November 19, 2007

11:09 AM EST

Inside this issue

Getting Even Closer, But NO Cigar Yet!
~~~~~~

You can breathe a sigh of relief. I don't have much to say today! The stock market still has not cleaned up the mess in the way I thought it would at this time last week, so until it does, we are taking a more passive approach.

In my last update, I discussed the unusually strong downside momentum in stocks and how unsustainable that was. What normally happens is that we see one final "flush" lower on very heavy volume to put the final pieces of the bottom in place. I thought that was going to occur last week.

Instead, the market's "rescue squad" kept diving in and preventing this mini collapse we need to see. We're getting closer though! The downside from here looks to be somewhere in the range of 2-6% in the major indices. For you Dow watchers, that's 12,400 to 13,000.

This week is my favorite holiday and also a time where short-term rallies are typically seen. Both Wednesday and Friday are seasonally positive trading days, but unless Monday or Tuesday result in a mini panic, I probably will not be interested in doing much. Don't forget that Friday is a half day.
~~~~~~

With the path of least resistance still lower, and a lot of cash still in our portfolios, I do not plan on jumping the gun and diving in headfirst. Rather, I'd like to watch and see how the next few sessions to few weeks shake out before making additional commitments.

I also wrote last week that I thought all of our investment models would be lined up positively by now. While they are very close, it's just not the case, yet. When they finally all do flash the green light, we will go back to 100% invested across the board in US indices, sectors and international markets.

I do think, and the data backs this up, that December should see a very strong rally in the stock market. It's amazing at just how negative sentiment has become. Not an hour goes by that I don't hear about the economy falling off a cliff or how bad the financial sector really is. Let's not forget about the housing market that's essentially going to zero, according to some of the pundits.

Even if this was slightly true, which it's not, markets do not move in straight lines. Remember the nasty bear market of 2000 - 2002? We saw the peak in March 2000, followed by a decline into April and then a good rally from May to Labor Day, before another decline set up. In 2001 and 2002, we witnessed multiple intermediate-term rallies in the face of an utter disaster.

So now, even if we are going to see more downside next year, I firmly believe a move back towards the highs will be in order before long. And that's my conservative forecast!

Finally, I want to wish everyone the happiest and most enjoyable Thanksgiving ever! Have fun with your family and friends, and of course, the football games! Go Cowboys!!

Calling All Cars

~~~~~~

People always ask me who makes the most money in the financial markets. While I am not sure there is one single correct answer, I do know that from our own clients, the ones who do the best are the ones who respond to calls.
~~~~~~

Every so often there is a period of time where either the stock market or one of our strategies hits a bump in the road. Some years it occurs several times and other years not at all. Both 2005 and 2006 saw only one of those events. 2007 has seen several, in March, June and August.

Investors who add to their accounts or open an account in a new strategy during those times have often seen success quickly. If you believe our philosophy and trust our investment methodology, then you should be committing more capital when there is a "sale".

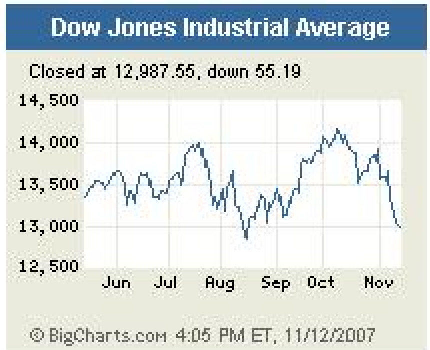
Along those lines, if you opened the newspaper and saw that Target was having a 20% off sale, would you go? Now, flip it around. How many of you would run to Target after they advertised that prices have just gone UP 20%? If you believe in the quality of Target, then of course you sprint over when they announce that sale!

My question is why don't the majority of investors do the same thing?

"Borrowing" a phrase my friend Sam Jones uses, this is a "calling all cars" alert. The bell is ringing to either add money to your existing account or to contact me directly to open a new account. The stock market is in the midst of bottoming and our strategies should follow suit! If you believe in what we do and how we do it, the time to add money is now.

Heritage Capital in the Wall Street Journal

~~~~~~
~~~~~~



1. Citi, IBM Post Gains; E*Trade Is Pummeled

By KAREN TALLEY
November 13, 2007; Page C6

As Citigroup and International Business Machines put in solid gains, they couldn't stop the Dow Jones Industrial Average from falling below 13000 for the first time in three months, while nonmember E*Trade Financial was sliced by nearly 60%.

The industrial average rose as much as 119.90 early in the session, but "the action was just a bounce, and tech continued to be a huge drag," said Paul Schatz, president of Heritage Capital LLC. "But the extreme downside momentum we've seen has shown itself in the past to be unsustainable, and we're coming into a seasonably strong period, so my feeling is stocks should soon find footing."

