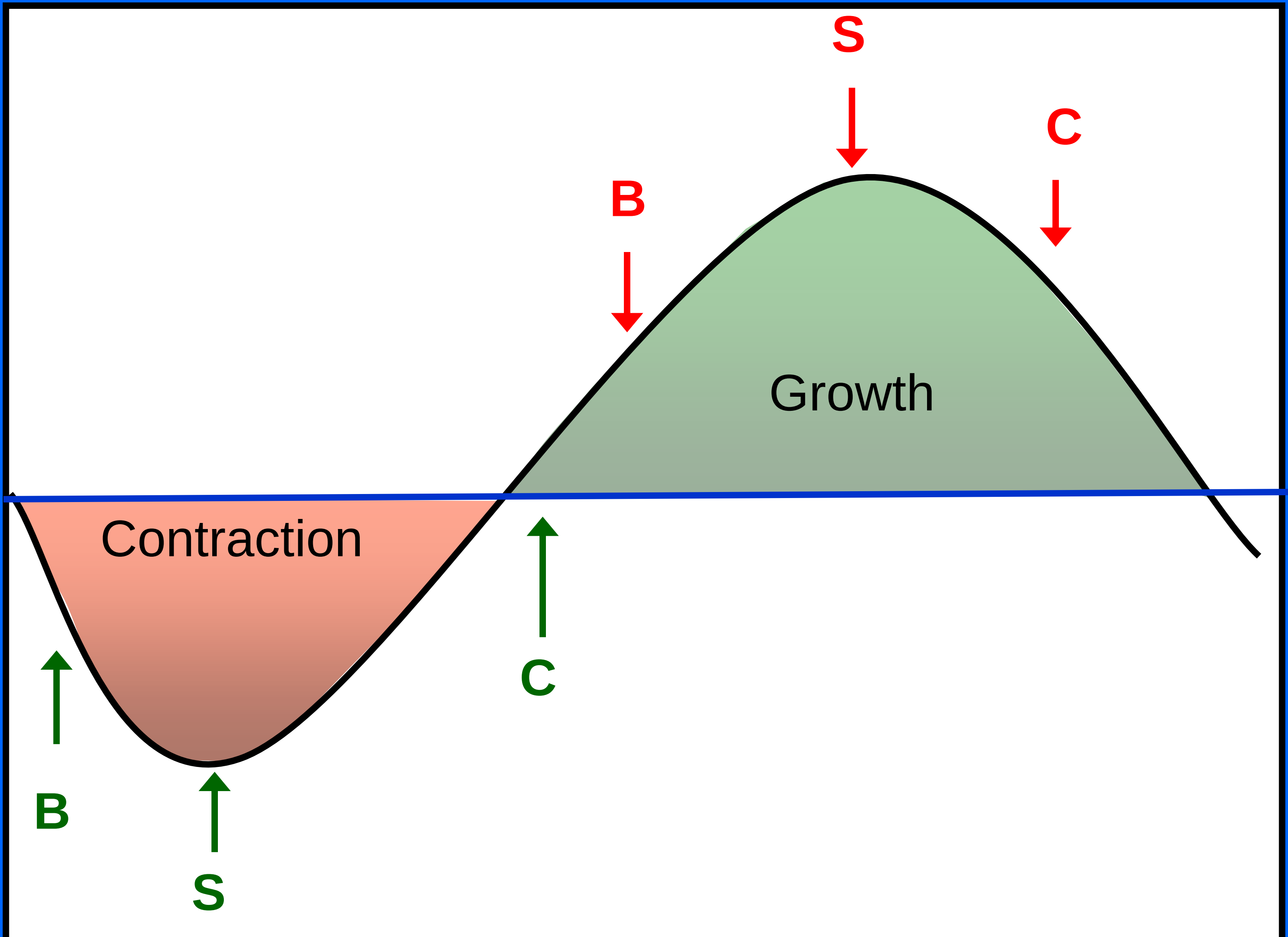
Composite Economic Indicators (KST)



