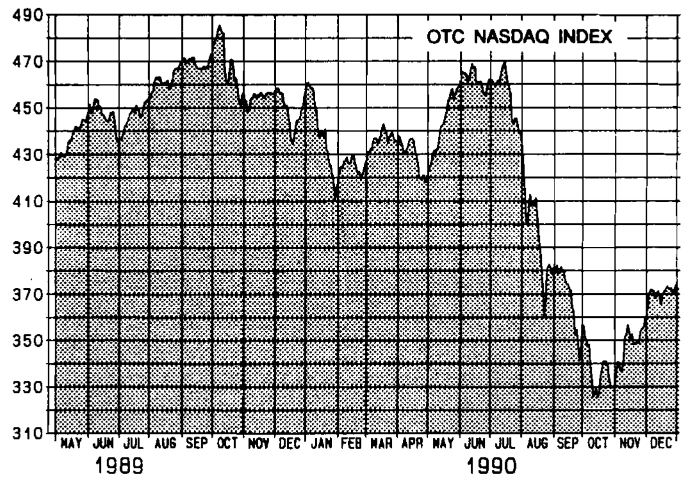
INVESTECH®

MARKET ANALYST

V91I01 — *TECHNICAL AND MONETARY INVESTMENT ANALYSIS* — JAN 4, 1991

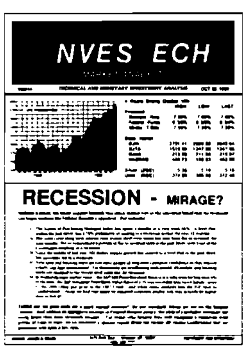


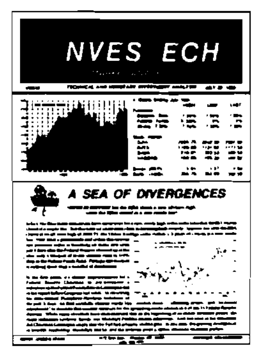
4 Weeks Ending January 2nd:

	HIGH	LOW	LAST
Financial			
Discount Rate	7.00%	6.50%	6.50%
Federal Funds	8 1/8%	7%	7 1/2%
90-day T-Bills	7.00%	6.44%	6.46%
Stock Market			
DJIA	2637.13	2586.14	2610.64
DJTA	923.91	895.24	907.98
DJUA	211.58	208.50	208.50
NASDAQ	373.84	365.72	372.19
Silver (MAR)	4.26	4.01	4.17
Gold (FEB)	396.20	372.10	391.10

TORO... TORO...

A little over 14 months ago, the Value Line Index of 1700 stocks was 30% higher than today. The optimistic *"soft landing"* slogan of the bulls, was equalled only by the universal (and confident) economic forecasts of *"NO recession within the next 3 years."* Ironically, it was 1 week after broad market averages like the Value Line, Nasdaq, Amex, and Transports peaked that we published our issue titled **"RECESSION – Mirage?"** which focused on four early-warning recession flags that had already been triggered. As equally unpopular at the time, was our July 20th issue titled **"A SEA OF DIVERGENCES"**, which gave five specific signals that stocks were heading for more trouble. It was published just three days after the DJIA's ultimate high at 2999.





Now, with the Value Line Average *7.5% below* its close on Black Monday in 1987, perma-bulls are a lot more difficult to find. Worries are spreading about the deepening recession (formally recognized by President Bush this week), the cancerous decay within the nation's banking system, and of course, the Iraqi conflict. As one media commentator stated, InvesTech's conservative, 100% cash position has been thoroughly vindicated. *So WHY would we title an issue like this?*

Monetary conditions are changing rapidly as the economic slide into recession accelerates. Pressures on the Federal Reserve have shifted – in some cases dramatically. No... don't count us among the super-bulls *(if any still exist)*. Yet inside this issue we examine some compelling evidence that what lies ahead for stocks may be **anything but** a financial Armageddon.

EDITOR: JAMES B. STACK — 2472 Birch Glen -- Whitefish, MT 59937 (406) 862-7777

A BRIGHTER MONETARY PICTURE

In appearances last fall on FNN's *"The Donoghue Strategies"*, CNBC's *"Smart Money with the Dolans"*, and CNN's *"Business Day"*, I gave 3 criteria that had to be fulfilled before seeing a major shift in Federal Reserve policy. They were:

1. Formal recognition of a recession by both ***private*** and ***government*** economists.
2. A sharp decline in ***underlying*** inflation pressures.
3. A ***mutual decision*** to ease from foreign central banks.

Evidence is mounting that all three of these have now been fulfilled to some degree. Several months ago, we said that government economists would refuse to recognize this recession until the Index of Leading Economic Indicators took another sharp tumble, or until Unemployment hit 6% in early January. It all unraveled within the past week:

White House's Forecast Admits U.S. Is in Recession

Meanwhile, private economists, as a group, scored a perfect 5/5 by missing this 5th recession (in 30 years) until it smacked them squarely between the eyes [1] . In any case, the "R" is formally recognized and **the Federal Reserve has a new, stronger incentive to ease.**

[1]

Start of last year :

NEW YORK – Despite recent danger signs, the U.S. economy will continue expanding for its eighth consecutive year, helped by lower interest rates, according to a survey of 40 economists by the Wall Street Journal. Of the 40 analysts surveyed, 34 agree that the economy probably will avoid a recession this year.

Wall Street Journal - January 2, 1990

Middle of last year :

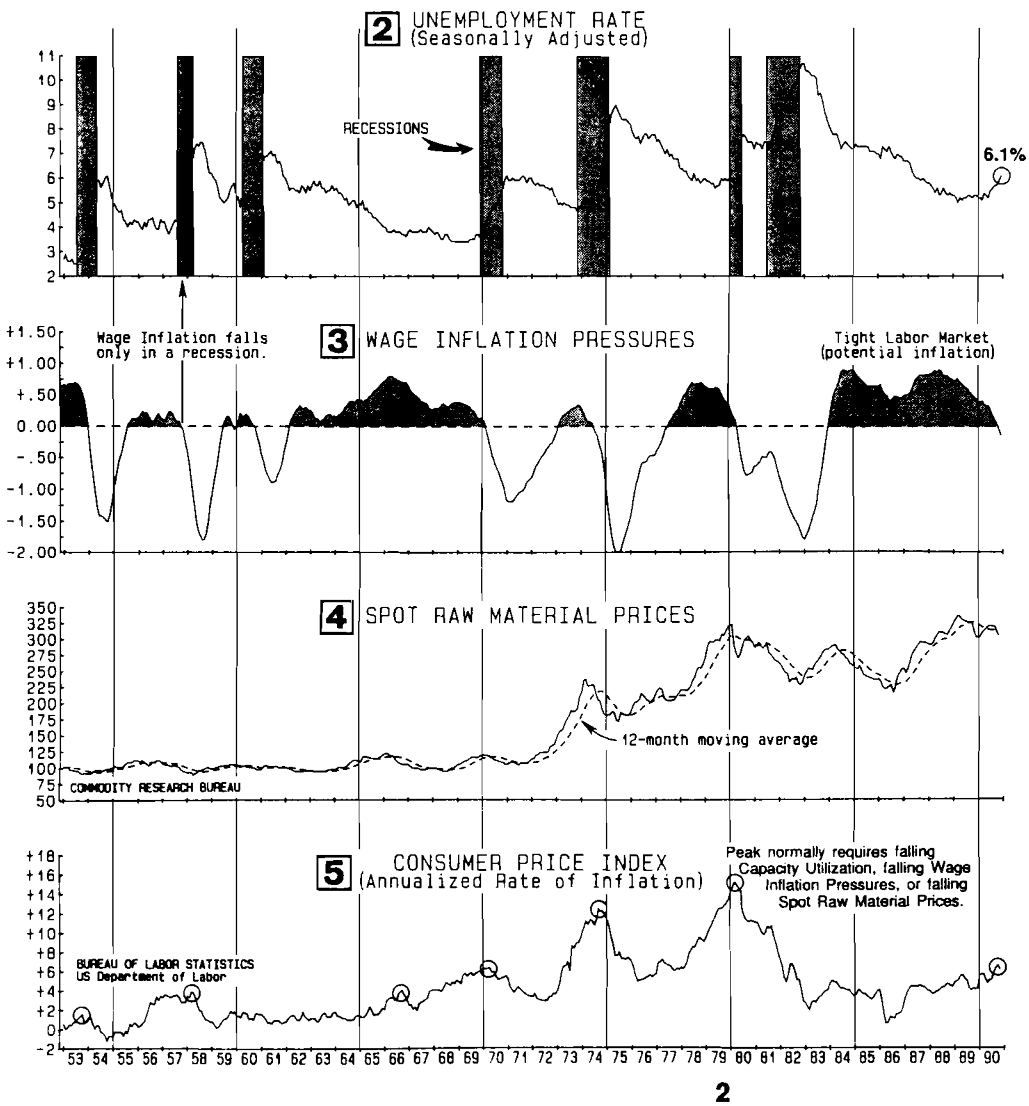
NEW YORK – Falling interest rates will bolster the sagging U.S. economy, helping to avert a recession for at least another year, according to a survey of 40 economists by The Wall Street Journal.

