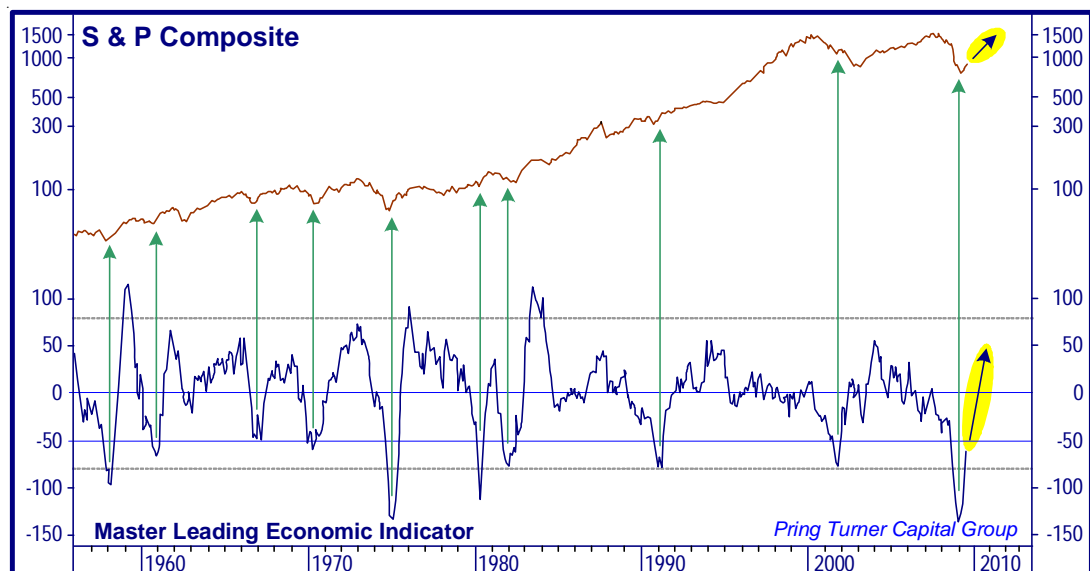


## MID-YEAR OUTLOOK

The solid portfolio performance last quarter is a harbinger of better times. The good news is we have even further confirmation of our April newsletter themes calling for a new bull market and beginning of the next business cycle expansion. **Economic clouds are breaking up and blue skies are appearing once again for investors.**

We pointed out in our previous quarterly newsletter we would monitor our proprietary Master Leading Economic Indicator for continued improvement. Indeed, we are encouraged by further strengthening in this reliable economic forecasting tool.

### Our Leading Economic Indicator Projects Economic Expansion Ahead . . .



### . . . A Stronger Economy = Rising Profits = Higher Stock Market

The 10<sup>th</sup> positive signal over the past fifty years confirms the economy is bottoming. We are on track to follow our business cycle blueprint for a typical economic turnaround, from recession to recovery to new expansion. **This will lead to improving investor confidence and higher stock prices in the months ahead.**

The recently completed stock market decline, the worst in a generation, really consisted of two separate declining stages. The first stage of the bear market was the typical response to an oncoming recession. On top of a painful recession, a second stage stock market rout was triggered by a sudden and deepening global banking crisis. Just as the bear market was a two-part decline, today we can look forward to a two-part market advance. We believe the impressive market advance

1600 S. Main Street, #375

Walnut Creek, CA 94596

Tel: (925) 287-8527

Fax: (925) 287-8653

[www.pringturner.com](http://www.pringturner.com)

Registered Investment Advisor

last quarter was directly related to the banking system crisis moving out of the intensive care unit and into the recovery and rehabilitation phase. Signs of banking system improvement include most banks passing government stress tests (even some have paid back government TARP money). Declining home prices, the trigger for the banking system meltdown, have begun to stabilize. In addition, increasing household savings rates are boosting bank deposits resulting in strengthened bank balance sheets. The healing process will continue and the banking industry will get stronger. Most importantly, the worst of the banking crisis is behind us.

The second stage of the market advance will be tied to the new business cycle recovery. **Our research indicates the economy is still on track for making a bottom this summer, thus ending the longest running recession in 76 years!** Not only are the leading economic indicators marching higher, also keep in mind the \$780 billion government stimulus money has only partially been spent. The bulk of the stimulus spending, yet to come, will reinforce a stronger economic recovery in the year ahead.

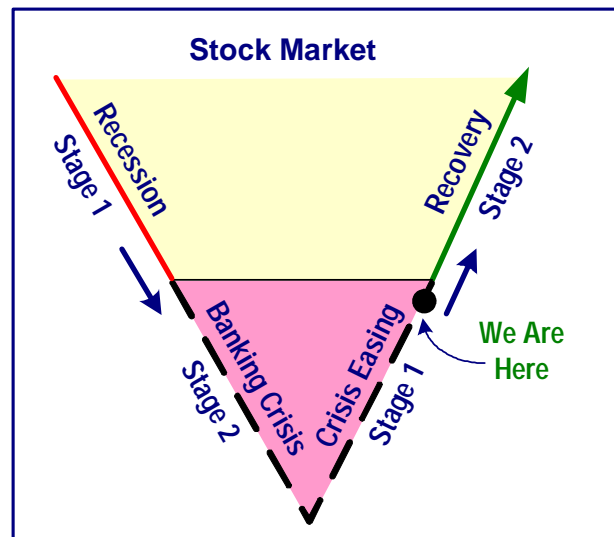
After the impressive stock market rebound and advance off the bear market low, it is only natural to see the market pause to catch it's breath. We view any temporary pullback simply as intermission between the first and second stage of this new bull market.

It is natural for investors to be skeptical in early stages of economic turning points. However, we are encouraged mounting evidence is confirming the beginning of an economic recovery and a sustainable market upswing.

**It is important to know, from a historical perspective, the average of all eleven bull markets since 1960 lasted 39 months and appreciated +92%. This new bull market has plenty of upside potential.** It is a green light for today, but if our indicators shift to yellow or red down the road, please know we will be taking protective measures. For the time being, enjoy the bull market run and portfolio gains.

We will continue seeking new opportunities to upgrade portfolios and best take advantage of an improving investment outlook. Please feel free to contact us with any questions.

### Worst Bear Market in a Generation Was a Two Stage Decline . . .



### . . . Stage 2 Advance of New Bull Market Set to Start

Investment decisions formulated by Pring Turner Capital Group, Inc. are based on proprietary research and methods developed since 1977 by the owner/managers of the firm. None of the material contained herein is intended as a solicitation to purchase or sell a specific investment. Readers should not assume that all recommendations will be profitable or that future performance will equal that referred to in this material.