Idealized Business Cycle



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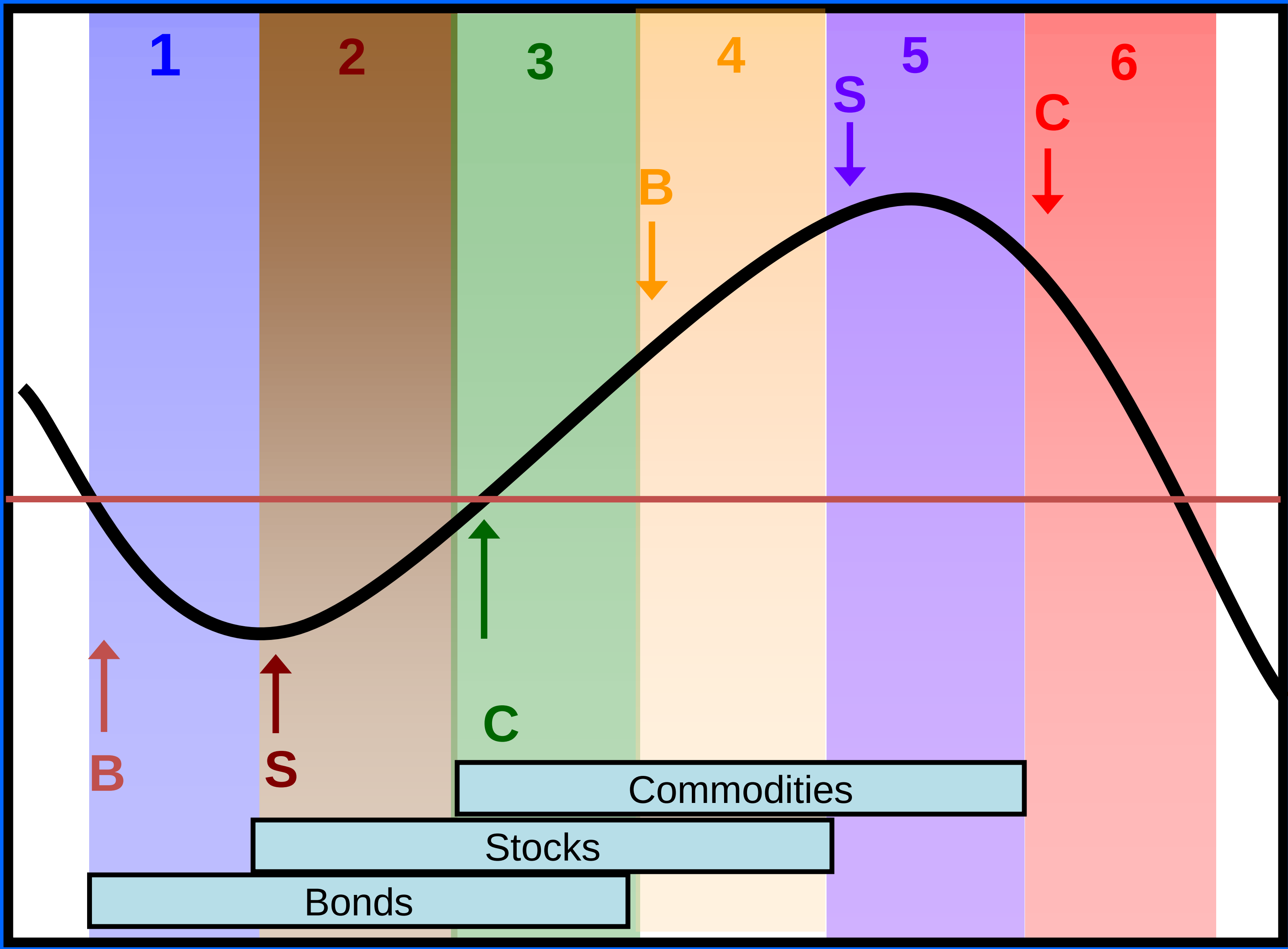
Idealized Business Cycle



