June 5, 2007

Let me begin by saying, thank you for all the comments of late on our updates. While I definitely enjoy writing them and keeping you in the loop on what's going on, it's nice to receive both compliments and constructive criticism. In fact, a few people over the past few months suggested I contract with an email delivery service to ensure our communication is getting out and spice up the layout.

Over the next few weeks, you will see a much needed improvement to the look and feel of the emails as well as better delivery. As always, we hate unwanted emails as much as you do, so if you no longer want to receive our updates, just reply or opt out here: http://www.investfortomorrow.com/unsubscribe.asp

Let's move on to the financial markets. Our intermediate-term and long-term stock market models remain positive, unchanged since they turned up in March near the lows. When both are positive, the major stock market indexes have exhibited the highest returns, exactly what we have seen for more than two months.

Remember, our models seek to be on the right side of equities over a period of months and quarters, not day to day. Until either one turns negative, our bullish position will not change. As I am sure you can see from your statements, it's been a truly sensational run and our job slowly shifts toward preserving those gains as the rally moves to its conclusion.

I continue to be amazed at just how many individual investors are either not invested enough or their portfolios are so poorly positioned that they are not making any money in this rally. What's beyond comprehension is how many professional advisors haven't participated in this powerful surge. If you know anyone who fits this description, please have them contact me directly!

I want to turn to some shorter-term comments now that will be more relevant for the next few days to few weeks. With each passing week or so, a few tiny cracks have appeared in the uptrend. So far, these have only led to very minor dips of less than 2%, but I expect more and more to pop up the closer we get to the end of the rally.

As of last Friday, the major indexes were certainly short-term overbought. In a healthy uptrend, all we can expect is a brief and shallow dip of 1-3%, before the bulls get back to work. One of the first signs of a trend change will come when a short-term oversold does not lead to an immediate rally back to new highs.

On the sentiment front, a number of widely followed put/call options indicators are flashing caution signs, meaning that option investors have become a tad too excited. This is far from the excessive, extreme levels we normally see at major peaks, but like the short-term overbought, it could mean a quick dip.

Lastly in the shorter-term, Treasury note and bond yields over the past month have risen in near vertical fashion to their highest levels since last August. This is a worrisome sign over all time horizons, but it's certainly another small crack in the short-term. Add all of this together and we have the makings for a little stock market dip.

Now before you conclude that the rally is over, let's watch how the market reacts to these cracks. If the super powerful uptrend is about to reassert itself, it will start literally right now. If the major uptrend remains healthy, then you can expect either sideways action to digest or a 1-3% dip over the next 1-2 weeks. Anything more than 3% will likely jeopardize the staying powerful of the uptrend.

It's getting late and I didn't get to talk about some very important "big picture" items that I want you to be aware of. If the kids let me, I will write some comments over the weekend on the misconceptions surrounding the takeover climate with private equity, the "real" inflation story no one wants you to hear and one way to forecast whether the next correction will be the normal bull market variety, 10%, or much more.

Until then, enjoy the nice weather and the market's gains. Please feel free to contact me directly with any questions or comments, or to schedule a call to discuss how our strategies can help your portfolio!

All Good Trades,

Paul Schatz
President
Heritage Capital LLC
1 Bradley Road - Suite 202
Woodbridge CT 06525

203.389.3553 phone
203.389.3550 fax

www.InvestForTomorrow.com

If any of our emails bounce back to you, please forward to Paul@bcmoney.com. Our IT staff is working on the issue.