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John Bollinger's

CAPITAL GROWTH LETTER

15 April 2011

"The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it." — Ronald Reagan, Remarks to the White House Conference on Small Business, August 15, 1986

Why I Teach

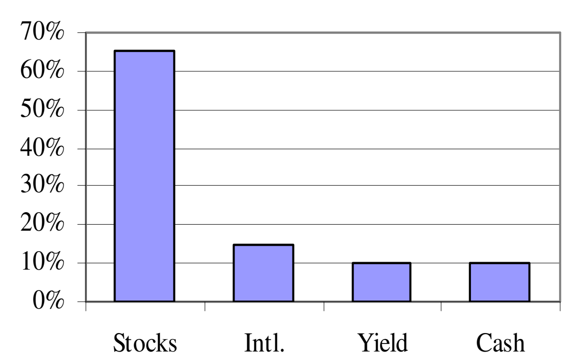
One of the questions I am asked most often is why I teach. The implied criticism is that if I can do, why would I teach? Another is whether the Bollinger Bands still work. Here the implied criticism is that Bollinger Bands have been around for so long that they no longer work, if they ever did. The two questions are curiously related. In this month's newsletter I will answer them both and present an interesting piece of supporting evidence in the form of a work in progress, a new trend indicator derived from Bollinger Bands, BBTrend.

A few years after I started in this business on a full-time basis I received an invitation to join the Financial News Network. The position entailed compiling technical analysis information and making it available to the TV station's technical staff, writers and on-air personnel for presentation. The chairman of the company, Dr. Earl Brian, was a real believer in TA. He had done some in-depth TA studies while in college and continued to explore TA after graduation, even though he was a doctor and an entrepreneur. He owned a DEC mainframe computer in one of his technology companies and had his lead programmer, Jeff Zitelman, create a powerful suite of technical analysis programs called Cycliphase. One aspect of my job was to integrate Cycliphase content into FNN's daily programming. At the time I did not have any on-air duties, in fact I had terrible stage fright, but as the result of a labor dispute I was pressed into on-air service. At first I was VERY uncomfortable on air, but as the months passed I fell into my new role and very gradually gained some confidence. I decided that the best thing I could do on air was to teach. Partly this decision was the result of incessant prompting on the part of management to explain the jargon I used in my presentations. Another reason was that so many viewers asked so many questions, questions that often revealed that they were deeply in need of market knowledge in general and technical analysis in specific. So, I became a sort of on-air teacher / analyst / market commentator. Over time I became comfortable with those roles and

The Investing Environment

Monetary	Model	Current
Fed Model	Neutral	
Yield Curve	Positive	3.28
Money Supply	Positive	4.5%
Sentiment	Model	Current
Net Bulls	Negative	39.1
Options	Neutral	0.97
Valuation (S&P 500)	Last Signal	Current
Yield	Buy	1.90%
P/E Ratio	Buy	17.2
Current Trends	Short Term	Long Term
Stocks	Up	Up
Interest Rates	Flat	Up
Energy	Up	Up
Gold	Up	Up
Commodities	Up	Up
Dollar	Down	Down

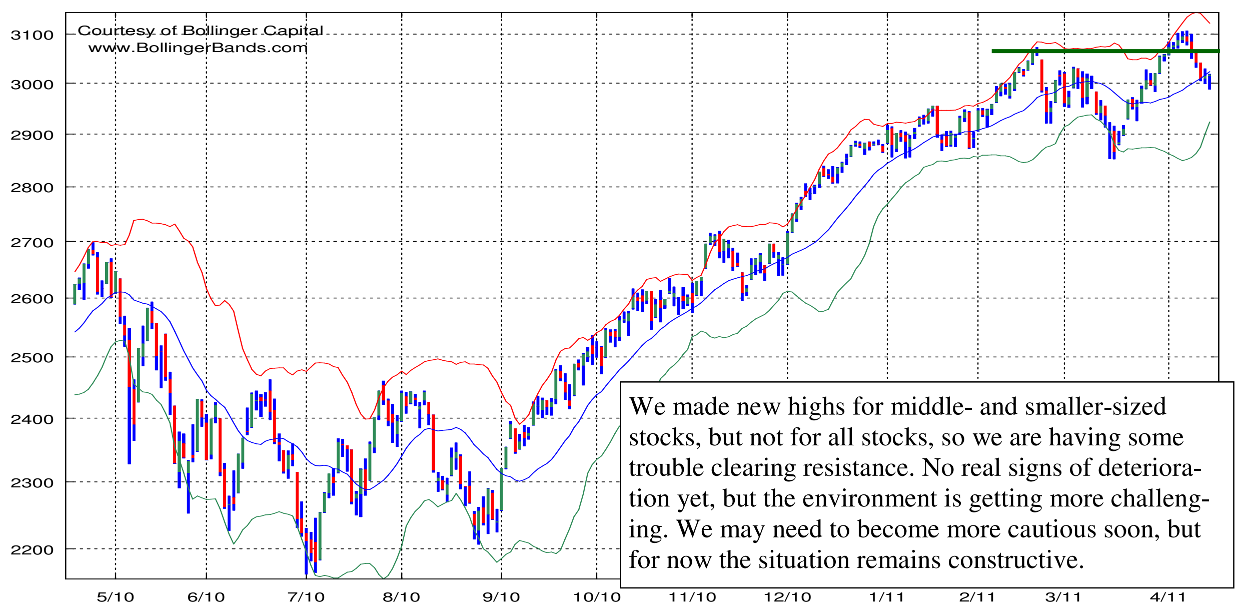
Asset Allocations



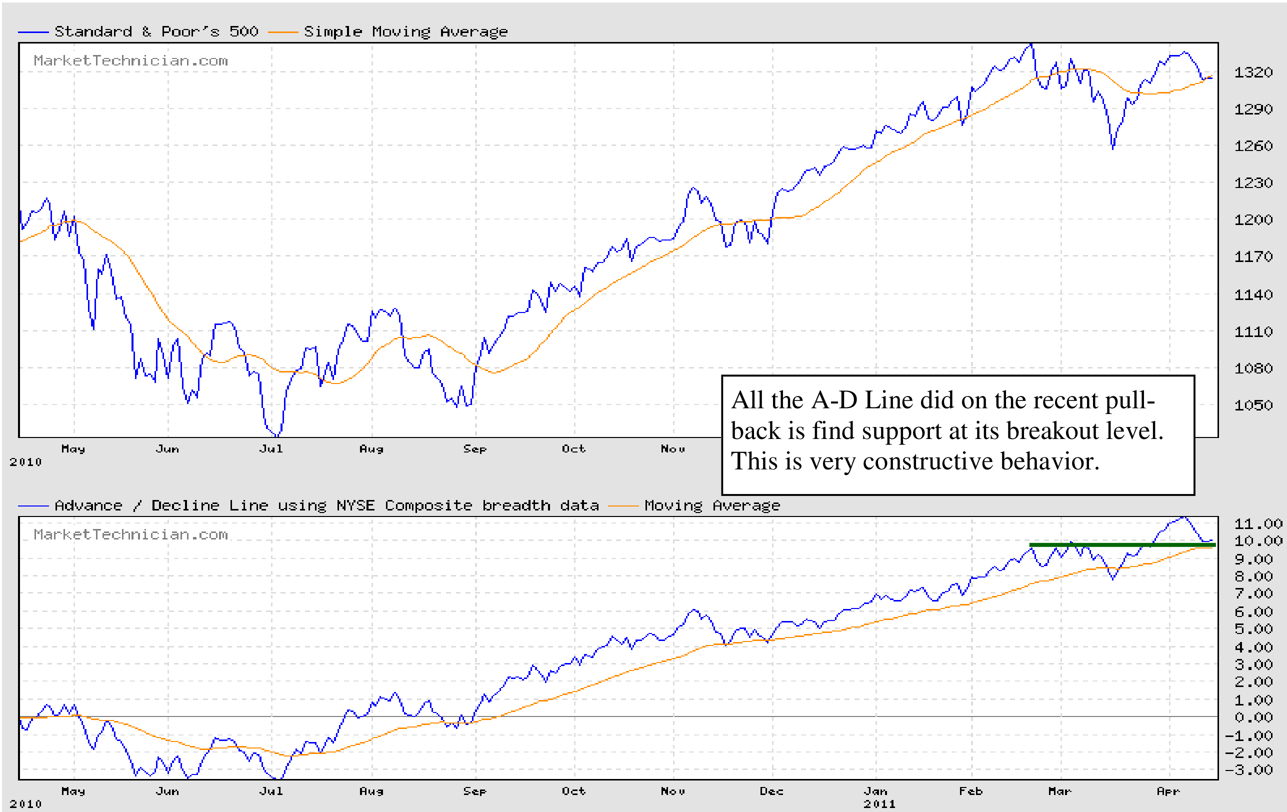
integrated them into my process. When I started writing a market letter I simply continued in the mode to which I had become accustomed and when I started speaking I continued in the same vein too. Along the way a couple curious things happened. First, I discovered that in preparing on-air, written or seminar material I learned a great deal. I had to do serious research to come up with new ideas to create the material plus I had to codify my existing knowledge in order to present it clearly. So, the teaching gradually became the driver for my learning and understanding. Little did I realize how powerful an engine this was, or how central to my process it would become. Second, I discovered that in answering questions, creating my explanations on the fly often uncovered connections and/or triggered insights in sometimes totally unexpected and occasionally deeply insightful ways. This remains true for me to this day. It turns out that in answering questions I draw on my deepest resources and reasoning mechanisms to provide clear answers. So, in an odd sort of way, I sometimes learn more by teaching than I actually teach. (Perhaps I should pay my students!)