iShares Lehman 20-year Trust and the Bond Barometer

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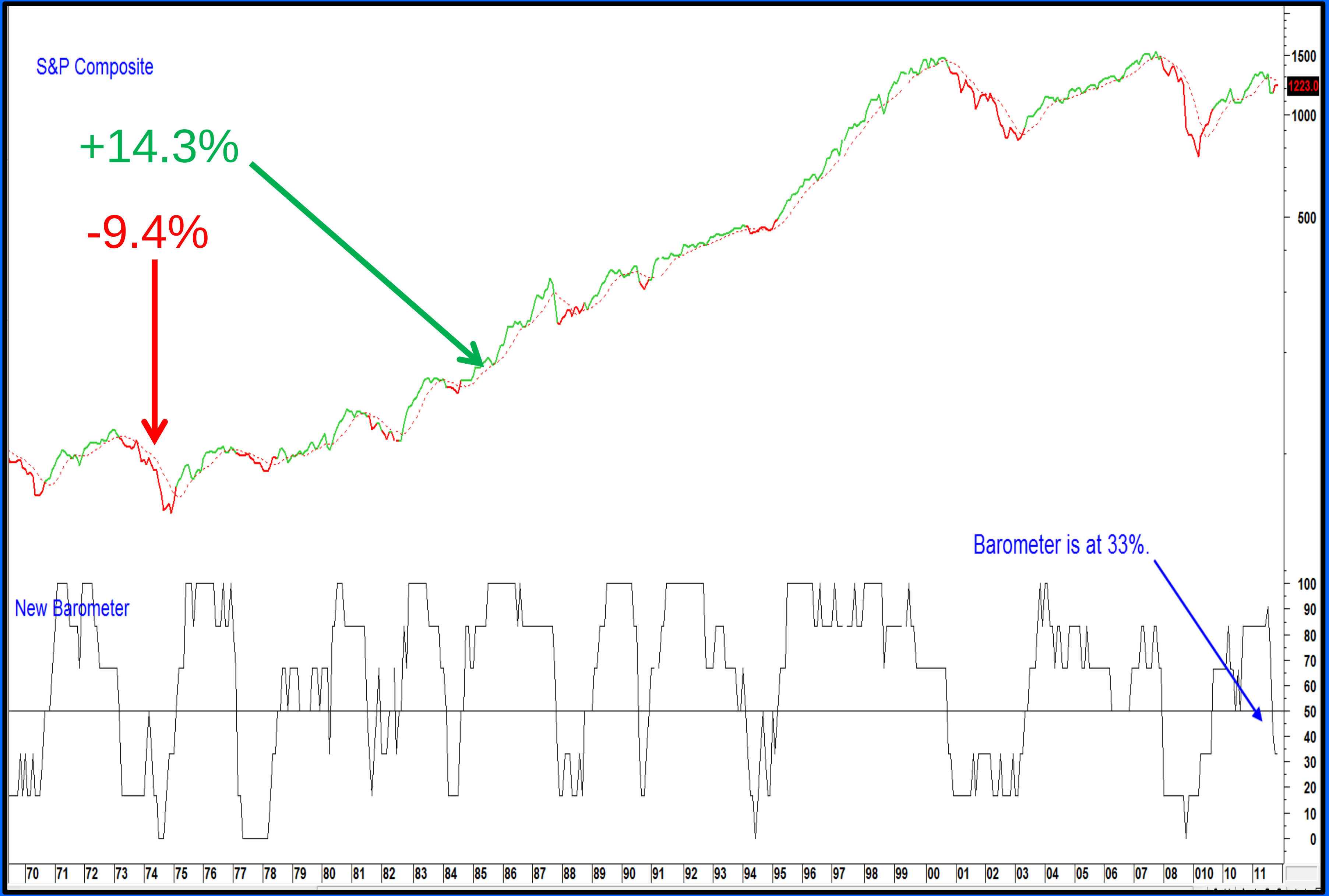
S&P Composite and the Stock Barometer



