



# The ARRVIN Report

Vol. 7, No. 5

July 1, 2010

**CURRENT INVESTMENT CLIMATE: Average**  
**CURRENT INVESTMENT STYLE: Moderate**



*Arrvin! I have some concerns.*

*I know. You're worried that the Big 12 conference will still unravel and Mizzou will be left playing Slippery Rock three times a year in the Appalachian conference. I can ease your mind on that....*



*That's not it at all, nitwit. I'm concerned that the economy is going down the tubes. In particular:*



- *New home sales fell 32% in May from April. That is the largest monthly drop on record.*
- *Existing home sales fell 2.2% in May, and that was in spite of the continuing effects of a government tax credit.*
- *On June 23 the Fed said, "Financial conditions have become less supportive of economic growth...largely reflecting developments abroad."*
- *By developments abroad the Fed meant the mess in Europe where five spendthrift countries have got themselves in danger of defaulting on their bonds. The five are adopting austerity measures to try to get their fiscal houses in order, but these measures will cripple their economic growth. Furthermore, European banks that hold these sovereign bonds may be in trouble when the value of those bonds is marked down.*
- *Durable goods orders were down 1.1% in May after rising in each of the last five months.*
- *Initial jobless claims are still averaging 462,000 a week. That is way too high.*

*continued on pg. 13*

## INSIDE...

ARRVIN'S DOW Report.....	2
The Sell List.....	3
The Top Ten.....	3
Performance , Ratings & Alerts.....	4

ARRVIN'S Portfolio.....	8
ARRVIN'S DOW Portfolio.....	9
The Investment Environment .....	10
<a href="#">OPERATOR'S MANUAL</a> .....	15
<b>IMPORTANT NOTICE</b> .....	15

ARRVIN'S DOW Report						7/1/2010	
STOCK SYMBOL	COMPANY	Current Price	% Dividend Yield	ARRVIN'S PBR RATING	P/E		
AA	Alcoa	\$10.06	1.2	15.02	12.1		
AXP	American Express	\$39.70	1.8	10.74	12.3		
BA	Boeing	\$62.75	2.7	10.69	14.4		
BAC	Bank of America	\$14.37	0.3	17.21	10.0		
CAT	Caterpillar	\$60.07	2.8	11.79	15.2		
CSCO	Cisco	\$21.31		8.07	12.6		
CVX	Chevron	\$67.86	4.1	17.32	7.2		
DD	Dupont	\$34.59	4.7	11.73	12.4		
DIS	Disney	\$31.50	1.1	9.41	14.4		
GE	General Electric	\$14.42	2.8	12.00	11.9		
HD	Home Depot	\$28.07	3.3	10.99	13.3		
HPQ	Hewlett-Packard	\$43.28	0.7	12.56	9.2		
IBM	IBM	\$123.48	1.9	10.03	10.5		
INTC	Intel	\$19.45	3.1	9.63	10.1		
JNJ	Johnson & Johnson	\$59.06	3.4	9.64	11.8		
JPM	J.P. Morgan Chase	\$36.61	0.5	16.21	9.3		
KFT	Kraft Foods	\$28.00	4.1	11.28	12.9		
KO	Coca-Cola	\$50.12	3.4	7.65	14.0		
MCD	McDonald's	\$65.87	3.3	7.52	14.1		
MMM	3M Company	\$78.99	2.6	8.58	13.4		
MRK	Merck	\$34.97	4.4	13.81	9.6		
MSFT	Microsoft	\$23.01	2.3	12.04	10.6		
PFE	Pfizer	\$14.26	4.8	15.85	6.4		
PG	Procter & Gamble	\$59.98	3.0	2.41	14.8		
T	AT&T	\$24.19	6.9	12.07	10.2		
TRV	Travelers	\$49.25	2.7	6.81	8.5		
UTX	United Technologies	\$64.91	2.5	10.62	13.0		
VZ	Verizon	\$28.02	6.7	5.47	12.4		
WMT	Wal-Mart	\$48.07	2.4	9.57	11.4		
XOM	Exxon Mobil	\$57.07	3.0	14.63	9.0		
In ARRVIN'S DOW Portfolio			AVERAGES:	11.0	11.6		
DOW stocks with a PBR above 10 are strong buys. If the PBR is below 3 sell it. Dividend yields and P/E ratios are shown for informational purposes only.							

