

**January 2011**

## TWM Market Commentary

### Monthly Strategy Returns

Strategy	Return for the Month
TWM Income	-0.24%
TWM IncomePlus	-0.02%
TWM Capital	0.46%
TWM Tactical Balanced	1.04%
TWM All Weather	0.66%
TWM Endowment	1.74%
TWM Core Tactical	0.67%
TWM Global Tactical	0.68%
TWM Market Masters	2.18%
TWM Alpha	0.51%
TWM 500	0.93%
TWM NASDAQ	1.96%
TWM Legends	1.87%
TWM Beta	2.71%

### Current Strategy Allocations

#### TWM Income

High Yield	32.50%
Barclays AGG	32.50%
Cash	35.00%

#### TWM IncomePlus

High Yield	97.00%
Cash	3.00%

#### TWM Capital

PIMCO All Asset	6.00%
PIMCO All Asset All Authority	6.00%
Ivy Asset Strategy	5.00%
Blackrock Global	5.00%
Rydex L/S Commodity	4.00%
Leuthold Asset Allocation	4.00%
Alpha Strategies	4.00%
Permanent Portfolio	15.00%
Rydex Managed Futures	7.00%
PIMCO Unconstrained	15.00%
PIMCO Total Return	10.00%
Rydex L/S Interest Rates	5.00%
Direxion/Wilshire Dynamic	5.00%
Cash	9.00%

#### TWM Tactical Balanced

S&P 500	6.25%
NASDAQ	6.25%
EAFE	12.50%
REITs	12.50%
Commodities	10.50%
Barclays Aggregate Index	17.00%
High Yield	30.00%
Cash	5.00%

### **TWM All Weather**

NASDAQ	17.00%
REITs	17.00%
Commodities	17.00%
S&P 500	17.00%
Cash	32.00%

### **TWM Endowment**

S&P 500	11.25%
NASDAQ	11.25%
EAFE	22.50%
REITs	20.00%
Barclays Aggregate Index	17.00%
Commodities	15.00%
Cash	3.00%

### **TWM Core Tactical**

Livestock ETF	10.00%
Global Water ETF	5.00%
Dividend Stocks	10.00%
Inverse Treasury Bonds	20.00%
Asia (excluding Japan)	10.00%
S&P 500 Large Cap Value	10.00%
Preferred Stocks	10.00%
Cash	25.00%

### **TWM Global Tactical**

Livestock ETF	10.00%
Global Water ETF	5.00%
Dividend Stocks	10.00%
Inverse Treasury Bonds	20.00%
Asia (excluding Japan)	10.00%
S&P 500 Large Cap Value	10.00%
Preferred Stocks	10.00%
Cash	25.00%

### **TWM Market Masters**

Commodities	22.00%
REITs	25.00%
S&P 500	12.50%
NASDAQ	12.50%
EAFE	25.00%
Cash	3.00%

### **TWM Alpha**

S&P 500	50.00%
NASDAQ	25.00%
Cash	25.00%

### **TWM 500**

S&P 500	97.00%
Cash	3.00%

### **TWM NASDAQ**

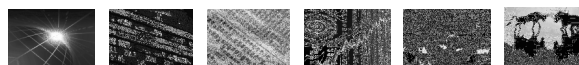
NASDAQ	97.00%
Cash	3.00%

## TWM LEGENDS

Potash Corp	6.40%
Genzyme Corp	6.40%
Microsoft Corp	6.40%
Exxon Mobil Corp	6.40%
Apple, Inc	6.40%
Bank of America Corp	6.40%
Pfizer, Inc	6.40%
Citigroup, Inc	6.40%
Wells Fargo & Co	6.40%
Hewlett-Packard	6.40%
Grace (WR) & Co	6.40%
CIT Group, Inc	6.40%
SPDR Gold	6.40%
Argo Group	6.40%
S&P 500	6.40%
Cash	4.00%

## TWM BETA

Apple	19.50%
Direct TV	19.50%
Google	19.50%
Qualcomm	19.00%
Amazon.com	19.50%
Cash	3.00%



***Different month, same story.*** Except for a brief blip due to the Egyptian crisis, markets continued their upward path. The one difference this month was the performance of Gold, which had its worst monthly performance in quite some time.

### What was Interesting Last Month

**Egypt** – The decline we had on Friday due to Egypt (and probably the fact that we were just plain due for a correction) was very interesting from a technical level. We breached some pretty important support levels on the S&P 500 which would have led us to believe we would see follow up selling on Monday and Tuesday. We actually saw just the opposite leading us to believe there is still plenty of cash on the sidelines looking to buy into dips.

Time will tell how things play out in the Middle East. Further uncertainty could be good for Oil, Gold, and Treasuries, and bad for stocks.

**Presidential Cycle Year 3 + QE2 = Rally** – Historically, the third year of a presidential cycle is good for stocks. Add that to the Fed pumping money into the system like crazy and you have a market that continues to be in rally mode.

**Gold** – Our analysis generated a sell signal on Gold earlier in the month (we currently only own Gold in our Legends Strategy). It has breached some key technical levels and you have to figure that so many people are in this trade there are no more buyers. However, the rally on Friday shows that Gold still has some upside during times of crisis.

**Risk on / Risk off** – We are starting to see some rotation and disconnect between sectors and commodities, instead of the same “Risk on / Risk off” story of last year.

## Risks We are Watching

This month we add a couple of risks to the equation—inflation and Egypt.

**Egypt** – The main risks are: similar turmoil spreading to other countries, and the impact on the flow of oil through the Suez canal.

**Inflation** – The Fed says we don't have any, even though food and energy prices (the main stuff people spend money on) are increasing. Also, emerging markets are starting to have some real inflation problems, as evidenced in the poorer countries where a large proportion of household income goes to core food, gas and the affect on finished products.

**Jobs are Job 1** – Common sense says it will take a long time before we get back to some reasonable level of unemployment (5%-ish).

**European Union Debt** – Egypt bumped this issue off the back pages but the concern about EU debt is still alive and kicking.

**Municipal Debt** – The “smart money” has fled this market, so states and municipalities are targeting ad campaigns towards retail investors. (I guess they call this the dumb money.)

**Real estate double dip** – No sign of a double dip yet, but we are still watching.

**Political Will** – No bailouts for the states and no more bailouts for public companies. I wonder who will bail out the federal government when the time comes.

**Money Flow** – Money is starting to flow out of gold and is continuing to flow out of bonds. Looks like it is all going right into the stock market. Get ready for another bubble.

## Key S&P 500 Support and Resistance Levels

Current Price 1307.59	Short Term	Intermediate Term
Support	1175	1125
Resistance	1308	1308

**Support** – Level the S&P would have a tough time falling through and if it did would be a bearish signal

**Resistance** – Level the S&P would have a tough time rising through and if it did would be a bullish signal

As always, feel free to call us if you have any comments or questions.



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