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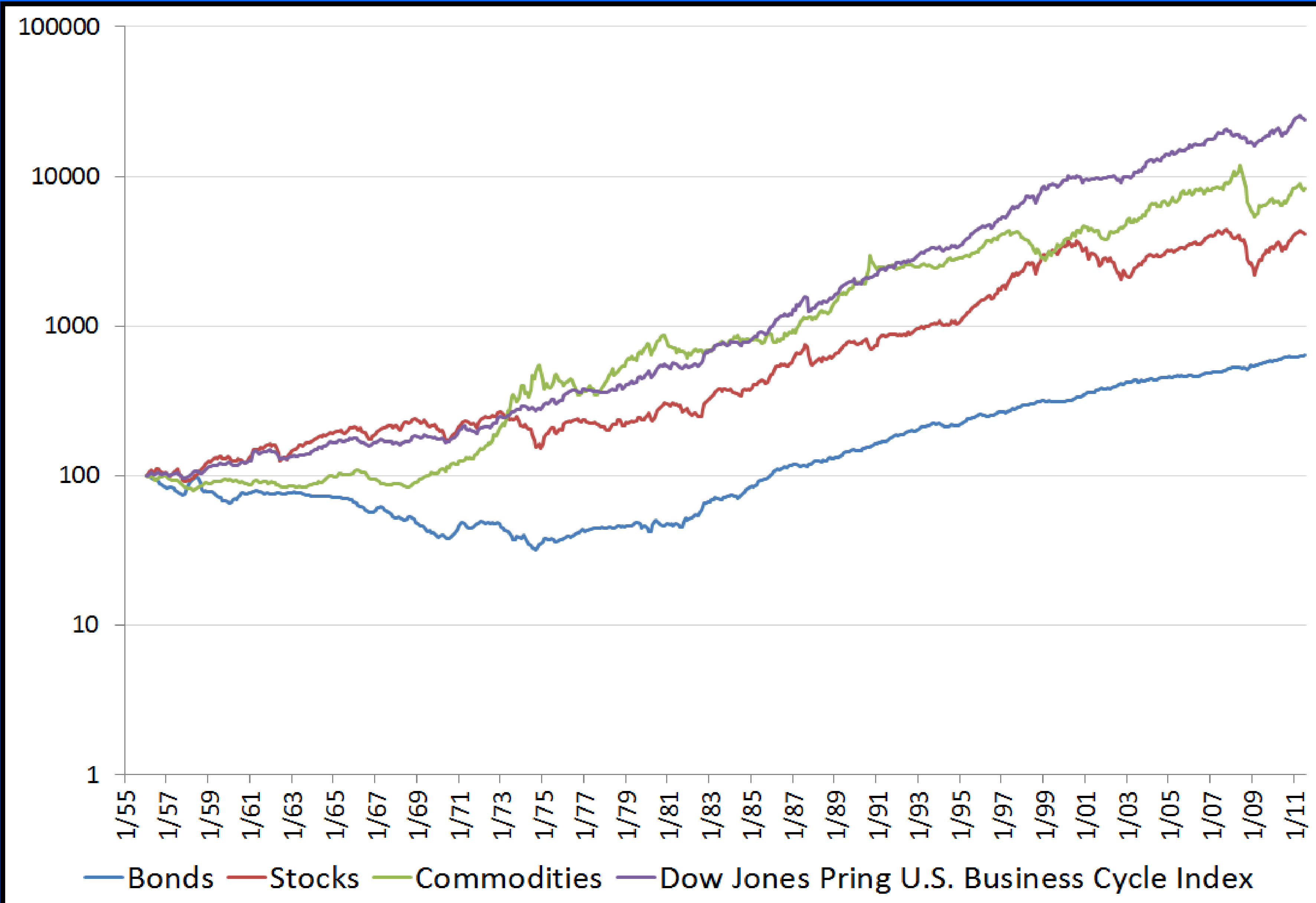
CRB Spot Raw Industrials and the Commodity Barometer

Results for All Stage I Since 1958

(15 signals average: 4.7-months duration: 10.8% total time)

Asset Class	Monthly Performance Annualized
Bonds	+9.8%
Stocks	-1.8%
Commodities	-8.6%