On my recent trip to China the old questions came up again and again in various guises. Bollinger Bands are very old; how can they still work? How can the Bollinger system work if everybody knows about it? What are the secrets of the Bollinger Band system? (There must be secrets!) And paramount to all: What to do at the hard right edge of each and every chart? These questions belie deep misunderstandings of what Bollinger Bands are, of how to use them properly, and of investing/technical analysis in general. The first part of the problem is the failure to understand that Bollinger Bands and the BB indicators are tools, not systems. As such they can be put to many uses; that the uses are up to the user, and that virtually all users use BBs differently; that systems can be constructed using BBs, but that BBs and the BB indicators are not systems in-and-of-themselves.* When you try to explain that BBs simply provide the answer to the question as to whether prices are relatively high or low at any given point in time you get blank looks that can verge on hostility. This is especially true with questioners pointing to the hard right edge of a chart who want to know with certainty what to do. There is little understanding of the need to wait for a setup where the odds are in your favor and the risk and reward characteristics are attractive. There is a deep thirst for continuous advice and little appetite for the work that successful investing entails. Simple answers are sought, no, demanded, and it is seen as a failing if you cannot provide them.

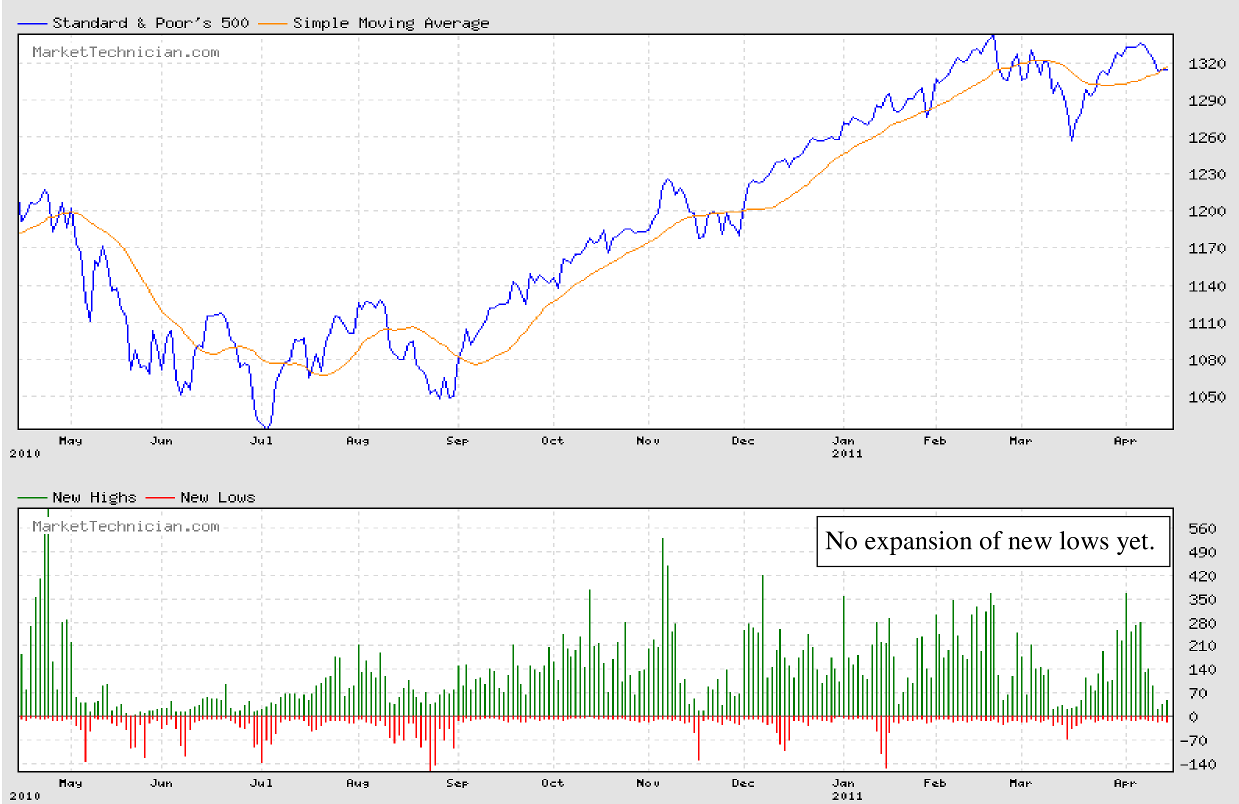
* A perfect example of this is CXO Advisory which recently released a study concluding that Bollinger Bands do not work. He tested the S&P 500, buying tags of the lower band and selling tags of the upper band, a strategy that even the most naive user of Bollinger Bands would recognize as hopelessly optimistic. Apparently he had not bothered to do the most basic research into the use of Bollinger Bands or read my book. From the 15 Rules insert at the back of "Bollinger on Bollinger Bands" Rule 7: "Price can and does, walk up the upper Bollinger Band and down the lower Bollinger Band." Rule 15: "Finally, tags of the bands are just that—tags and not signals. A tag of the upper Bollinger



Value Line Arithmetic Index — One Year



S&P 500 and NYSE Advance—Decline Line — One Year



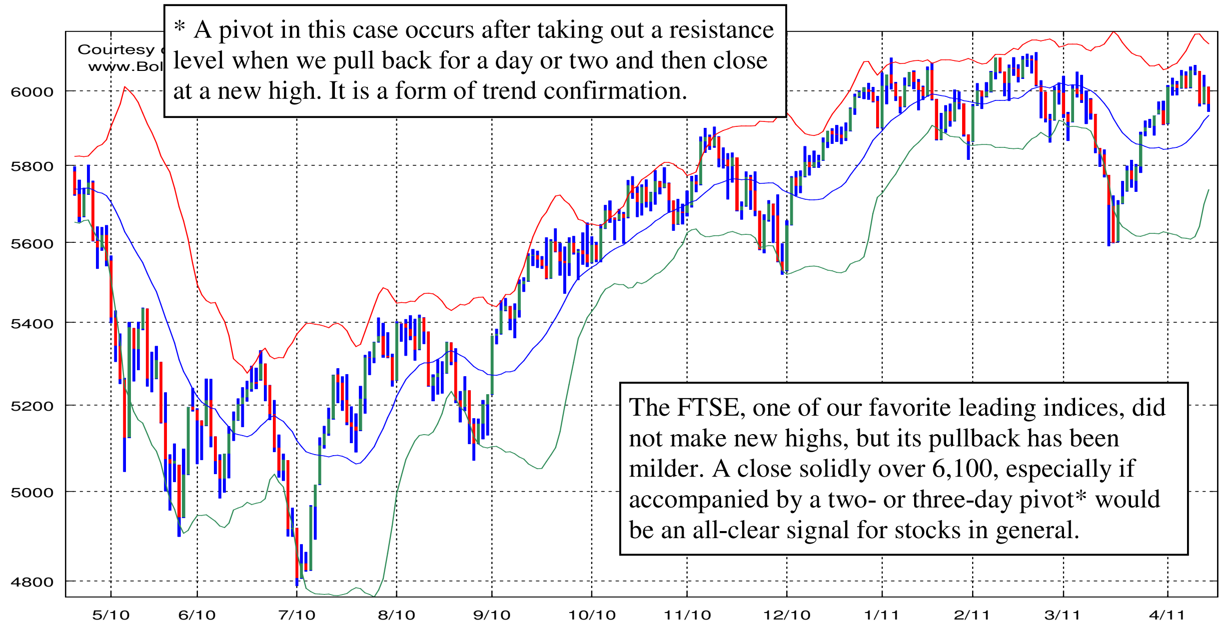
S&P 500 and NYSE New Highs / New Lows Histogram — One Year

Band is not in and of itself a sell signal. A tag of the lower band is not in and of itself a buy sigal." (Emphasis from the book.) Why would he run such a simple-minded test, when this sort of knowledge has been widely disseminated for more than 20 years? I suspect that the motive is self-aggrandizement via the denigration of all others.