Wall Street Journal - July 5, 1990

Today :

NEW YORK – The party is over. Now comes the painful cleanup. This grim New Year's forecast is the consensus view of 40 economists in The Wall Street Journal's semiannual survey. Most predict the economy will shrink for at least the next six months, driving the jobless rate sharply higher by midyear. Nearly all economists agree that a recession began during last year's third or fourth quarter.

Wall Street Journal - January 2, 1991



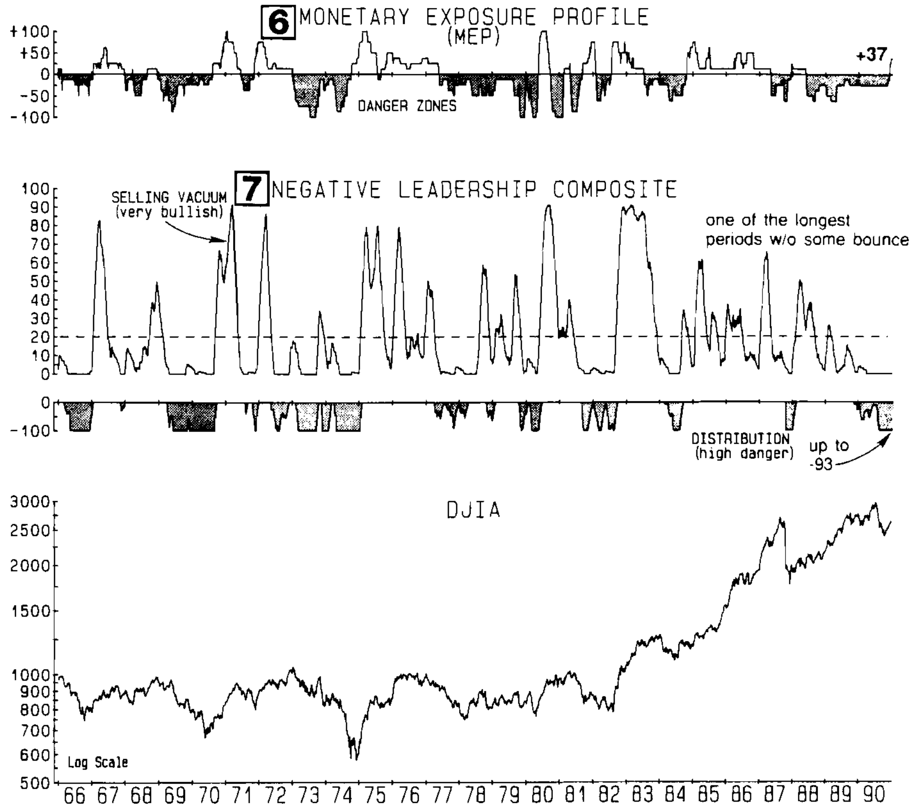
Next, we should examine inflation. Not the Consumer Price Index or Producer Price Index which most investors dwell on, but the *underlying pressures* which which have been at the root of Chairman Greenspan's inflation fears: Capacity Utilization, labor, and raw materials.

In our last issue we revealed that the Fed *normally* waits for Capacity Utilization at the nation's factories to drop by at least 3% before making the shift to an easier policy. And the latest report showed Utilization a full 3.5% below 1989's peak. On the labor front, today's (Friday's) Unemployment report hit 6.1%... still barely 1% from a 16-year low [2] .

However Figure [3] indicates that wage inflation will drop significantly in the months ahead. **In every instance that this index dropped under the horizontal dashed line... the Federal Reserve soon began a *dramatic* shift to an easier money policy.**

When viewing Spot Raw Material Prices [4], this downturn is relatively small - but it's clearly a trend. And it's important to note that the decade of the 80's never saw the firm, sustained increases in raw material prices that would suggest a stubborn, deeply-entrenched inflation rate today.

In the end, this leading inflation data implies that **the Federal Reserve also has the "economic room" to ease more aggressively in the months ahead.**



FACTS BEHIND THE RECENT DISCOUNT RATE CUT

Take another look at the Wage Inflation Pressures on the opposite page. EVERY SINGLE drop below that horizontal line was met with 2 or more cuts in the Discount Rate by the Federal Reserve. In fact, the Federal Reserve has reversed policy 13 times in the past 60 years (signified by an initial cut in the Discount Rate). Of those 13 cuts, 11 were followed by ADDITIONAL reductions (a total of 4 cuts on average).

Now the key question: **Of those 13 Discount Rate cuts, what was the upside potential versus the downside risk in the stock market?** Table I, shown below, reveals the reward vs. risk tradeoff by looking at the subsequent HIGH and subsequent LOW for the DJIA 6 months and 18 months after an initial cut in the Discount Rate:

TABLE I

DISCOUNT RATE - 1st CUTS

Date	# Cuts	DJIA High/Low within next 6mo	DJIA High/Low within next 18mo
Feb 2, 1932	2	8.2% / -49.7%	32.5% / -49.7%
Apr 10, 1933	6	83.3% / 0.0%	86.7% / 0.0%
Feb 08, 1954	2	19.0% / -1.5%	59.4% / -1.5%
Nov 18, 1957	4	5.5% / -3.1%	45.0% / -3.1%
Jun 13, 1960	2	0.1% / -13.6%	12.1% / -13.6%
Apr 10, 1967	1	10.5% / -1.3%	11.7% / -3.3%
Sep 02, 1968	1	10.0% / 0.0%	10.0% / -17.0%
Nov 16, 1970	5	23.8% / -1.8%	26.2% / -1.8%
Nov 22, 1971	2	18.8% / -2.1%	29.0% / -2.1%
Dec 16, 1974	7	44.9% / -1.0%	70.6% / -1.0%
Jun 02, 1980	3	17.6% / -0.8%	20.4% / -3.2%
Nov 09, 1981	9	4.7% / -6.7%	44.6% / -8.9%
Nov 26, 1984	7	7.3% / -4.7%	52.1% / -4.7%

Of course, our own Monetary Profile ([6]) is the best measure of Federal Reserve policy. As noted in our last issue, it moved into the favorable region a week before this Discount Rate cut (and has since edged higher to +37). So not only do leading inflation gauges suggest that this is **WHEN** the Federal Reserve would normally shift gears, but evidence reveals that the shift has definitely begun – with **MORE** Discount Rate cuts ahead.

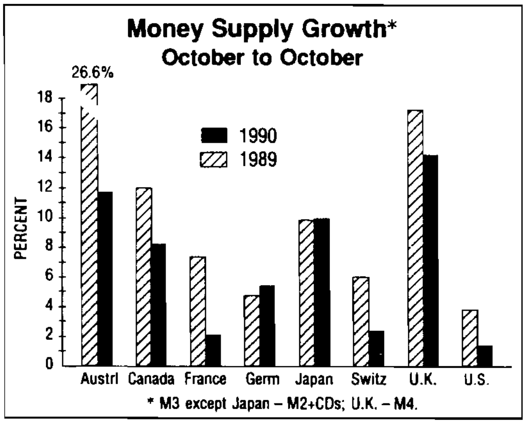
TECHNICAL PICTURE – HINT OF STRENGTH

Regardless of whether or not we're on the verge of a new bull market, technical indicators point toward firmer stock prices in the weeks ahead. The following pages show that both breadth and leadership are improving – more so on the NYSE than the NASDAQ. But one vital tool which *must turn* if any market advance is going to be sustainable is our Negative Leadership Composite [7]. There's no sign of a bullish "SELLING VACUUM" yet (top half of graph)... and only a slight recovery to -93 in "DISTRIBUTION" (bottom half of graph). This tool will play a vital role in our decision whether to add to current positions in the weeks ahead versus moving back to a safe, higher-cash position.