The Dow industrials lost 55.19, or 0.4%, to 12987.55.The Nasdaq Composite Index fell 43.81, or 1.7%, to 2584.13.

The Standard & Poor's 500 Index lost 14.52, or 1%, to 1439.18.

Citigroup rose 47 cents, or 1.4%, to $33.57. National City gained 71 cents, or 3.4%, to 21.57; SunTrust Banks rose 1.68, or 2.5%, to 69.15; and Wells Fargo rose 69 cents, or 2.2%, to 32.35.

IBM rose 1.20, or 1.2%, to 101.45. The computer-services and software titan plans to buy Cognos, a provider of business-intelligence services, for nearly $5 billion. Cognos (Nasdaq) rose 4.17, or 7.9%, to 57.15.

E*Trade Financial (Nasdaq) plunged 5.04, or 59%, to 3.55, its lowest level in more than five years. The online brokerage warned of further write-downs for its mortgage-backed securities and said the Securities and Exchange Commission is conducting an informal probe of its portfolios. (See related article.)

EchoStar Communications (Nasdaq) fell 7.68, or 16%, to 40.83, its biggest percentage drop in seven and a half years. With its so-called subscriber-churn rate climbing to 1.9% for the last quarter, the satellite-television service's chief executive said company managers "just haven't done a very good job" of controlling subscriber turnover in recent months. Citigroup, also noting the elevated rate, cut shares to hold from buy. Larger rival DirecTV Group dropped 1.77, or 6.6%, to 25.01.

Whirlpool gained 3.20, or 4.2%, to 78.64. The appliance maker is a global leader able to surmount the U.S. housing contagion, and shares should benefit from the recent acquisition of Maytag, according to Barron's Online.

Blackstone Group lost 2.02, or 8.3%, to 22.26, its biggest percentage drop since going public June 22. The private-equity company said "lack of liquidity in the financing markets" hampered corporate deal-making in the recent quarter. The company swung to a loss on charges related to its IPO.

Goldman Sachs Group rose 3.38, or 1.6%, to 214.71. Punk Ziegel raised Goldman shares to market perform from sell, citing confidence that the investment bank's systems may protect it from "the worst of the excesses now in the marketplace."

First Solar (Nasdaq) lost 29.15, or 14%, to 177.70. Companies involved in producing solar power fell amid concerns that Congress may move forward on an energy bill without including an extension of tax credits for producers and consumers of solar energy.

Cypress Semiconductor dropped 5.07, or 14%, to 31.47; Apple fell 11.61, or 7%, to 153.76; and Citrix Systems lost 2.32, or 5.6%, to 39.47, the latter two on the Nasdaq. Credit Suisse's global-equity strategy team halved its overweight position in technology to 20% from 40%, feeling that 2008 global economic growth could come in below expectations, and tech is a cyclical, or economically sensitive, sector.

Saks rose 54 cents, or 2.8%, to 20. Investment concern Baugur Group HF has hired advisers for a possible pursuit of the luxury retailer, the Sunday Times of the United Kingdom reported.

Tyson Foods lost 42 cents, or 2.8%, to 14.33. The world's largest meat processor swung to a fiscal-fourth-quarter profit but warned fiscal 2008 earnings will be well below analysts' expectations amid difficult chicken and beef markets.

Peabody Energy lost 4.54, or 8.1%, to 51.33. The nation's largest coal producer said its third-quarter profit fell 77% from the year-ago quarter as it booked more expenses from last year's acquisition of Australia's Excel Coal.

St. Jude Medical lost 1.89, or 4.8%, to 37.13. Reports are emerging that some defibrillator wires made by the company are in rare instances puncturing holes in the hearts of cardiac patients.

Abbott Laboratories rose 55 cents, or 1%, to 54.67. The drug maker received Food and Drug Administration approval for a new lower-strength tablet formulation of its HIV protease inhibitor, Kaletra, for pediatric patients.

Write to Karen Talley at karen.talley@dowjones.com

To Your Financial Success,

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

Important Disclosure Information

Heritage Capital LLC ("Heritage"") composite performance results represent time-weighted actual performance results for continuously managed Heritage accounts, which individual accounts Heritage believes to be representative of its investment management process (i.e. mutual funds and exchange traded funds) for each specific strategy during the corresponding time period. The composite performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, and the separate fees assessed directly by each unaffiliated mutual fund and exchange traded fund holding that comprised each account, and the maximum investment advisory fee that the accounts would have incurred (by applying the Heritage's current investment advisory fee of 2.00% as set forth in its current written disclosure statement) during the corresponding time periods.

Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

Information pertaining to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request Performance results have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.