



## Improving on Buy and Hold: Update December 31, 2010

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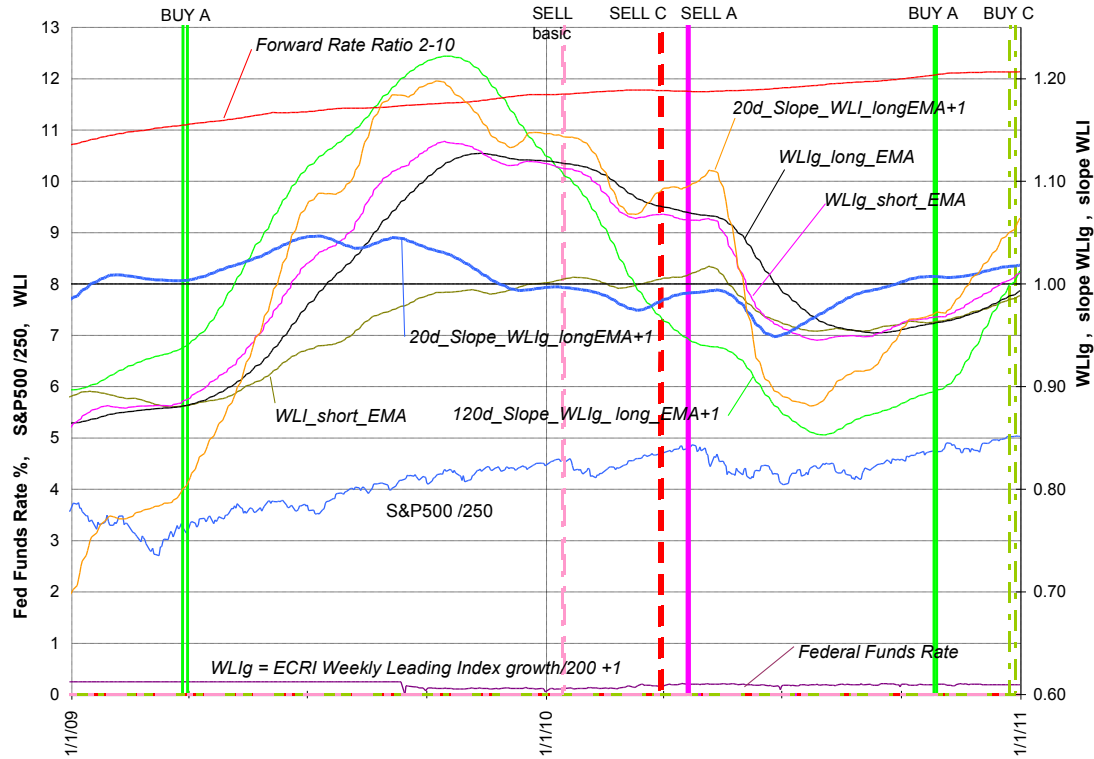
I have updated the model described in my article [Improving on Buy and Hold: Asset Allocation using Economic Indicators](#). The ECRI U.S. Weekly Leading Index and its annualized growth rate, published on December 31, 2010, together with the most recent values of the other indicators used, have been incorporated in the model.

Figure 2 shows the buy and sell signals obtained from the model for 2009 and 2010. **A Buy C signal was generated on 12/27/2010.** The table below shows the historic percentage gains for the S&P 500 index after the previous *Buy C* signals for the model. The percentages are listed at six month intervals until the model indicated to exit the market. There were never any negative returns.

| date for BUY C | % return after 6 months | % return after 12 months | % return after 18 months | % return after 24 months | % return after 30 months | % return after 36 months |
|----------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 3/26/1982      | 9.59%                   | 33.04%                   | 52.34%                   |                          |                          |                          |
| 1/23/1985      | 7.98%                   | 18.41%                   | 38.04%                   | 38.86%                   | 60.42%                   |                          |
| 5/25/1988      | 9.97%                   | 18.75%                   | 36.23%                   |                          |                          |                          |
| 3/24/1999      | 5.81%                   | 9.62%                    | 19.36%                   |                          |                          |                          |
| 4/3/2003       | 15.79%                  | 30.49%                   | 21.40%                   | 34.11%                   | 36.34%                   | 43.81%                   |
| 3/14/2005      | 0.46%                   | 3.97%                    | 4.48%                    | 17.53%                   |                          |                          |



Figure 2 : Fed Funds Rate, S&P 500, FRR, WLIg, slope WLIg & slope WLI  
 updated 12/31/10



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