WHAT TO DO NOW:

There are a lot of "IFs" surrounding any prospect of a new bull market. **But a regional war in the Mideast is one "IF" that is *not* as important to the U.S. economy or stock market as most investors believe.** While maintaining a 400,000 man build-up is a problem to an already stressed Federal budget, it certainly won't cause a major financial drain on the U.S. economy. As for the possible affect of an armed conflict on the price of oil, the world is surviving quite adequately on $26 oil without the production of occupied Kuwait or embargoed Iraq (and that price includes a $3 to $5 "war-fear premium"). So any *long-term* impact would only result if existing Saudi Arabian oil fields are damaged; and the largest Saudi fields, like Ghawar and Khurais, are 400 miles to the south of Kuwait. Not only is that a long distance for Iraqi bombers to try to penetrate, but it's also out of range for all known Iraqi missiles.

One major risk (we've mentioned before) is whether or not the Federal Reserve's easing might send the U.S. Dollar into a tailspin. **But the Dollar's resilience *could* turn into the front-page story of 1991.** Here's why... This recession, like most in our past, is an "engineered" recession. It's not due to a collapse of debt, a fragile banking system, or Hussein playing with voodoo dolls. It has been a concerted effort by central banks around the globe to rein-in money supply growth and reverse an inflation trend which recently hit the highest level in 9 years. Since "money supply" is economic fuel, this sharp slowdown in growth explains why most countries are in (or teetering on) a recession:



Source: The Economist

Incidentally, this table also explains why the Japanese and German economies have yet to signal an impending recession. Of greater importance, is the fact that broad-based money supply growth has been slower in the U.S. than among any of our trading partners. Historically, the country with the strongest currency is most often the one with the tightest monetary policy over the preceding two years. If that's true again, the U.S. Dollar could torch the "currency bears" in 1991.

In the end, we are saying this:

1. Conditions are rapidly changing to give the Federal Reserve the *incentive*, the *inflation room*, and perhaps even the *currency room* to halt this economic slide.
2. Our Monetary Profile points to the first significant shift in monetary policy in over 3 years.
3. Technical gauges (primarily breadth and leadership), while not great, are certainly improving.

You don't have to climb on any bullish bandwagon, or wear a bullish insignia on your lapel. Just recognize that we might be seeing a buying opportunity sooner than we had expected. And while this market hasn't had the psychological selling panic that normally precedes the *best bottoms*... it could still be a bottom.

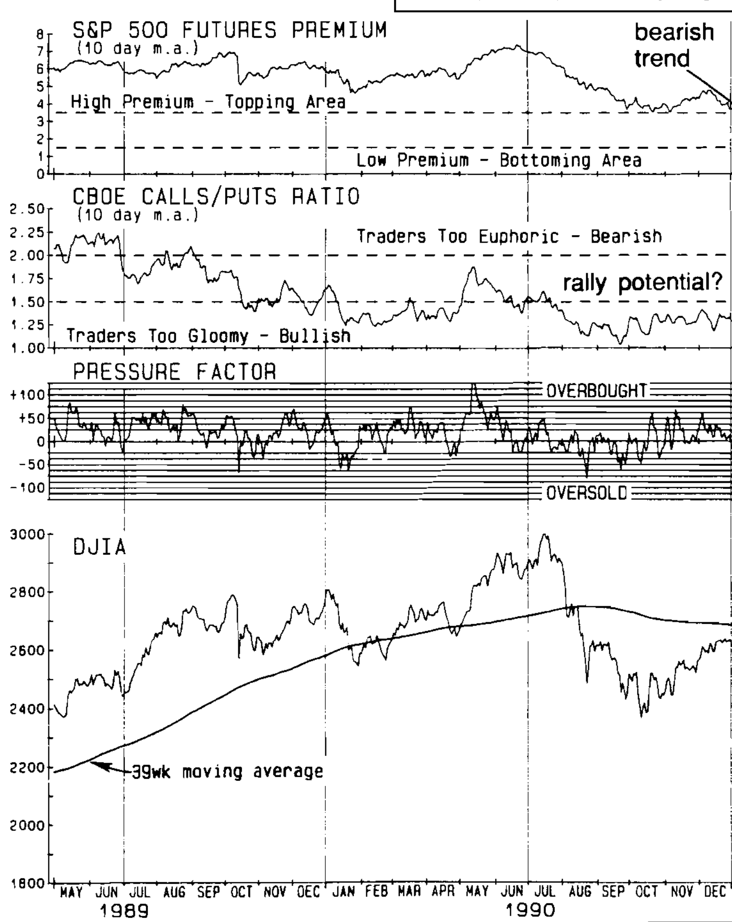
1. Long-Term Investors... have stepped up to 49% long with positions added on the InvesTech Financial Hotline. Allocation, entry points, and protective stops are given on page 7. Understand that we are balancing safety against potential gains. That means a more aggressive stance only if technical signals warrant (like our Negative Leadership Composite)... or reluctantly returning to a high cash position if warning flags reappear.

2. Short-Term Traders... are up to 30% long in Stock Index Call Options. Trading this market as Iraq's Jan. 15th deadline approaches could be tricky. While we don't expect any long-term effects from a confrontation, war could still trigger a few wild 1-day rides. For that reason, traders should focus only on options that expire 6+ weeks out; and monitor the InvesTech Hotline for updates.

TECHNICAL - SHORT TERM

TRADING INDICATORS

DJIA



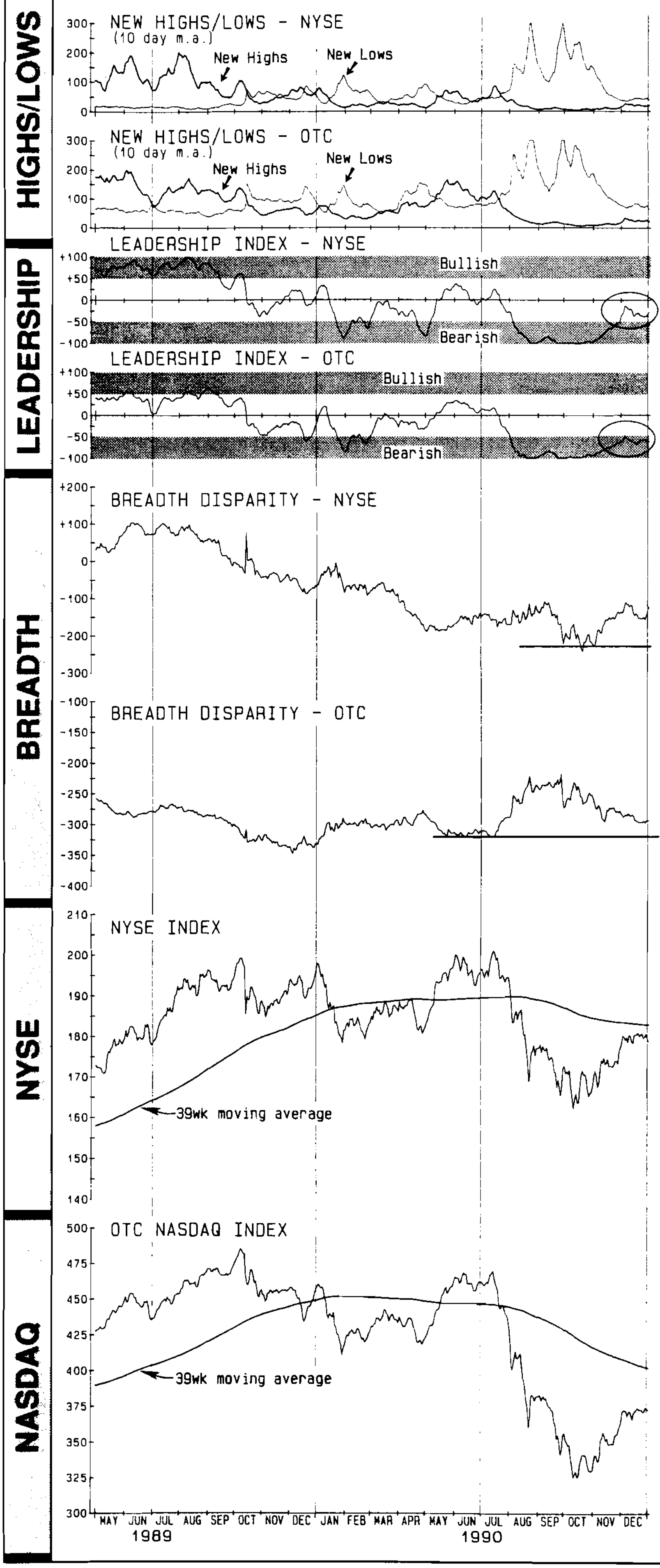
The premium in the Stock Index Futures (over cash) has locked back onto a downtrend. That is normally a bearish short-term signal, but is also in conflict with the following indicators...