Returning to our first question, in a couple of presentations this year I spoke on a topic I hadn't addressed for many years; the use of multiple Bollinger Bands, usually in the old sense, that of using 20-period and 50-period bands on the same chart, with the theme being trend identification. The idea is quite simple and effective; in an uptrend the upper bands will assume similar values and in a down trend the lower bands will assume similar values. So, while explaining this idea at a seminar at the Shanghai MoneyShow it occurred to me that one could create a trend indicator using Bollinger Bands. In the past we had only one decent trend indicator, ADX, a tool from Welles Wilder's Direction Movement System. ADX worked well enough, but there was room for improvement. Along came Tushar Chande with his Vertical Horizontal Filter and Aroon indicators and Mr. Dreiss with his Choppiness Index. These were important improvements in trend detection that allowed a better understanding of trendiness in general and offered insight into the changing character of price data. We programmed them into BBands.com and used them. Fast forward to the night after the seminar: I am lying in bed with the usual jet-lag induced sleeplessness the night after crossing the dateline and sorting through the oldies, ADX, VHF, Aroon and Choppiness, turning over their calculations and pros/cons in my head. Front and center is the idea I had while teaching, a trend indicator derived from Bollinger Bands. First I had to let go of the old ways, after which I was free to build the new approach. The next morning I wrote it down using Trade, the systems language I developed for this sort of work. Over the next few days I fine-tuned it and named it BBTrend. When I got back from my trip I programmed it into my computer and found that I was quite close to what I wanted. A few tweaks, one change in the basic logic and a bit of testing and the first version of BBTrend emerged ready to tackle the markets. Charts and comments on pages 13 and 14. BBTrend is still very much in development/testing and will doubtless change a bit before it is ready for release. (In another late night session I developed a black and white or discrete version of BBTrend, but I have yet to code it.) I believe this is the most important new work I have done in some time and that it will be an important part of our Formula Plan work. No, I haven't forgotten about that, it has just been overhauled by events as we have moved forward. More on BBTrend as I get into it a bit farther.

Stocks

As I feared might be the case, the stock market is having trouble getting through resistance in this recovery rally. For the S&P 500 that's 1,345 or so, for the Dow, 12,500, and for the NADAQ 100 it's about 2,400. This sort of thing is fairly typical and lends credence to fears of a double top leading to a more substantial correction. One way to gauge what the risks are is to look at the market internals where we find the advance-decline line making



* A pivot in this case occurs after taking out a resistance level when we pull back for a day or two and then close at a new high. It is a form of trend confirmation.

The FTSE, one of our favorite leading indices, did not make new highs, but its pullback has been milder. A close solidly over 6,100, especially if accompanied by a two- or three-day pivot* would be an all-clear signal for stocks in general.

British Stocks — FTSE — One Year

a new high on the recovery and no expansion of new 52-week lows during the pullback. If the risk was high we'd expect the a-d line to be lagging and/or new lows to be expanding. So far this looks like the typical psychological trouble one sees when the big indices approach prior highs after corrections. From a sentiment perspective the picture is actually quite confusing; whilst bearish opinion seems strong everywhere I look, Investors Intelligence reports a very high percentage of bullish advisors. This dichotomy can be seen on the Markets list where bearishness seem to well up on each decline and fade on each recovery to a much greater extent than it used to. It is almost as if the advisers were literally weathervaning with each minor turn of the market. It appears that there is very little long-term conviction about anything and it takes some conviction, or at least consensus, to move that markets. Managers tend to sit on their hands and let cash accumulate when they are uncertain about the outcomes. It is really only when they feel some conviction and reach consensus with other mangers that they become a herd and have the power to move the markets. Here is a CNBC article describing the surge in bullishness among investment advisors: http://www.cnbc.com/id/42459309 In any case, we take the large plurality of bulls quite seriously and it moves us one notch toward a more neutral stance. The jump last week was so large we can't help but wonder if it is sustainable, so the numbers over the next couple of weeks will be of great interest to say the least.

I heard an interesting piece on the radio the other day, in which farmers were stressing long-term plans and not replanting to take advantage of suddenly high crop prices. It was as if they had been reading Humphrey Neill. Perhaps farmers are the new contrarians and investment advisors leaves in the wind? You can listen to the NPR piece here: http://tinyurl.com/3gyq3o9

So, we find ourselves a bit more cautious, with the arguments against continuing the uptrend starting to build as we try to work our way onto new high territory. I am not ready to make any changes in the allocations yet, but I have reviewed all our stops and made increments where necessary. The seasonal trends remain strong well through the middle of the year, but they are only a loose guide and I will trade against them if enough deterioration shows up, but that is not the case yet. The outlook remains positive, but there are now legitimate concerns that need to be monitored carefully.

There has been a lot of group and sector rotation. One very interesting aspect is the relative strength in healthcare. There are still lots of opportunities in the sector, for example, the big drug companies. Two sectors have similar patterns, a breakout and pullback to a logical support point: consumer noncyclical and international. On the downside, the two sectors that look the most vulnerable are finance and yield.

Ice Breaker update: We still have three Ice Breaker positions open, one SPY and two QQQ. The stops are now 130.07 for the SPY and 55.79 for the QQQ.

Portfolio comments at the back of the letter.

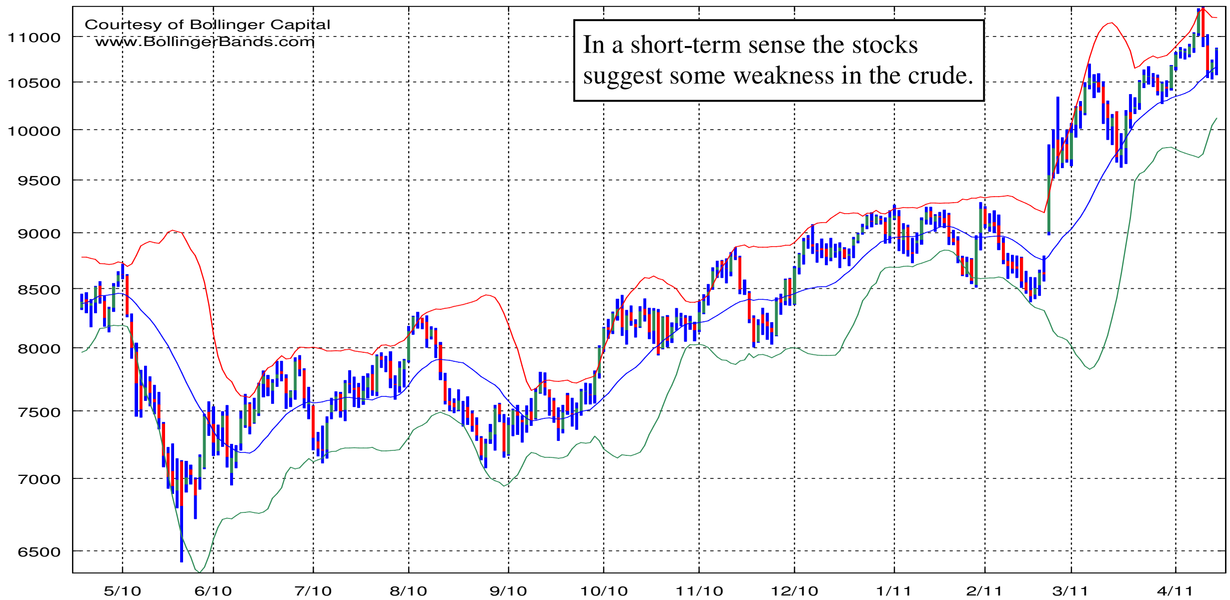
30-Year Treasury Bond Yield — TYX — One Year