The ARRVIN Report is published twice a month by ARRVIN LLC. Editor: Milton Garber. For editorial matters contact [edit@arrvin.com](mailto:edit@arrvin.com). For all other matters contact [business@arrvin.com](mailto:business@arrvin.com). See the IMPORTANT NOTICE on the last page before making any decisions based on the information contained herein. Copyright 2010 by ARRVIN LLC. All rights reserved.



## The Sell List

The following stocks should be sold. Sell alerts are generated either because the stock's PBR has fallen too low or because the stock's price has dropped too much or a combination of these factors. Any stock whose PBR drops below 2.0 is a sell. The idea behind selling stocks whose price has dropped too much is simply to cut losses short while letting gains run. **Sell the following stocks.**

**China TransInfor Tech (CTFO)**  
**Gammon Gold (GRS)**  
**Perfect World (PWRD)**

**Travelers (TRV)**  
**Genoptix Inc. (GXDX)**

## The Top Ten

The following stocks are ARRVIN'S top choices from the Performance, Ratings & Alerts table.

SYMBOL	COMPANY	LIST DATE	INITIAL PRICE	PRICE 7/1/10	G / L	Current PBR	DIVIDEND YIELD
TRAD	TradeStation Group -- online broker / dealer & trading platform	11/14/09	\$7.57	\$6.75	-\$0.82	37.78	0.0%
CMFO	China Marine Food Group -- processed and marine caught seafood in China	11/14/09	\$5.07	\$4.14	-\$0.93	28.30	0.0%
YUII	Yuhe International -- supplies day-old chickens to be raised as broilers in China	12/14/09	\$7.58	\$7.16	-\$0.42	25.46	0.0%
CHBT	China Biotics -- health supplements in China	10/15/09	\$16.80	\$13.01	-\$3.79	22.57	0.0%
HTGC	Hercules Tech. Growth Capital -- provides financing to tech companies	11/14/08	\$6.37	\$9.21	\$2.84	21.39	8.7%
CEU	China Edu. Alliance -- online education & training in China	6/15/10	\$4.08	\$4.15	\$0.07	20.86	0.0%
COCO	Corinthian Colleges -- 89 schools & online education in U.S. & Canada	9/16/09	\$19.24	\$9.85	-\$9.39	20.52	0.0%
TWGP	Tower Group -- property and casualty insurance	7/1/08	\$21.64	\$21.53	-\$0.11	19.79	1.3%
HOGS	Zhongpin Inc. -- wholesale meat & food sales in China	5/29/09	\$10.71	\$11.76	\$1.05	19.06	0.0%
FSIN	Fushi Copperweld -- produces copper-clad wire products	3/15/10	\$12.51	\$8.18	-\$4.33	18.80	0.0%

## Performance, Ratings & Alerts

**RATINGS:** A Price Business Rating (PBR) above 6 is a strong buy. A PBR below 2 is a sell. A Financial Rating (FR) of C or better is acceptable, and a D rating can be accepted for a large cap stock.

**ALERTS:** A Warning alert requires defensive action, either selling the stock or using options. Options can be used to defend a stock either by selling calls on the stock or putting an option collar on the stock (selling calls and buying puts at the same strike price). Average Down means you should consider adding more shares to your position.

**COMMENTARY:** To review the initial commentary for a stock check the archive issue on the web site for the date the stock was first listed.