No data exists for the CBOE Call/Put Ratio during a major bear market like 1969-70 or 73-74. So the current bullish readings might not be too reliable. Nonetheless, traders with long positions will find some comfort in this Index's current bullish level.

More trustworthy is our Pressure Factor which has just dipped into the oversold region for the first time in several months. A market that becomes this oversold so easily is often destined to head higher.

For those avid 39-week Moving Average watchers, any bounce from current levels would carry the DJIA right to that trigger line. More whipsaws anyone?

TECHNICAL – LONG TERM



Call it quiet... call it mundane... whatever. The raw high/low data shows little leadership in either direction for both the NYSE and NASDAQ exchanges. We get an eerie feeling that *something* is going to break within the next 4-6 weeks.

=================

On a disturbing note, our Leadership Indexes for the blue chip and secondary exchanges are lagging near bearish territory. Any upmove, in order to sustain itself, must have solid enough leadership to carry these indexes above 0. We'll see...

=================

Participation (measured by our Breadth Disparity Index) is broadening in a healthy manner on the NY exchange. However in the OTC market, breadth could only be judged "so-so" at best. In any case, we normally wouldn't expect a major reversal to the downside without at least one of these breadth gauges breaking recent lows.

=================

Last summer, action in the OTC NASDAQ Index paralleled the NYSE Index - except in the severity of the decline. Notice on this latest rally that the NASDAQ is turning in a better performance than the blue chips. That's an encouraging note, not only from a technical standpoint but also when considering the secondary stocks where we've focused our recent attention.

NOTES:

ISI LAS VEGAS and the U.S. POSTAL SERVICE...

... what do they have in common? Very little, other than the incentive to renew your subscription to InvesTech now. You see, postage rates are scheduled to take another 20% jump within the next two months *(surprise!)*, and that will probably mean our first subscription rate increase in over 2 years.

But if you take advantage of the enclosed offer, you'll not only lock-in the old 1989 rates, but also qualify for a bonus worth several times your renewal rate. ISI's Las Vegas Money Show is truly an extravaganza of financial information with workshops by such prominent analysts as Stan Weinstein, Charles Allmon, Richard Band, Dave Allman, Mark Skousen, Bill Donoghue, and of course, yours truly. Last year, this event sold out 2 months in advance. Even if you are unsure whether or not you'll be able to attend, *this* is the time to return your renewal and snatch up a free conference registration for you and your spouse (a $495 value).

PUBLISHING FROM WHITEFISH, MONTANA...

... means that we're accustomed to "snow" and *lots* of it, as Whitefish is one of the most popular ski resorts in the Northwest U.S. But no one could have been prepared for the deluge we've experienced through the month of December with over 115" of snow at the ski area summit. Powder skiing is great – just bring a snorkel. The problem is that fluffy white stuff also raises havoc with utilities and normal business operations.

Our office has been operating on our back-up generators for up to 8 hours at a stretch. Consequently, we apologize for any problems you may have experienced in accessing our voice hotline, or especially in accessing the hotline through our computerized InvesTrieve in December. (Don't send condolences – just snow shovels).

POSITION REVIEW

InvesTech's model stock portfolio is 49% long and 51% in a money market fund or T-Bills. We took positions in 7 stocks on Wednesday, December 19th, as recommended on the hotline of December 18th. Please monitor the hotline for changes in recommendations, as well as current stops.

Noteworthy among stocks "Under Consideration," **Asarco** warned of a charge against earnings of approximately $1.24/share for its fourth quarter (primarily reflecting costs associated with environmental concerns). The company also announced the completion of purchase by its Australia Limited subsidiary of its partner's remaining interest in the Wiluna gold mine. The mine is now wholly owned by Australia Limited. **Syntex Corp.** has announced an Advisory Committee recommendation to the FDA to allow the company to market Ticlid (a new drug which is effective in reducing the risk of stroke in aspirin-intolerant patients).

In other news, **Wilmington Trust** announced completion of its $9.6 million purchase of Peoples Bank of Harrington (Delaware). Peoples Bank brings assets of $45 million to Wilmington. **Abbott Laboratories** recently approved a share buy-back of up to $6 million (1.4%) of its common stock, to be repurchased on the open market. **First Financial Management Corp.** recently announced the purchase of SE Bank of Florida's 7000 merchant credit card contracts by its wholly-owned subsidiary, NaBANCO.

We have deleted **Browning Ferris Industries** and **Interface, Inc.** from our listing of stocks "Under Consideration." Rising costs, tight profit margins and a poor earnings trend which shows no sign of a turnaround have dampened the prospects for Browning Ferris; while a continued weak outlook for office construction/furnishing makes near-term prospects for Interface poor. We have added one new stock, **Dycom Industries**, which will be featured in an upcoming issue.

EARNINGS UPDATE:

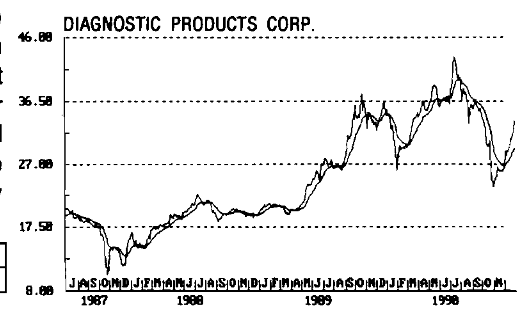
STOCK	EARNINGS	NOTES
SENSORMATIC ELECTRONICS	Quarterly earnings = $ .23/ .19 (+ 21%)	Revenues up 21%.

FEATURED STOCKS:

DIAGNOSTIC PRODUCTS CORP. DP (nyse – 33.50)

The timely release of innovative products, coupled with superior market position in Europe, has propelled Diagnostic Products to its position as the world's foremost independent manufacturer of immunodiagnostic kits. The company's array of over 200 products includes tests for drug and allergy detection, hormone assays, and diagnosis of disease including certain types of cancer. Recent highlights include continued record breaking sales and earnings, development of several new allergy testing products, and a global marketing network now reaching over 90 countries.

P/E	Yield	Beta	Book Value	L-T Debt/Eq	12mo Sales	5yr Sales	Qtr Earn	5yr Earn
25.4	0.7%	1.1	$6.20/sh	0%	$72M/+30%	+28%/yr	$.31/+3%	+32%/yr



RAYTHEON COMPANY RTN (nyse – 70.13)

One of the 100 largest industrial corporations in the country, this well-diversified company continues to generate consistent results, continuing a trend of record sales and earnings. Third quarter profits were up in four of the company's five business segments (Electronics, Aircraft Products, Energy Services, and Other Lines); while only Appliances suffered from the slowing economy. Backlogs standing at $8.6 billion at quarter's end were up 8% from last year's third quarter, and included $5.9 billion in backlogs for the U.S. Government, Raytheon's biggest customer.

P/E	Yield	Beta	Book Value	L-T Debt/Eq	12mo Sales	5yr Sales	Qtr Earn	5yr Earn
8.2	3.4%	.6	$41.90/sh	2%	$9056M/+3%	+8%/yr	$2.29/+10%	+15%/yr