Gold Bullion Futures — CME — One Year

Interest Rates

If I had to hazard a guess it would be that equilibrium for short-term interest rates is somewhere in the area of two-to-three percent, but there is no way of actually knowing as the Fed is holding rates at an artificially low level. This is a shame as rates serve as a signaling function that we now cannot take advantage of. If they were freely floating, as they should be, they'd contain a lot of information about inflation, economic growth, monetary policy, fiscal policy and international competitive pressures. This problem of lost information is similar to the problem that created the rolling crises in Euroland. The merging of all the Euroland currencies into a single currency destroyed the information that had been available in prior years and allowed some nations to conduct practices and policies that they would never have gotten away with in an open framework. For example, in the old days Greece could have lied all it wanted to about their deficits, but the bond/

Gold Stock Index — XAU — One Year



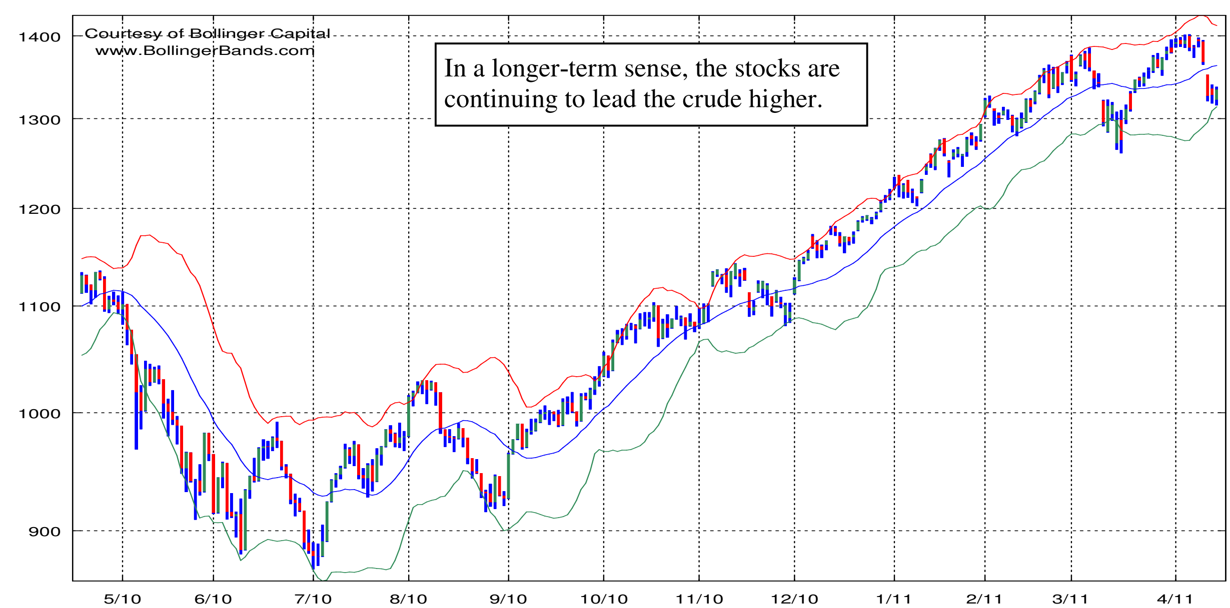
Crude Oil Futures — CL — One Year

currency vigilantes would have punished them mercilessly for doing so. Under the umbrella of the euro, they could get away with lying for a long time while pretending to a German-like credit and heaping up debt. Frankly the best thing that could come out of this crisis is a breakup of the euro and a restoration of the traditional signaling mechanisms.

If you look at Euroland in the hardest possible light, all that is left is the greater-German monetary system. Germany and France's pockets were deep enough to bail out first Greece and then Ireland. Now Portugal is at the door begging. Fortunately it is relatively small compared to the major economies, but Spain and Italy present problems of different orders of magnitude.

Greater Eurozone GDP table

Rank	Country	2007	2008	2009	2010
1	Germany	3,333	3,651	3,338	3,305
2	France	2,598	2,865	2,656	2,555
3	United Kingdom	2,812	2,679	2,178	2,258
4	Italy	2,119	2,307	2,118	2,036
5	Russia	1,299	1,666	1,231	1,476
6	Spain	1,444	1,601	1,467	1,374



Oil Stock Index — XOI — One Year

7	Netherlands	783	877	796	770
8	Turkey	649	730	614	729
9	Switzerland	434	502	491	522
10	Belgium	459	506	472	461
11	Sweden	462	487	406	444
12	Poland	425	529	430	438
13	Norway	387	446	378	413
14	Austria	372	416	382	366
15	Greece	310	351	330	305
16	Denmark	310	340	310	304
17	Finland	246	271	238	231
18	Portugal	231	253	233	223
19	Ireland	259	264	222	204
20	Czech Republic	174	216	190	195

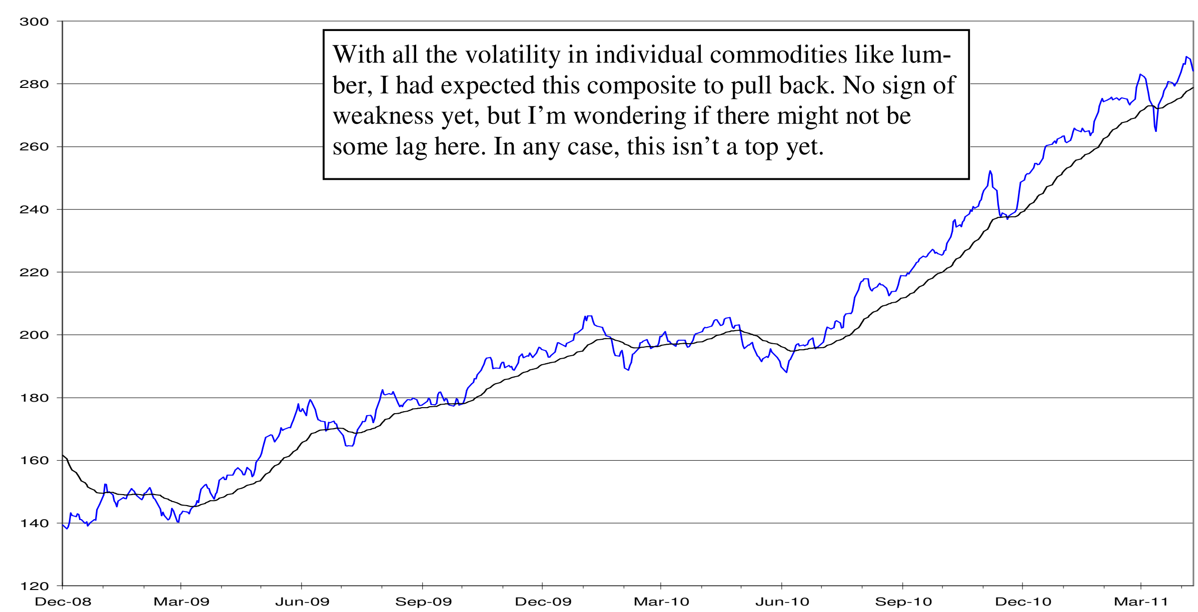
The EU was strong enough to absorb the shock of now 15th ranked Greece and 19th ranked Ireland and can probably handle 18th ranked Portugal, but what of 4th ranked Italy or 6th ranked Spain? Taken together their GDPs outrank even Germany's. France's credit rating is already under fire despite strong denials, leaving Germany as the final element in the bulwark of the euro. But do they have an endless appetite for absorbing the pain needed to keep the euro in place? I don't think so. With a credit default swap rate above Italy's, Spain is clearly the next fire spot and the bond vigilantes are on alert. The really interesting part for me being a Californian is that California's CD rates are quite near Spain's. Today we are talking about the rolling crises within the European community, tomorrow we may be talking about the rolling crises within America, and soon thereafter about America's crisis. Of course that could all be easily fixed, but as of yet there is clearly no appetite to fix it. The mad people in Washington and the state capitols insist on fiddling while the flames spread. To wit, the Obama administration's latest budget cutting proposal doesn't begin to address the real problem.