Dow Jones Pring US Business Cycle Index vs Specific asset Classes



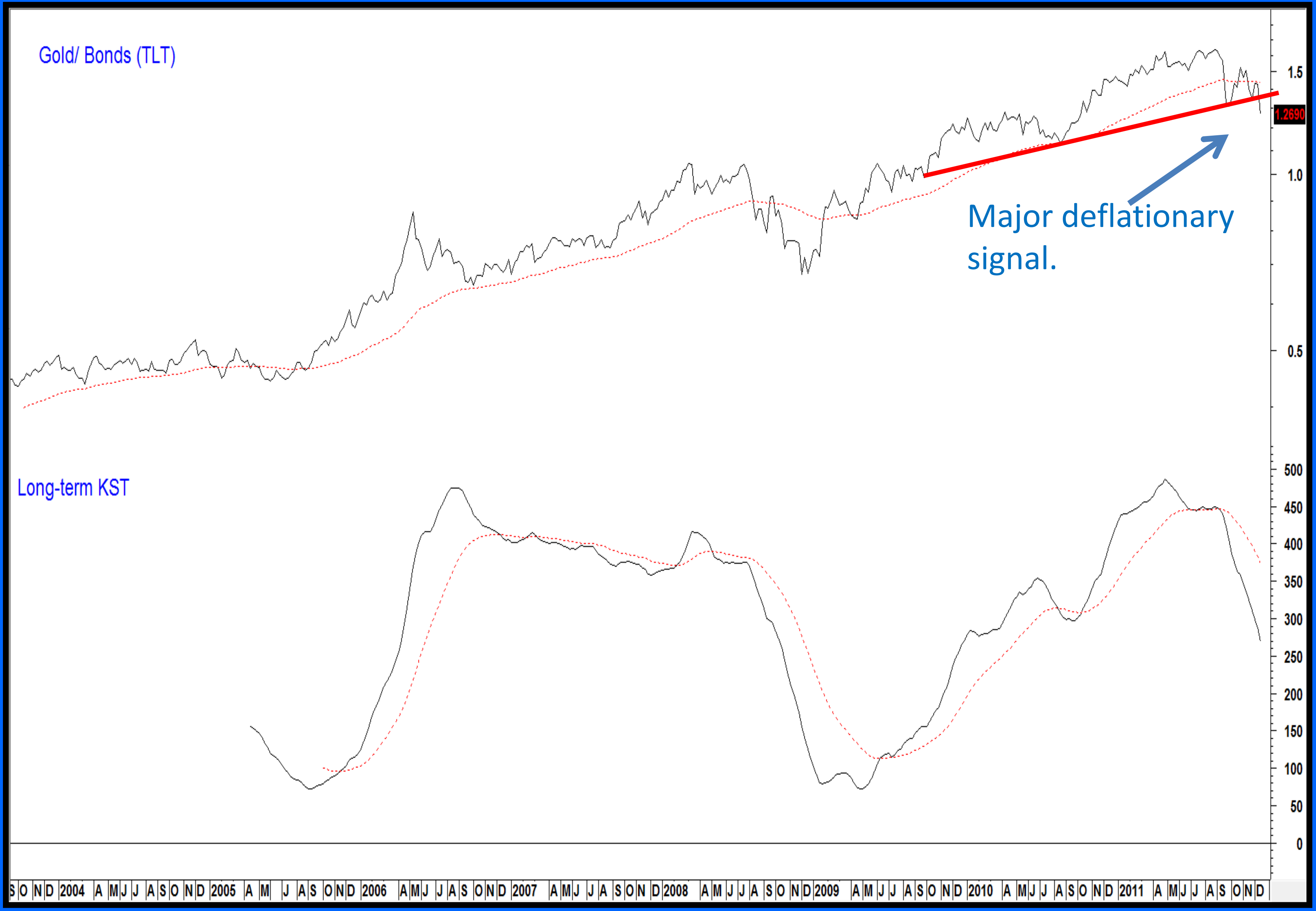
Return	3-Month	YTD	2010	1-Year	3-Year	5-Year	10-Year	Since 6/30/1994
Bonds	2.61%	4.35%	6.54%	4.44%	7.05%	6.57%	5.68%	6.66%
Stocks	-4.94%	4.05%	16.65%	21.01%	3.60%	3.12%	3.42%	8.64%
Commodities	-7.18%	0.31%	16.83%	21.41%	-7.18%	-0.10%	6.79%	6.57%
Dow Jones Pring U.S. Business Cycle Index (Monthly)	-6.01%	3.62%	14.27%	21.89%	9.85%	8.12%	9.49%	12.35%
Dow Jones Pring U.S. Business Cycle Index (Weekly)	-6.01%	3.62%	14.27%	21.89%	9.85%	8.12%	8.31%	11.54%

Risk	3-Month	YTD	2010	1-Year	3-Year	5-Year	10-Year	Since 6/30/1994
Bonds			2.91%	2.89%	4.18%	3.63%	3.79%	3.71%
Stocks			19.66%	13.70%	21.83%	18.33%	16.19%	15.98%
Commodities			19.24%	16.23%	22.06%	20.86%	17.70%	15.78%
Dow Jones Pring U.S. Business Cycle Index (Monthly)			18.32%	12.62%	13.01%	11.71%	10.28%	10.51%
Dow Jones Pring U.S. Business Cycle Index (Weekly)			18.32%	12.62%	13.01%	11.71%	10.10%	10.53%