Charts generated by Fund Master - TC

MODEL PORTFOLIO

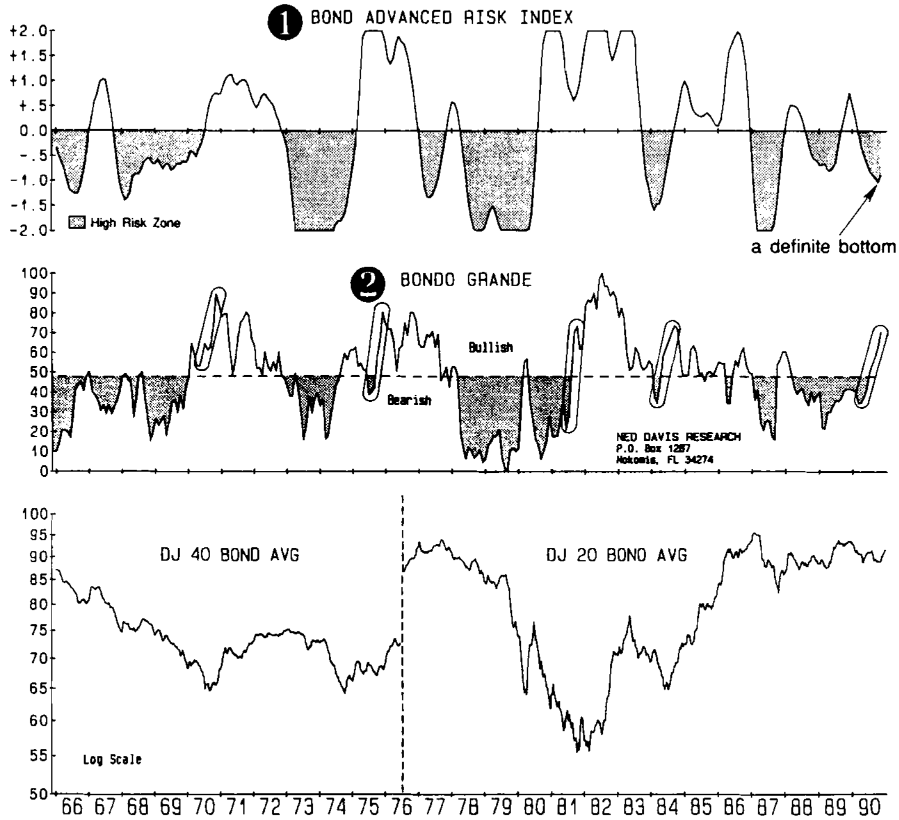
CURRENT ADVICE	COMPANY	SYMBOL/EXCH		52 - WEEK Hi	Low	INIT. RECOMMENDED Date	Price	PROT. STOP	RECENT PRICE	P/E	YIELD
AGGRESSIVE STOCKS											
------	ARCO CHEMICAL COMPANY Produces/markets oxygenated chemicals/polymers	RCM	nyse	44.25	29.75	Under Consideration		30.88	35.25	10.7	7.1%
------	CARLTON COMMUNICATIONS British-based television/video processing company	CCTVY	otc	26.88	10.88	Under Consideration		12.88	15.13	10.0	3.2%
------	CONNER PERIPHERALS, INC. Designs/manuf hi-performance computer disk drives	CNR	nyse	31.25	12.25	Under Consideration		19.88	23.63	11.6	None
------	DIAGNOSTIC PRODUCTS CORP. Medical diagnostic test kit manufacturer	DP	nyse	44.00	22.25	Under Consideration		28.50	33.50	25.4	0.7%
------	DYCOM INDUSTRIES, INC. Telecommunication installation/maintenance	DY	nyse	14.50	6.75	Under Consideration		6.50	8.13	7.1	None
------	EMCON ASSOCIATES Solid/hazardous waste disposal designer	MCON	otc	26.25	10.75	Under Consideration		19.88	23.50	57.3	None
BUY/HOLD[1]	FIRST FINANCIAL MANAGEMENT CORP. Provides financial data processing services	FFM	nyse	33.75	14.25	12/19/90 @	21.25	17.88	24.25	9.7	0.4%
------	HARPER GROUP, INC. International freight and customs brokerage	HARG	otc	24.50	15.25	Under Consideration		16.88	19.75	11.2	1.1%
BUY/HOLD[1]	INTELLICALL, INC. Manufactures privately-owned pay telephones	ICL	nyse	17.25	7.25	12/19/90 @	9.13	7.50	9.50	9.0	None
BUY/HOLD[1]	INTERMEC CORP. Manufactures bar code scanners, printers, etc.	INTR	otc	29.75	10.50	12/19/90 @	17.25	13.88	15.00	14.0	None
BUY/HOLD[1]	MEDICINE SHOPPE INT'L, INC. Franchisor of retail pharmacies	MSII	otc	26.75	15.50	12/19/90 @	18.50	15.88	19.75	17.8	1.2%
------	NEW ENGLAND CRITICAL CARE Provider of in-home infusion therapies	NECC	otc	34.50	16.75[a]	Under Consideration		20.88	24.50	28.5	None
------	NOVELLUS SYSTEMS, INC. Manufactures chemical vapor deposition equipment	NVLS	otc	18.00	5.38[a]	Under Consideration		9.88	11.50	11.4	None
------	PLAINS PETROLEUM COMPANY Explorer/developer of oil and gas in 5 states	PLP	nyse	35.88	25.38	Under Consideration		22.50	26.25	17.0	0.6%
BUY/HOLD[1]	SENSORMATIC ELECTRONICS Manuf electronic theft deterrent systems for retailers	SNSR	otc	16.38	9.88	12/19/90 @	16.00	12.88	16.00	20.3	1.9%
BUY/HOLD[1]	SILICON GRAPHICS, INC. Makes computer systems for 3D design/analysis	SGI	nyse	40.88	18.00	12/19/90 @	27.50	22.88	27.00	14.7	None
------	SWIFT ENERGY COMPANY Oil and gas exploration/development/consultation	SFY	amex	12.88	8.38	Under Consideration		7.88	10.38	6.7	None
------	THERMO ELECTRON CORP. Develops pollution monitoring & related products	TMO	nyse	35.25	21.75	Under Consideration		24.88	28.88	18.1	None
CONSERVATIVE STOCKS											
------	ABBOTT LABORATORIES Develops/manuf human drugs & hospital/lab products	ABT	nyse	46.38	31.25	Under Consideration		39.88	45.00	21.0	1.9%
------	ASARCO, INC. Produces nonferrous metals (silver, copper, lead, etc)	AR	nyse	34.13	22.25	Under Consideration		22.88	27.13	5.7	5.9%
------	ETHYL CORP. Petroleum and industrial chemical producer	EY	nyse	33.00	20.50	Under Consideration		19.88	23.50	12.2	2.6%
------	GRAINGER (WW), INC. Distributes industrial equipment/supplies	GWW	nyse	78.38	54.38	Under Consideration		59.88	66.38	14.5	1.7%
------	GREAT LAKES CHEMICAL CORP. World's leading producer of bromine	GLK	nyse	68.00	40.75	Under Consideration		56.88	63.75	16.5	0.8%
------	INT'L FLAVORS & FRAGRANCES, INC. Produces flavors/fragrances used in manufacturing	IFF	nyse	75.13	54.63	Under Consideration		66.88	74.50	18.7	3.2%
------	RAYTHEON COMPANY Electronic, home appliance, Beech aircraft manuf	RTN	nyse	71.25	57.75	Under Consideration		62.88	70.13	8.2	3.4%
------	SCHULMAN (A), INC. Manuf/markets/distrib plastic resins worldwide	SHLM	otc	32.50	20.75[b]	Under Consideration		25.88	31.00	17.3	1.0%
------	SOCIETY CORP. Holding company for Society National Bank	SOCI	otc	35.25	24.00	Under Consideration		27.50	32.25	4.2	5.5%
------	SYNTEX CORP. Prescription drug/diagnostic systems developer	SYN	nyse	63.75	46.75	Under Consideration		53.88	59.38	18.3	2.7%
------	TELEFLEX, INC. Electromechanical equipment manufacturer	TFX	amex	36.25	25.00	Under Consideration		27.88	32.88	12.8	1.6%
------	WILMINGTON TRUST COMPANY Operates 35 commercial banks in Delaware & Maryland	WILM	otc	45.00	30.25	Under Consideration		34.88	40.00	10.6	3.6%
GOLD STOCKS											
------	AMERICAN BARRICK RESOURCES CORP. North American gold/coal mining company	ABX	nyse	24.75	15.25	Under Consideration		18.50	21.75	50.6	0.5%
------	ASA LIMITED Closed-end fund investing in gold mining shares	ASA	nyse	72.75	38.25	Under Consideration		40.88	46.88	N/A	6.4%
------	CORONA CORP. (CLASS A) Canadian precious metals mining company	ICRA	amex	10.00	4.00	Under Consideration		3.50	4.31	17.2	2.3%
BUY/HOLD[1]	PLACER DOME, INC. Canadian mineral, oil/gas producer	PDG	nyse	21.50	13.38	12/19/90 @	15.00	12.88	17.00	34.7	1.8%

[1] 7% position.
[a] Recently split 2/1.
[b] Recently split 3/2.

THE INVESTECH FINANCIAL HOTLINE REPORT IS UPDATED AT NOON ON SATURDAY AND AFTER 7:30PM TUESDAY, MOUNTAIN STANDARD TIME (2:00PM SATURDAY & 9:30PM TUESDAY, EST)

BONDS

They've floundered, fluttered, and sputtered over the past year to the disappointment of most investors. However bonds may yet have their day... as our Bond Advanced Risk Index has finally confirmed a short-term bottom (❶).



And since this bond timing model is heavily weighted upon inflation pressures, leading gauges hint of a swift upswing in this Bond Index from here.

Also advancing (in an even more bullish fashion) is Ned Davis' Bondo Grande (❷). As you can see by comparing past circled breakouts, this type of move shouldn't be taken too lightly.