Gold

Gold bullion eked out a new high, but the stocks refused to follow. I remain very concerned about the risk/reward ratios in the precious metals complex. Huge investor interest clearly isn't able to drive the stocks to new highs. Though it has been a nice run, the precious metals complex seems more scary than inviting and the stocks seem heavy. Central Fund of Canada, CEF, a closed-end gold and silver bullion fund, just raised 360 million US$ in an offering, so the appetite for precious metals assets is clear, yet the stocks are lagging. If you feel a need to deploy assets in this sector, please be careful

Energy

We find exactly the opposite situation in the energy markets, with the stocks leading crude oil and the products higher. The current pullback in oil and the oil stocks ought to lead to nice entry/reentry/add-to spots. Indeed, some of the stocks seem to be trying to settle into short-term bottoms as I write, but it is too early to be sure. I maintain my long-term view that energy assets should be accumulated on pullbacks and that an energy allocation ought to be an important part of any long-term asset allocation.



CGL Commodity Composite — Two Years

The Dollar

The dollar has broken support and is now basically in freefall with no support in sight. We believe that this is the result of a deliberate policy to undermine the value of the dollar on the part of our government, with the goal of increasing our international competitiveness, boosting inflation and decreasing the relative value of our debt burden. We believe that this long-term decline is a direct result of the bankruptcy of our policies and that it should serve as a clarion call to the citizenry to recapture our founder's values, the values that made this country so great. This is not a matter for government, but rather that citizens require from our government rational and reasonable policies that will put us back on the path of greatness. Frankly, in my view, the thing that is needed is smaller government and greater individual initiative and responsibility.

View From The Beach

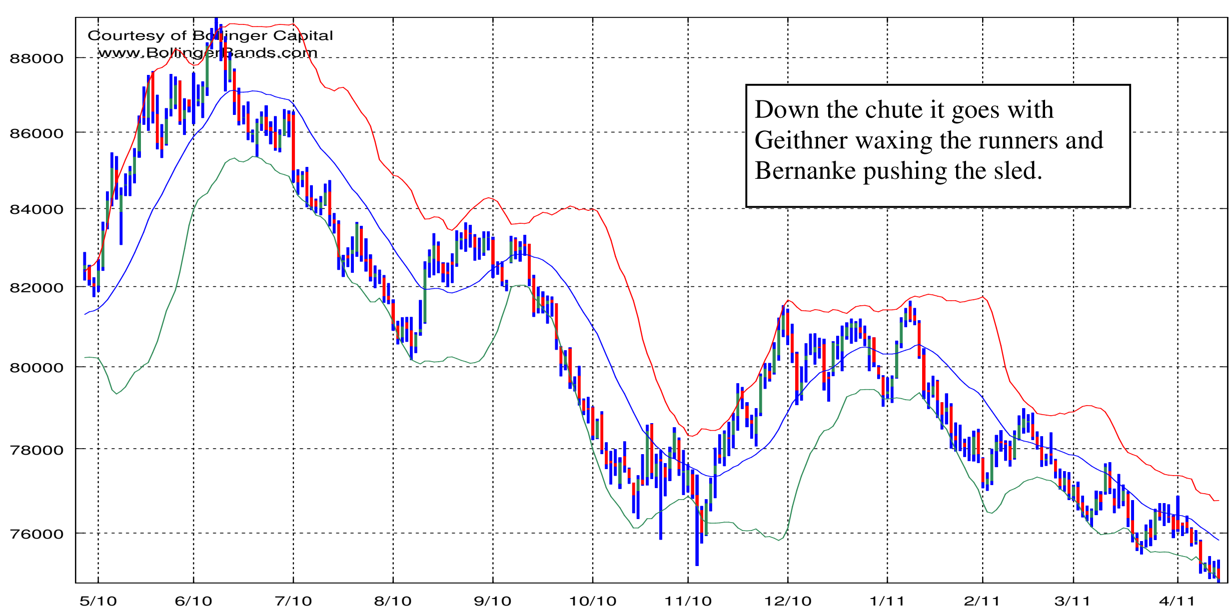
Mexico is sliding into chaos. The government has lost control of large portions of the country and is losing more ground daily. There are towns with no police, because no one will serve. The cartels are clearly more powerful than the government, economically and militarily. When Vicente Fox was elected and NAFTA passed it really looked like Mexico’s future was bright, but the last five years have seen a virtually unprecedented descent into a literal hell for the country. There are lots of explanations, but none more poignant to the thoughtful observer than our appetite for drugs. The economic implications of one of our most important trading partners devolving into violent psychosis are profound and as far as I can tell no one in Washington is paying attention.

Our appetite for drugs doesn’t stop with cocaine, heroin, marijuana, and methamphetamine; that’s just the tip of the iceberg. We are addicted to drugs of all sorts, debt, easy money, unrealistically high wages, unions, government, free health care, “guaranteed” retirements and so on... Like any addict, we need to wean ourselves off those vices, take personal responsibility for our lives and go about the business of securing our futures for our families and ourselves.

Reading Rack

O'Reilly is out with “R Cookbook”, by Paul Teetor, a sort of manual by example for the R language that is so popular in the quantitative and finance and rigorous trading worlds. I'll be speaking at the R/Finance 2011: Applied Finance with R conference, April 29 & 30 in Chicago. I've long used R as one of my research and development tools and have read the R-SIG-Finance e-mail list for years. (SIG is short for special interest group.) If you are interested in R and finance you can subscribe to the group here: https://stat.ethz.ch/mailman/listinfo/r-sig-finance. There are a lot of very bright and helpful people on the list and I have found it to be a tremendous resource. R is a free language and can be obtained here: http://www.r-project.org/ There are a few graphical user interfaces to R that can make life easier,

Continued on page 15.



Dollar Index — DX — Daily — One Year

GroupPower

Sector Ranks

Name	Momentum Short	Momentum Inter.	Momentum Long	$$ Flow
Healthcare	0.99	1.43	1.80	94.4
Consumer Noncyclical	0.54	0.89	1.20	92.0
International	0.34	0.62	0.89	97.6
Telecommunications	0.32	0.54	0.93	85.6
Yield	0.12	0.29	0.54	80.0
NASDAQ Comp	0.04	0.30	0.73	N/A
Consumer Cyclical	0.02	0.43	0.93	76.8
Market ETFs	-0.08	0.43	0.93	94.4
S&P 500	-0.11	0.26	0.69	N/A
Technology	-0.15	0.33	0.99	82.4
Business	-0.18	0.32	0.88	90.4
Basic Materials	-0.41	0.39	1.14	83.2
Financial	-0.54	-0.08	0.40	77.6
Energy	-0.54	0.55	1.43	91.2
Industry	-0.55	0.32	1.08	84.8
Media	-0.60	0.23	0.87	84.0
Transportation	-0.72	-0.23	0.33	71.2

Statistics

Breadth	
10-day Open Arms Index	0.99
10-day Open Adv / Dec	0.90
High-Low Index	100.0
High Low Logic Index	0.0
Percent Above Average	
Percent above 10-day moving average	21.67
Percent above 50-day moving average	58.62
Percent above 200-day moving average	93.10
New Highs and Lows	
13-week new highs	0
13-week new lows	2
26-week new highs	0
26-week new lows	4
52-week new highs	13
52-week new lows	0

GroupPower

These tables derived from John Bollinger's GroupPower, a daily analytical service. There are 15 market sectors, 203 industry groups and 5,460 stocks in the GroupPower structure. 2,428 stocks are categorized into industry groups, 3,032 are currently out of groups. The sectors and groups are formed using Rational Analysis, a combination of technical and fundamental tools. In order for a stock to be in a group it must exhibit both a business fit and statistical fit.

www.GroupPower.com

GP is also available from eSignal (800-SMARKET).

A guide to using GroupPower and a listing of the GroupPower structure is available to subscribers.