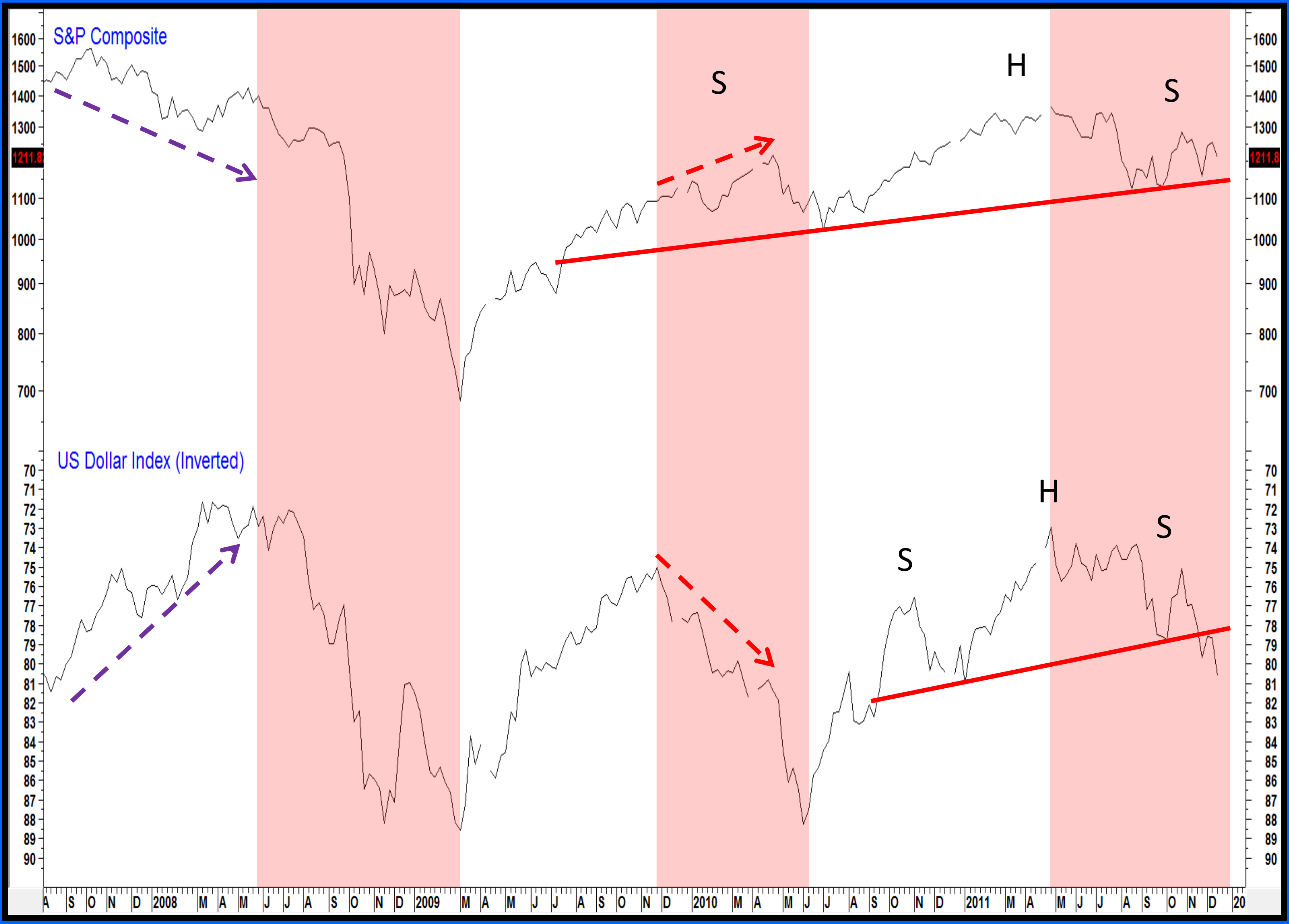
Data as of July 29, 2011.

Govt 20-year Yield to Moody's BAA
Red =recessions
18-ROC
Bouncing off the dashed purple line.
5.7773
9.5
9.0
8.5
8.0
7.5
7.0
6.5
6.0
5.5
5.0
4.5
4.0
3.5
50
0
-50
1910
1930
1940
1950
1960
1970
1980
1990
2000
2010

Gold/Bond Ratio and a Long-term KST



S&P Composite and the Inverted Dollar Index



Summary

1. The economy and the three financial markets go through a set sequence during the course of the business cycle.

2. Our models are signaling a deflationary Stage I.

3. Favored Stage I assets include bonds, utilities, consumer staples, homebuilders.

4. Stage I assets to avoid include commodities, energy materials and basic industry.