Bottomline, after three years we finally have the kind of confirmation from two major models that potential gains in the bond market will outweigh the safety and liquidity of a money market fund. Even so, income-oriented investors shouldn't expect the kind of profits that were available in 1982-83 or 1985-86. Firm foreign interest rates will prevent U.S. rates from dropping too far too fast.

PERSONAL PERSPECTIVE

Benedict Arnold!   Traitor!   Et Tu Brutus?

OK... OK... maybe it's not as bad as all that. But after successfully avoiding the painful "air pockets" and 30% drops in most broad market averages over the past 14 months; and after being one of the *extremely few* to foresee this recession in advance, I realize that many subscribers are wondering how we could even *discuss* the possibility of a bullish scenario. What about the massive debt load?... plunging consumer confidence?... firm interest rates in Japan and Germany?... the potential war with Iraq that now seems inevitable? And how can a solid advance occur (let alone a new bull market) without that *washout* in investor psychology???

Yes, these are all dark clouds overhanging the U.S. economy and stock market. But let's view them in a different perspective. First, the heavy debt load does not necessarily mean that this recession must end in a 1930's style depression. That will happen only if the Federal Reserve is unwilling or unable to ease enough to affect the average consumer. Secondly, a war with Iraq can impact the U.S. economy and stock market ONLY TO THE EXTENT that it hikes the price of oil, or sinks consumer confidence. And right now, there's a flood of oil on the world markets, while the average consumer seems to have already discounted (or reluctantly accepted) the potential for war.

In the end, these are ALL good reasons to be concerned; but they're poor excuses for staying bearish. We are carefully weighing each piece of ***technical*** and ***monetary*** evidence as it appears. However the balance is rapidly shifting to the bullish side. If our monetary, breadth, and leadership gauges continue in their current direction, it will spell a new bull market. Who knows if it will be a long one or a strong one? Right now, it's more important to focus on staying 2-3 steps ahead of the rest of the crowd.

James B Stack

INVESTECH®

MUTUAL FUND ADVISOR

V91I01 — *PROFESSIONAL SWITCHING AND TIMING ANALYSIS* — JAN 4, 1991

TECHNICAL OUTLOOK:

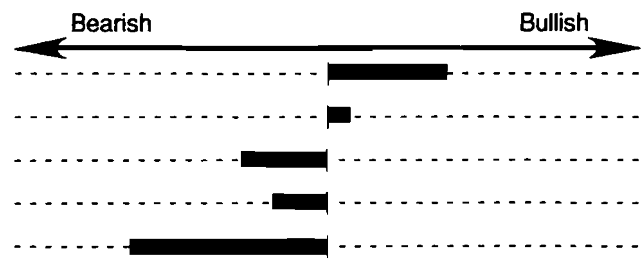
MEP MONETARY MODEL

NYSE: BREADTH DISPARITY INDEX

LEADERSHIP INDEX

OTC: BREADTH DISPARITY INDEX

LEADERSHIP INDEX



GROUP OUTLOOK:

AGGRESSIVE GROWTH FUNDS

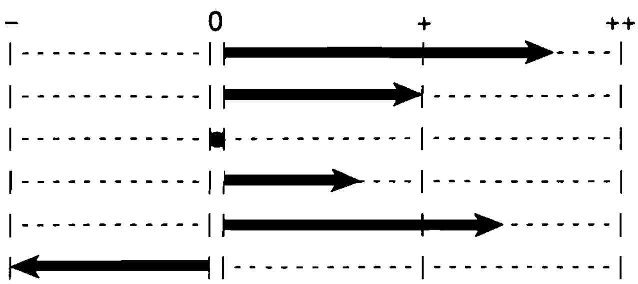
GROWTH FUNDS

GROWTH & INCOME FUNDS

INCOME FUNDS

GOLD FUNDS

INTERNATIONAL FUNDS



MODEL PORTFOLIO:

PERCENT	FUND	SYMBOL	52-WEEK Hi	52-WEEK Low	INIT. RECOMMENDED Date	INIT. RECOMMENDED Price	RECENT PRICE	ALTERNATE FUNDS
50%	EVERGREEN FUND	EVGRX	12.05	8.86[1]	12/19/90	10.30[1]	10.34	FIDELITY OTC FUND NEU-BERMAN MANHATTAN
10%	FINANCIAL STRATEGIC GOLD	FGLDX	6.53	4.02[1]	12/19/90	4.25	4.58	FIDELITY SELECT AM. GOLD VANGUARD SPEC. GOLD
40%	MONEY MARKET FUND	----						T-BILLS
100%								

CHANGES: As recommended on the InvesTech Financial Hotline of 12/18/90, we added a 50% position in Evergreen Fund (filled @ 10.30), and a 10% position in Financial Strategic Gold (filled @ 4.25). The positions were filled on the close of 12/19/90.

[1] Prices adjusted for dividend/cap. gains distribution

One Step At A Time...

Recent months have been especially trying for stock and mutual fund investors. The latest issue of the Hulbert Financial Digest lists the "Top 10" services over these last 3 months, and our InvesTech Mutual Fund Advisor and InvesTech Market Analyst occupy two of the spots. Of greater importance is the fact that out of those ten services, our long-term (58-month) gains were 2nd and 4th respectively.

Yet we cannot rest on laurels, nor on the sidelines in a monetary climate where our Monetary Profile has advanced to the most bullish reading since the months following the '87 Crash. And that has not been the sole bullish development on the technical front, as both our Breadth Disparity Index (measuring participation) and our Negative Leadership Composite have displayed new signs of strength in the past month. It's the kind of strength that should not be ignored. But as initial positions are entered (as we have in recent weeks), prudence dictates a note of caution. That means keeping a watchful eye on those bullish technical signals, and a willingness to step back toward a high-cash position if warning flags continue to persist.

EDITOR: JAMES B. STACK — 2472 Birch Glen -- Whitefish, MT 59937 (406) 862-7777

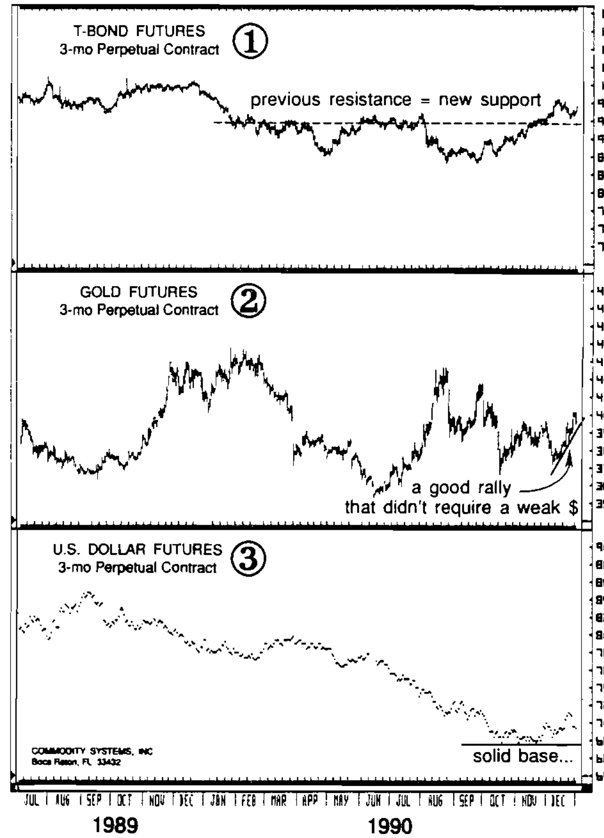
While the DJIA is only 15% below last summer's high, secondary averages like the Nasdaq and Value Line have been hit twice as hard from their peak 8 months earlier. It's because of this flight to safety (actually spanning the past 3-4 years) that *"value"* is more difficult to find among the overcrowded blue chips. In reviewing past recessionary periods like 1973-74 and 1982-83, one quickly discovers that in the ensuing stock market recovery, secondary stocks outpaced the blue chips by up to two or three times.

For those reasons, we have taken a 50% position in the **AGGRESSIVE GROWTH** fund area (regular **GROWTH** funds also fall into this grouping). Yes, their risk is higher than other fund categories; however that is offset by a much larger potential for gain. One caveat... if you use an alternate growth fund, examine the prospectus closely for the type of stocks held in its portfolio. Over recent years, many so-called growth funds have become blue chip or index funds in disguise. And if market risk warrants a position at this time, we believe it justifies the risk/reward of the above funds *over* the **GROWTH & INCOME** or **EQUITY INCOME** fund arena. It's not that these funds won't respond – they just won't be as profitable.