Short = Short-Term Front-Weighted Momentum, 22-day horizon.
Int = Intermediate-Term Front-Weighted Momentum, 62-day horizon.
Long = Long-Term Front-Weighted Momentum, 125-day horizon
-5, -10, -20 = 5,10 and 20 days ago.
$$ Flow = Money Flow Persistency. A measure of money flow designed to look out six months.

Early Warnings

Positive Warnings	Negative Warnings
None	Electronics
	Title Surety Insurance
	Travel
	Comps Parts
	Retail Office Supplies
	Lodging

Strongest — GroupPower Ranking — Weakest

Group Name	Momentum Short	Momentum Inter	Momentum Long	Money Flow	In/Out Gear
Food Retailers	2.71	2.47	2.19	85.6	0.60
Drug Delivery System	2.49	2.46	2.36	66.4	0.36
Hong Kong	2.33	2.37	2.56	80.0	0.48
Household Durables	2.16	1.89	1.71	59.2	0.69
Biotech	2.01	2.05	2.14	52.0	0.45
Telecom Infrastructure	1.89	1.31	1.40	84.8	0.62
Diverse Drugs	1.76	1.80	1.85	81.6	0.61
Footwear	1.55	1.93	2.43	84.0	0.63
Clothing and Fabrics	1.39	1.54	1.60	59.2	0.64
Home Furnishings	1.39	1.85	2.24	94.4	0.69
Retail Electronics	1.38	0.99	0.39	7.2	0.37
Soft Drinks	1.38	2.38	2.71	96.0	0.25
Adv Medical Devices	1.31	1.43	1.65	90.4	0.75
Recreation Products	1.28	1.27	1.65	77.6	0.81
Tobacco	1.26	1.68	1.68	65.6	0.47
Lab Research	1.21	1.46	1.64	83.2	0.52
ETF Health	1.19	1.33	1.45	79.2	0.63
Retail Apparel	1.18	1.46	1.58	48.8	0.72
IT Security	1.16	1.99	2.38	74.4	0.57
Food General	1.15	1.41	1.56	79.2	0.35
India	1.13	1.11	0.79	72.0	0.35
China Mainland	1.02	0.84	0.74	45.6	0.58
Precious Metals	0.95	1.60	2.01	66.4	0.55
Medical Supplies	0.92	1.24	1.65	100.0	0.61
Germany	0.91	1.35	1.71	92.8	0.88
ETC Consumer NonCyc	0.89	0.93	1.00	85.6	0.63
REIT Health	0.88	0.97	1.04	61.6	0.47
Personal Care	0.85	1.04	1.29	88.0	0.73
eCommerce	0.85	1.89	2.36	83.2	0.53
Trucking	0.84	1.27	1.47	75.2	0.41
Wireless Communications	0.83	1.23	1.33	56.8	0.45
Payment Transactions	0.83	1.37	1.78	78.4	0.73
Mining Diversified	0.79	0.96	1.28	99.2	0.79
Retail Jewelry	0.75	1.84	2.55	83.2	0.60
Pacific	0.74	0.85	0.87	99.2	0.50
Internet Consumers	0.73	1.15	1.56	67.2	0.74
Software Multimedia	0.73	0.82	1.17	92.0	0.75
Diagnostic Products	0.73	1.08	1.47	81.6	0.83
ETF Europe	0.72	1.06	1.24	97.6	0.74
Health Care Plans	0.72	1.96	2.82	65.6	0.48
Comps Data Storage	0.72	0.36	0.97	61.6	0.48
Comps Services	0.70	1.39	2.09	93.6	0.80
Market Exchanges	0.67	1.02	1.45	84.0	0.76
Spec Health Service	0.66	1.34	1.89	98.4	0.46
REIT Industrial	0.62	0.90	1.35	70.4	0.75
Software Dev Sys	0.62	0.75	1.21	83.2	0.90
Korea	0.59	0.78	0.83	90.4	0.43
Casinos	0.59	0.47	0.76	41.6	0.59
Prescript Benefit Mgt	0.58	0.92	1.22	85.6	0.49
United Kingdom	0.58	0.68	0.96	95.2	0.87
Retail Broadline	0.58	0.89	1.54	42.4	0.59
ETF Telecom	0.58	0.79	0.99	76.8	0.88

Group Name	Momentum Short	Momentum Inter	Momentum Long	Money Flow	In/Out Gear
Financial Services	-0.61	0.35	1.10	92.0	0.83
Machinery Heavy	-0.62	0.89	2.09	80.0	0.73
Communication Tech	-0.62	-0.21	0.48	69.6	0.69
Elec Distributors	-0.63	0.26	1.11	91.2	0.90
Home Construction	-0.63	-0.52	-0.14	49.6	0.04
Russia	-0.64	0.25	0.95	77.6	0.38
Healthcare Providers	-0.67	0.42	1.31	77.6	0.45
Japan	-0.69	-1.13	-0.74	99.2	0.14
Agricultural Machine	-0.69	0.18	1.06	85.6	0.88
ETF Finance	-0.72	-0.29	0.15	88.0	0.70
Banks Mid Atlantic	-0.80	-0.62	-0.38	51.2	0.42
Cement	-0.82	0.00	0.44	60.8	0.80
Oil Services	-0.86	0.51	1.71	91.2	0.59
Gas Producers	-0.89	0.47	1.43	89.6	0.47
Investment Firms	-0.92	-0.79	-0.28	92.0	0.53
Oil Producers	-0.93	0.30	1.39	94.4	0.54
Advertising Marketing	-0.97	-0.42	0.20	87.2	0.88
Fertilizer	-0.98	-0.37	0.53	75.2	0.69
World Oil Companies	-1.03	0.24	1.18	97.6	0.55
Insurance Life	-1.03	-0.41	0.16	72.8	0.87
Banks Major	-1.05	-0.58	-0.04	74.4	0.46
Coal	-1.07	0.37	1.64	84.8	0.39
Dry Bulk Shippers	-1.09	-0.59	-0.42	37.6	0.82
Construction	-1.11	-0.08	0.85	93.6	0.83
Latin America	-1.12	-0.47	-0.07	50.4	0.41
Lodging	-1.19	-1.03	-0.38	73.6	0.38
Aerospace Defense	-1.22	-0.26	0.51	92.0	0.72
Recreational Vehicles	-1.29	-0.20	0.79	81.6	0.63
Steel	-1.29	-0.49	0.27	75.2	0.76
Vehicle Other	-1.31	-0.06	1.03	58.4	0.59
Paper and Lumber	-1.32	-0.41	0.28	80.0	0.66
Auto Parts	-1.38	-0.69	0.28	84.8	0.56
Retail Transport	-1.39	-0.34	0.67	87.2	0.80
Comps Parts	-1.39	-1.57	-1.16	56.8	0.22
Oil Tankers	-1.42	-0.57	-0.12	56.8	0.47
Metals Non Ferrous	-1.45	-0.86	-0.03	76.8	0.58
Industrial Services	-1.53	-0.11	0.87	84.8	0.63
Solar Energy	-1.53	-0.97	-0.37	28.8	0.46
Retail Office Supplies	-1.61	-1.74	-1.28	56.0	0.04
Educational Services	-1.61	-0.90	-0.67	48.8	0.55
Travel	-1.67	-1.79	-1.27	71.2	-0.03
Semiconductor Equip	-1.75	-0.40	0.88	73.6	0.86
Contract Elec Manu	-1.77	-1.04	-0.07	78.4	0.65
Broadcast TVs	-1.79	0.15	1.35	76.0	0.69
Gaming Equipment	-1.82	-1.57	-1.24	52.8	0.06
Hospitals	-1.84	-0.31	0.76	66.4	0.36
Newspapers	-2.03	-1.37	-0.77	56.8	0.53
Industrial Tech	-2.06	-1.25	-0.24	70.4	0.58
Airlines	-2.19	-2.04	-1.58	36.8	0.01
Electronics	-2.28	-2.38	-2.02	32.8	-0.14
Title Surety Insurance	-3.27	-2.78	-2.23	9.6	0.27

Sector Selector ETF Portfolios

ETF Portfolios	Symbol	Date Selected	Purchase Price	Current Price	Dividends	Return	Rank
Style							(# in 21)
Russell Small Growth	IWO	11/1/2010	77.99	95.08	0.31	22.30%	1
S&P MidCap Growth	IJK	8/16/2010	79.55	109.88	0.48	38.73%	2
S&P SmallCap Growth	IJT	12/13/2010	72.44	78.87	0.42	9.45%	3
International							(# in 24)
Russia	RSX	1/31/2011	40.04	40.82	0.00	1.95%	1
Italy	EWI	2/28/2011	18.41	18.88	0.00	2.55%	5
Canada	EWC	4/4/2011	34.12	33.11	0.00	-2.95%	2
Sector							(# in 27)
Semiconductors	SOXX	12/6/2010	56.14	58.21	0.09	3.85%	5
Energy	XLE	2/7/2011	74.11	77.19	0.26	4.51%	1
Media	PBS	3/28/2011	14.97	14.90	0.00	-0.43%	2

Portfolio

Slot	Name	Symbol	ET Rating	GroupPower Group	ET Rating	Entry	Entry	Current	Divid.	Total	Mental	Action
			Stock		Group	Date	Price	Price		Return	Stop	
Core Portfolio - US Equities												
1	S&P 400	MDY	2	Mid Cap Blend	1	10/17/02	77.19	178.47	11.74	146.4%		Hold
2	S&P 400	MDY	2	Mid Cap Blend	1	11/08/02	78.27	178.47	11.74	143.0%		Hold
3	Home Builders	XHB	2	Home Construction	4	09/21/07	22.71	18.53	0.91	-14.4%	17.00	Hold
4	Transports	IYT	2	Transportation	3	03/20/08	86.50	95.62	2.43	13.4%	88.00	Hold
5	Caterpillar	CAT	3	Heavy Machinery	2	03/20/08	75.28	107.21	4.03	47.8%	95.00	Hold
6	News Corp	NWS	2	Diverse Media	1	05/27/08	19.24	18.46	0.35	-2.3%	16.50	Hold
7	Apple	AAPL	3	Personal Computers	2	10/06/08	95.23	327.46	-	243.9%	324.00	Sold 1/2
8	Bank of America	BAC	4	Banks Major	4	10/06/08	16.38	13.00	0.39	-18.2%	13.00	Stopped
9	General Electric	GE	2	Industrial Diverse	1	10/13/08	21.07	20.04	1.69	3.1%	18.25	Hold
10	ING	ING	2	Holland	1	10/13/08	7.17	12.54	-	74.9%	10.50	Hold
11	Interconn. Exchange	ICE	3	Exchanges	3	10/17/08	83.05	122.02	-	46.9%	110.00	Hold
12	Joy	JOYG	3	Machinery	2	10/16/09	53.93	96.86	1.05	81.6%	82.00	Hold
13	Rio Tinto	RIO	2	Mining	1	02/19/10	53.99	70.91	2.25	35.5%	61.00	Hold
14	Oracle	ORCL	2	Business Software	1	05/28/10	22.50	34.18	0.21	52.9%	29.00	Hold
15	Materion (was BW)	MTRN	3	Metal Fabrication	2	05/28/10	24.74	39.61	-	60.1%	33.00	Hold
16	Dominion Trust	D	2	Electirc	2	11/22/10	42.60	44.47	-	4.4%	41.00	Hold
17	Dominion	DOM	4	Energy	2	11/22/10	16.03	13.33	-	-16.8%		Hold
18	ExxonMobil	XOM	2	Oil Major	2	11/29/10	69.03	84.29	0.44	22.7%	76.00	Hold
19	Baker Hughes	BHI	2	Oil Service	2	11/29/10	49.97	70.48	0.15	41.4%	56.00	Hold
20	Global Materials	MXI	2	Basic Materials	1	05/28/10	54.86	75.17	1.20	39.2%	65.50	Hold
21	Merck	MRK	4	Diverse Drugs	2	04/18/11	34.51	34.51	-	0.0%		Buy
Core Portfolio - Yield												
1	Barclays High Yield	JNK	2	High Yield	2	02/20/09	29.17	40.49	8.98	69.6%		Hold
2	iShares High Yield	HYG	2	High Yield	2	02/20/09	69.98	91.84	16.06	54.2%		Hold
3	PS Finan. Preferred	PGF	2	Yield	2	03/13/09	8.35	18.09	3.08	153.5%		Hold
Core Portfolio - International												
1	Taiwan	EWT	2	Taiwan	4	03/13/09	7.73	15.07	0.50	101.4%	13.50	Hold
2	China	FXI	2	China Mainland	2	04/07/06	25.76	45.79	6.85	104.3%	40.50	Hold
3	Russia	TRF	2	Russia	1	04/20/09	13.23	23.07	0.11	75.2%		Hold
4	World ex-US	VEU	2	International	1	01/21/11	48.35	49.88	-	3.2%	44.00	Hold

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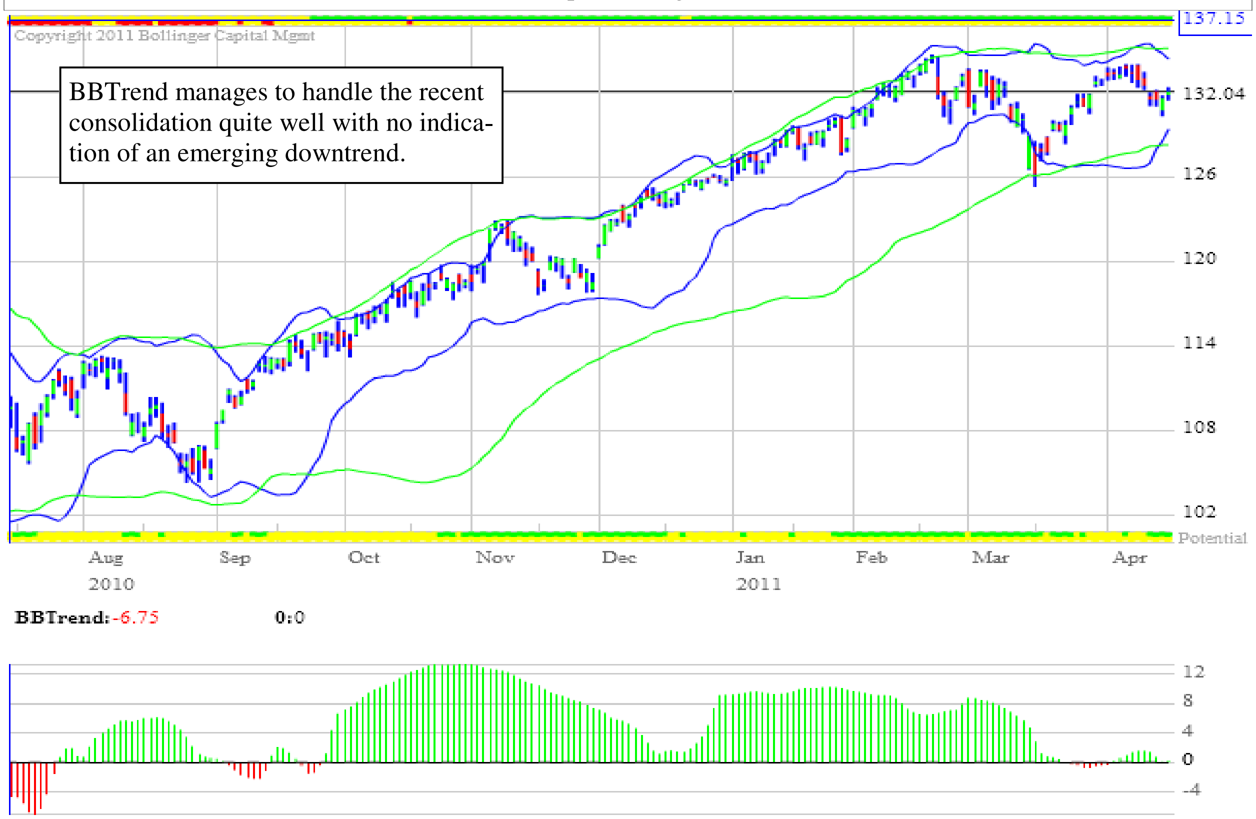
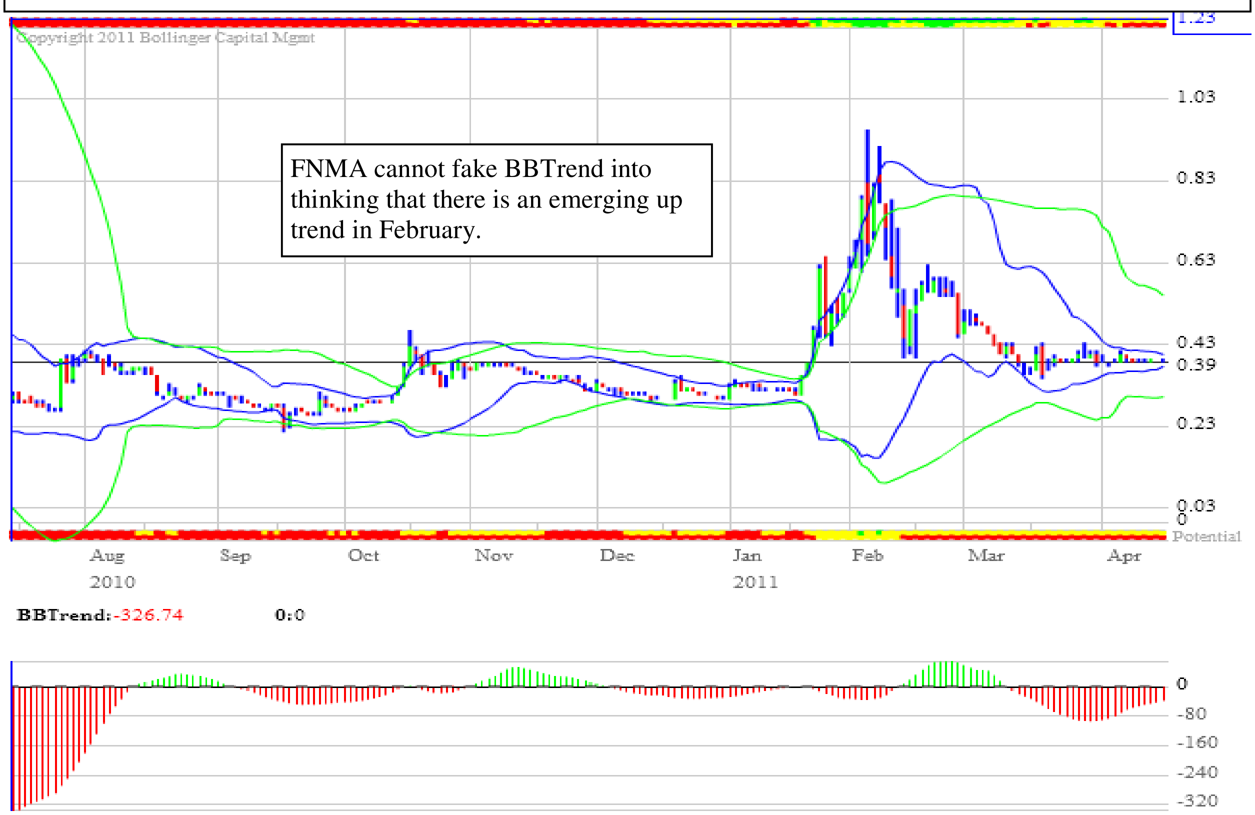
OSX — With Simple Bollinger Band Rainbows