Income-oriented investors should take note that our Bond Advanced Risk Index has bottomed and now signals a safer, more bullish long-term outlook for bonds and **BOND INCOME** funds. With the mild but visible breakout in bonds that has occurred over the past month (①), we expect that previous resistance level (which seemed so impenetrable) to now serve as a support zone for future rallies as the economic recession slowly bottoms.

Gold's recent advance is not due to rising Mideast tensions or sudden fears of higher inflation (②). More importantly, it didn't require a tumbling U.S. Dollar to trigger it. Instead, gold's strength can merely be attributed to the decisive shift in Federal Reserve policy – a phenomenon that also occurred in mid-1980, late '82, and early '86. We feel it warrants a defensive 10% hedge position in the **GOLD** funds at the current time *(and from which we've already profited a little).*

We believe one of the great surprises of 1991 could turn out to be the strength of the U.S. Dollar (③). *No one expects it* – with our Federal Reserve leading the way toward easing. But if you remember 1982-83, the Dollar soared in spite of tumbling U.S. interest rates. Why? Because the U.S. also led the path out of that worldwide recession. A strong Dollar would spell big trouble for both **INTERNATIONAL** stock and bond funds... *avoid them!*



ECONOMIC DIARY

Dec 28	– LEADING ECONOMIC INDICATORS -1.2% in November	As expected, the LEI dropped for the 5th consecutive month with 8/11 components declining (identical to last month). Under normal conditions, 3 consecutive monthly drops = recession. So it's little wonder that even government economists are now mumbling the "R" word.
Jan 2	– PURCHASING MANAGERS INDEX 40.4% in December	As manufacturers retrench, falling orders for new goods have helped drag this index down for the 6th consecutive month. This is the lowest level since the last recession (Nov '82 @ 39.2%). It led the path into the recession, and should lead the way out. Could next month's reading level off?
Jan 4	– CIVILIAN UNEMPLOYMENT RATE +5.9% in November	New figures will be released by the time you receive this issue. Estimates range near 6% with another loss of -150,000 new jobs - any surprises will be on the negative side. At 0.9% above its low in 1989, never in 40yrs has unemployment risen by this amount without triggering recession.
Jan 11	– PRODUCER PRICE INDEX +0.5% in November	The PPI is now 7% above year-earlier levels (with core inflation @ 3.6%, excluding food and energy). Last month's increase was twice what economists expected. But this figure should level off as oil (which accounts for almost 10% of the PPI) settles near $26/barrel.
Jan 16	– CAPACITY UTILIZATION 80.9% in November	Historically, the Federal Reserve usually waits for at least a 3% drop in this key statistic before shifting to an easy monetary stance. Last month's report was weaker than anticipated, and is now a full 3.5% under the peak in early '89. Expect an even "softer" number this month.
Jan 16	– CONSUMER PRICE INDEX +0.3% in November	The rapid slowdown in the economy is playing a key role in offsetting the lagging impact that oil prices would normally have on the CPI. Even so, the CPI closed 1990 at 6.3%... the highest inflation in 9yrs. Fortunately, the Fed focuses on *underlying* inflation pressures rather than the CPI.
Jan 17	– HOUSING STARTS 1.129M in November	After leading the way into this recession, Housing Starts just ended a record 9 consecutive "down" months with a small uptick (centered entirely in multi-family dwellings). As a leading gauge of long-term consumer confidence, we must see a better showing before this economy bottoms.
Jan 30	– CONSUMER CONFIDENCE 61.3 in December	This monthly survey of 5000 US households serves as a precursor of economic growth. After beginning a steep downtrend over a year ago, Confidence leveled off last month just above readings from the depths of the '82 recession. Watch where this stat goes... the economy will follow.

(The ECONOMIC DIARY is designed to track and help investors understand only the more relevant economic statistics. These reports are NOT substitutes for the timing accuracy of our technical and monetary indicators.)

THE TOP-RATED FUNDS

January 4, 1991

CURRENT ADVICE	FUND	SYMBOL	RISK	CURRENT PERF[1] 6wk	CURRENT PERF[1] 1990	PAST PERF 1989	PAST PERF 1988	PAST PERF 1987	PAST PERF 5yr	LOADS[2] S	LOADS[2] R	LOADS[2] Hidden	SIZE[3]	PHONE#	MIN. INIT. INVESTMENT	YIELD	RECENT[4] PRICE	NOTES[5]
AGGRESSIVE GROWTH FUNDS																		
++	EVERGREEN FUND (Small Company)	EVGRX	Medium	+ 7.1%	-13%	+15%	+23%	- 3%	+ 41%	None		No	528M	800-235-0064	$2000	3.7%	10.34	S
++	FIDELITY OTC FUND	FOCPX	High	+ 5.3%	- 5%	+30%	+23%	+ 2%	+ 88%	3%	No	No	561M	800-544-6666	$2500	2.7%	18.54	S,F
++	NEUBERGER-BERMAN MANHATTAN	NMANX	High	+ 5.1%	- 9%	+29%	+18%	0%	+ 81%	None		No	331M	800-877-9700	$1000	2.0%	9.29	S
+	STEIN ROE SPECIAL	SRSPX	Medium	+ 2.8%	- 7%	+38%	+20%	+ 4%	+110%	None		No	362M	800-338-2550	$1000	2.4%	15.58	S
+	VALUE LINE LEVERAGED GROWTH	VALLX	High	+ 5.5%	- 2%	+32%	+ 6%	+ 5%	+ 84%	None		No	202M	800-223-0818	$1000	1.9%	21.16	S
GROWTH FUNDS																		
+	FIDELITY MAGELLAN	FMAGX	Medium	+ 4.6%	- 5%	+35%	+23%	+ 1%	+119%	3%	No	No	11319M	800-544-6666	$1000	2.8%	53.93	S,F
+	JANUS FUND	JANSX	Low	+ 3.2%	- 2%	+46%	+17%	+ 4%	+108%	None		No	1017M	800-525-3713	$1000	1.4%	13.79	S
+	NEUBERGER-BERMAN PARTNERS	NPRTX	Low	+ 3.4%	- 6%	+23%	+16%	+ 4%	+ 80%	None		No	695M	800-877-9700	$1000	5.5%	16.02	S
+	T ROWE PRICE GROWTH	PRGFX	Medium	+ 4.3%	- 5%	+25%	+ 6%	+ 4%	+ 74%	None		No	1307M	800-638-5660	$2500	2.4%	14.71	S,G
+	VANGUARD WORLD US GROWTH	VWUSX	High	+ 5.0%	+ 2%	+38%	+ 9%	- 6%	+ 71%	None		No	321M	800-662-7447	$3000	1.3%	10.49	S,G
GROWTH & INCOME FUNDS																		
0	EVERGREEN TOTAL RETURN	EVTRX	Very Low	+ 3.7%	- 7%	+17%	+16%	- 8%	+ 48%	None		No	1042M	800-235-0064	$2000	6.8%	16.50	S
0	FIDELITY PURITAN	FPURX	Very Low	+ 3.1%	- 7%	+20%	+19%	- 2%	+ 62%	2%	No	No	4183M	800-544-6666	$1000	8.6%	12.05	S,F
0	SELECTED AMERICAN SHARES	SLASX	Medium	+ 8.0%	- 5%	+20%	+22%	0%	+ 74%	None		.3%	345M	800-553-5533	$1000	4.2%	12.79	S
0	STRONG TOTAL RETURN	STRFX	Low	+ 0.7%	- 7%	+ 3%	+16%	+ 6%	+ 62%	1%	No	No	680M	800-368-3863	$ 250	6.5%	15.34	S
0	VANGUARD WELLINGTON	VWELX	Low	+ 2.9%	- 4%	+22%	+16%	+ 2%	+ 74%	None		No	2153M	800-662-7447	$3000	6.9%	16.26	S,G
INCOME FUNDS - EQUITY																		
0	FIDELITY EQUITY INCOME	FEQIX	Very Low	+ 2.7%	-15%	+19%	+22%	- 2%	+ 51%	2%	No	No	3846M	800-544-6666	$1000	8.3%	21.34	S,F
0	FINANCIAL INDUSTRIAL INCOME	FIIIX	Low	+ 3.9%	0%	+32%	+15%	+ 5%	+ 99%	None		.3%	483M	800-525-8085	$ 250	4.8%	8.62	S
0	T ROWE PRICE EQUITY INCOME	PRFDX	Low	+ 4.7%	- 8%	+14%	+28%	+ 4%	N/A	None		No	808M	800-638-5660	$2500	7.8%	12.27	S,G
0	VALUE LINE INCOME	VALIX	Low	+ 3.0%	+ 1%	+23%	+12%	- 2%	+ 70%	None		No	133M	800-223-0818	$1000	7.5%	6.39	S
0	VANGUARD WELLESLEY INCOME	VWINX	Very Low	+ 2.8%	+ 3%	+21%	+14%	- 2%	+ 73%	None		No	908M	800-662-7447	$3000	8.5%	16.02	S,G
INCOME FUNDS - BOND																		
+	COLUMBIA FIXED INCOME	CFISX	Medium	+ 1.5%	+ 8%	+14%	+ 8%	+ 1%	+ 55%	None		No	123M	800-547-1037	$1000	8.4%	12.72	S
+	FIDELITY INTERMEDIATE BOND	FTHRX	Low	+ 1.2%	+ 7%	+12%	+ 7%	+ 2%	+ 53%	None		No	718M	800-544-6666	$1000	8.4%	10.00	S,F
+	T ROWE PRICE NEW INCOME	PRCIX	Low	+ 1.2%	+ 9%	+12%	+ 8%	+ 2%	+ 55%	None		No	1007M	800-638-5660	$2500	8.6%	8.58	S,G
+	VANGUARD INVEST GRADE BOND	VWESX	Low	+ 1.8%	+ 6%	+15%	+10%	-10%	+ 56%	None		No	1079M	800-662-7447	$3000	9.4%	7.99	S,G
INCOME FUNDS - TAX-EXEMPT BONDS																		
+	BENHAM NAT TAX-FREE INTER	BNTIX	Very Low	+ 0.3%	+ 7%	+ 8%	+ 7%	+ 2%	+ 47%	None		No	25M	800-321-8321	$1000	6.1%	10.14	S
+	FIDELITY LIMITED TERM MUNI	FLTMX	Very Low	+ 0.7%	+ 7%	+ 8%	+ 8%	+ 1%	+ 52%	None		No	434M	800-544-6666	$2500	6.7%	9.27	S,F
+	VANGUARD MUNIBOND INTER	VWITX	Very Low	+ 0.5%	+ 7%	+10%	+10%	+ 2%	+ 57%	None		No	1266M	800-662-7447	$3000	7.0%	12.05	S,G
GOLD FUNDS																		
+	FIDELITY SELECT AMERICAN GOLD	FSAGX	Very High	+ 7.2%	-18%	+22%	-12%	+40%	N/A	2%	1%	No	230M	800-544-6666	$1000	0.0%	14.49	S,F
++	FINANCIAL STRATEGIC GOLD	FGLDX	Very High	+ 8.2%	-24%	+21%	-20%	+37%	+ 24%	None		No	43M	800-525-8085	$ 250	0.4%	4.58	S
+	VANGUARD SPECIALIZED GOLD	VGPMX	Very High	+ 2.6%	-20%	+30%	-14%	+32%	+ 85%	No	1%	No	177M	800-662-7447	$3000	2.7%	9.07	S,G
INTERNATIONAL FUNDS - STOCK																		
-	FIDELITY OVERSEAS	FOSFX	Medium	- 3.2%	- 6%	+17%	+ 8%	+18%	+176%	3%	No	No	912M	800-544-6666	$2500	1.1%	24.79	S,F
-	T ROWE PRICE INT'L STOCK	PRITX	Medium	- 2.7%	- 8%	+24%	+18%	+ 8%	+157%	None		No	949M	800-638-5660	$2500	1.8%	8.81	S,G
-	VANGUARD WORLD INT'L GROWTH	VWIGX	Medium	- 2.5%	-11%	+25%	+12%	+12%	+155%	None		No	694M	800-662-7447	$3000	1.5%	10.05	S,G
INTERNATIONAL FUNDS - BOND																		
-	FIDELITY GLOBAL BOND	FGBDX	Medium	+ 0.2%	+13%	+ 8%	+ 4%	+20%	N/A	None		No	107M	800-544-6666	$2500	4.1%	11.38	S,F
-	T ROWE PRICE INT'L BOND	RPIBX	High	- 0.5%	+18%	- 3%	- 1%	+28%	N/A	None		No	344M	800-638-5660	$2500	8.7%	9.53	S,G

++ Very Favorable (Buy)
\+ Favorable (Hold)
0 Neutral
\- Unfavorable

1 % Return with dividends & capital gains reinvested
2 S - Sales; R - Redemption
3 Net assets in millions of dollars
4 Price - Net asset value/share (NAV)

5 S - Available for trading through Charles Schwab
F - Available for trading through Fidelity
G - Switchable within a family Group
N - Not available in all 50 states

Data Source: Lipper Analytical Services, Inc.

QUOTLETS

MUTUAL FUND NEWS SERVICE — December 14, 1990

"Not since 1974 have such a preponderance of equity mutual funds shown a loss in any year. At the latest count only one of the 19 categories, into which Lipper Analytical Services divides the one thousand equity funds, was up in 1990. That one category, the health group, has just nine funds. Overall, the large group of fixed income funds has managed to climb back into positive returns in recent weeks but the only category of bonds to produce a solid double-digit gain was world income. Together health and world income account for only about 1 percent of total mutual fund assets."

Editor: Reg Green — Publisher: Green Financial Comm., Inc., Bodega Bay, CA 94923-0937

THE RUFF TIMES — December 17, 1990

"What's a mania? Consider this:

- The total valuation of Japanese real estate is $20 trillion, twice that of the entire U.S.; Tokyo's Imperial Palace alone – only 12.8 million square feet – is worth more than all of California.
- A typical six-room home in Tokyo costs $1.2 million; monthly rents at a new downtown apartment building start at $12,460.
- *Forty miles from downtown*, a new residential development offers 3,200-square-foot homes for *only* $4.7 million.
- In Osaka, a square meter (1.2 square yards) of land costs $4,140."

Editor: Howard Ruff — Publisher: Target Inc., Pleasanton, CA 94566-0625

GROWTH STOCK OUTLOOK — December 15, 1990

"Are you still wondering where your money goes when it heads toward Washington? Consider this: The new tax bill contained $18,000,000 to study methane emissions from cows. Now there's a real gasser for you!"

Editor: Charles Allmon — Publisher: Growth Stock Outlook, Inc., Chevy Chase, MD 20825

INVESTMENT HORIZONS — December 17, 1990

"Common stock prices in the ten worst performing industries have declined an average of 46 percent so far this year. The industries on the bottom rungs of the performance ladder include: Savings & Loans -62%, home construction -62%, real estate investment -46%, office equipment -45%, casinos -43%, regional banks -41%, airlines -41%, money center banks -40%, marine transport -40%, and building materials -39%."

Editor: Gerald Perritt — Publisher: Investment Info Services, Inc., Chicago, IL 60611

UNITED & BABSON INVESTMENT REPORT — December 31, 1990

"The average individual on Uncle Sam's payroll, whether a civilian employee or member of the armed forces, will receive a 4.1% cost-of-living increase in 1991. But the pay of a favored few will jump much more. House members will receive 40% more ($125,000, up from $89,500). And the salary of Vice President Dan Quayle, members of the Cabinet, and a number of other high ranking Federal officials will rise 29%. But the President will not share in this largesse. His salary will remain unchanged at $200,000. However, the 'fringe' benefits are reportedly worth $500,000 a year."

Editor: Paul Talbot, Jr. — Publisher: Babson-United Invest. Advisors, Inc., Wellesley Hills, MA 02181

DELIBERATIONS — December 19, 1990

"'Santa Greenspan' may have taken over at the Fed for now, but his easing is more focused on cosmetically beefing up banking system balance sheets than stimulating their new loans guys. And the beleaguered Yuppie consumer is still wondering why the combination of his home equity loan balance is rising, while the market 'value' of his home is on the skids... he's getting wiped out! And now that unemployment is surging, many DINKs (Double-Income, No Kids) face the prospect of becoming SINCs... Single-Income, No Cash. The consumer won't be back for quite a long time to come."

Editor: Ian M. T. McAvity — Publisher: Deliberations Research Inc., Toronto, Canada

The INVESTECH MARKET ANALYST and MUTUAL FUND ADVISOR are published 18 times per year and include access to the twice-weekly InvesTech Financial Hotline. Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisors Act of 1940, we advise all readers to recognize that they should not assume that recommendations made in the future will be profitable or will equal the performance of past recommendations. The contents of this letter have been compiled from original and published sources believed to be reliable, but are not guaranteed as to accuracy or completeness. InvesTech (and associated individuals) will, at times, have positions in the investments mentioned in this newsletter.

SUBSCRIPTION RATES (U.S. dollars):
InvesTech Market Analyst $165/yr
InvesTech Mutual Fund Advisor $165/yr
BOTH COMPLETE SERVICES $235/yr
(Foreign add $2.00/mo)