SPY — With BBTrend

BAC — With BBTrend



FNMA — With BBTrend

Main Commentary Continued

especially in the beginning. In no particular order they are:
http://socserv.mcmaster.ca/jfox/Misc/Rcmdr/
http://www.rstudio.org/
http://sciviews.org/Tinn-R/

There are tons of books and online resources as well; a quick web search will turn up more than you can plumb. See you at the conference.

Appearances

Last October we held a two-day seminar in Los Angeles which we taped. I presented a lot of my new work, so if you did not have a chance to attend, our newly released DVD set may be of interest. For details see http://www.bollingerbands.com/products/dvd-2011

John Bollinger is frequently interviewed by Ron Insana, see http://www.roninsanashow.com/site

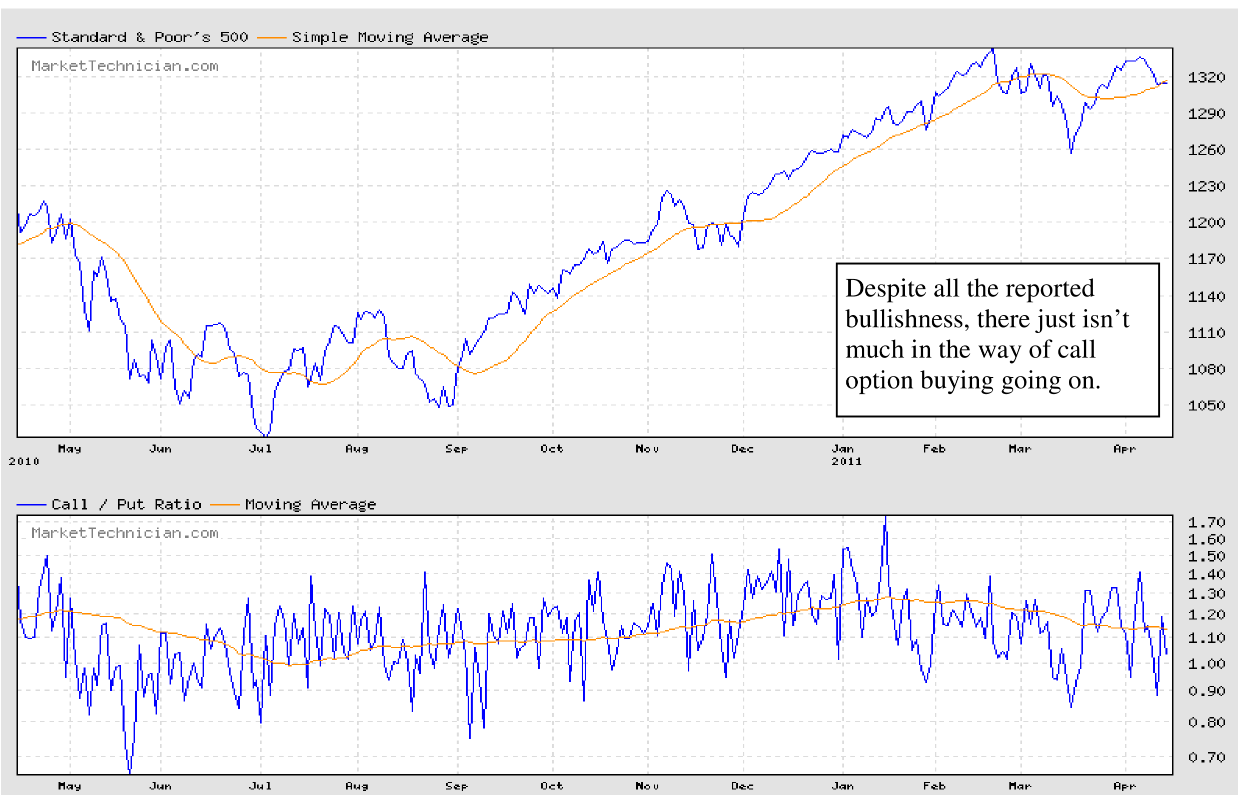
R/Finance 2011: Applied Finance with R
Chicago, IL April 29 & 30, 2011
http://www.rinfinance.com/

Italian Investing & Trading Forum, Rimini, Italy
May 19 & 20, 2011
http://www.itforum.it/

I will not be able to attend the MTA Annual Symposium this year due to my travel schedule. However, you should attend if you can, as it looks to be one of the best MTA gatherings in many years:
Market Technicians Association Annual Symposium
New York City, May 11 - 13, 2011
http://www.mta.org/eweb/dynamicpage.aspx?webcode=symposium

Portfolio Notes

We are adding one new issue at this time, a lagging stock in a leading group and sector that is just breaking out of a base, Merck, MRK. BAC was stopped out between issues. DOM is trading poorly as it pulls back into support, but it has such a high yield we are willing to tolerate a bit of misbehavior. Our next important move is likely a reduction in the allocation for stocks, but we are sitting tight for now awaiting technical deterioration before acting.



CBOE Call/Put Ratio — One year