**SOLD STOCKS** will not be listed after the date of sale.

**MORE ABOUT THE ARRVIN SYSTEM** -- see "More About The ARRVIN Report" at [www.arrvin.com](http://www.arrvin.com).

SYMBOL	COMPANY	LIST DATE	INITIAL PRICE	PRICE 7/1/10	G / L	Current PBR	ALERT STATUS
ABAX	Abaxix, Inc.;	1/16/10	\$25.52	\$21.43	-\$4.09	6.66	Hold
ABV	Companhia De Bebidas ADR	3/1/09	\$40.46	\$101.01	\$60.55	8.26	Hold
ACTU	Actuate Corp.	3/15/10	\$5.80	\$4.45	-\$1.35	13.31	Hold
AEO	American Eagle Outfitters	11/14/09	\$15.86	\$11.75	-\$4.11	13.56	Hold
AMN	Ameron International	1/16/10	\$69.70	\$60.33	-\$9.37	10.62	Hold
AMX	America Movil S.A. (ADR)	6/2/04	\$11.62	\$47.50	\$35.88	11.32	Hold
ANH	Anworth Mortgage	9/1/08	\$6.54	\$7.12	\$0.58	13.89	Hold
APEI	American Public Education	12/14/09	\$33.38	\$43.70	\$10.32	7.84	Hold
APOL	Apollo Group	1/1/09	\$76.62	\$42.47	-\$34.15	14.71	Average Down
ARRS	Arris Group	3/15/10	\$12.25	\$10.19	-\$2.06	12.00	Hold
ASIA	AsiaInfo Holdings	2/14/10	\$24.29	\$21.86	-\$2.43	9.00	Hold
ATW	Atwood Oceanics	12/29/06	\$24.74	\$25.52	\$0.78	14.93	Hold
BAP	CrediCorp	12/1/07	\$71.19	\$90.89	\$19.70	11.38	Hold
BAX	Baxter International	12/1/08	\$52.90	\$40.64	-\$12.26	10.73	Hold
BMY	Bristol Myers	2/27/08	\$23.37	\$24.94	\$1.57	11.36	Hold
BOLT	Bolt Technology	4/15/10	\$11.54	\$8.75	-\$2.79	17.29	Hold
BPI	Bridgepoint Education	3/15/10	\$20.84	\$15.81	-\$5.03	17.17	Hold
BTU	Peabody Energy Corp.	5/29/09	\$32.66	\$39.13	\$6.47	15.56	Hold
BWP	Boardwalk Pipeline	7/30/08	\$24.60	\$30.08	\$5.48	7.58	Hold
CALM	Cal Maine Foods	5/15/10	\$33.44	\$31.93	-\$1.51	12.58	Hold
CAST	ChinaCast Education	7/1/09	\$7.25	\$5.94	-\$1.31	11.92	Hold
CEO	CNOOC ADR	5/29/09	\$126.47	\$170.17	\$43.70	15.44	Hold
CEU	China Edu. Alliance	6/15/10	\$4.08	\$4.15	\$0.07	20.86	Hold
CFSG	China Fire and Security	4/15/10	\$13.98	\$9.18	-\$4.80	21.43	Average Down
CGA	China Green Agriculture	12/14/09	\$17.13	\$8.98	-\$8.15	14.30	Average Down
CHBT	China Biotics	10/15/09	\$16.80	\$13.01	-\$3.79	22.57	Hold
CMFO	China Marine Food Group	11/14/09	\$5.07	\$4.14	-\$0.93	28.30	Hold
CNQ	Canadian Natural Resources	10/15/09	\$37.41	\$33.23	-\$4.18	12.79	Hold
COCO	Corinthian Colleges	9/16/09	\$19.24	\$9.85	-\$9.39	20.52	Average Down
COGT	Cogent	11/14/09	\$8.96	\$9.01	\$0.05	5.73	Hold
CPBY	China Information Security	10/15/09	\$7.44	\$5.20	-\$2.24	17.39	Average Down
CPIX	Cumberland Pharmaceuticals	4/15/10	\$10.80	\$6.42	-\$4.38	15.93	Average Down
CPSI	Computer Programs & Systems	2/14/10	\$36.96	\$40.92	\$3.96	8.50	Hold
CSCO	Cisco	6/8/09	\$19.87	\$21.31	\$1.44	8.07	Hold
CSKI	China Sky One Medical	5/29/09	\$13.93	\$11.24	-\$2.69	27.79	Hold
CTFO	China TransInfor Tech.	9/16/09	\$8.84	\$5.43	-\$3.41	22.87	***SELL***
DEER	Deer Consumer Productsd	4/15/10	\$11.50	\$8.30	-\$3.20	13.02	Hold
DFS	Discover Financial	10/15/09	\$16.01	\$13.98	-\$2.03	14.00	Hold

# Performance, Ratings & Alerts

SYMBOL	COMPANY	LIST DATE	INITIAL PRICE	PRICE 7/1/10	G / L	Current PBR	ALERT STATUS
DLR	Digital Realty REIT	10/56/09	\$45.56	\$57.68	\$12.12	7.96	Hold
EGO	Eldorado Gold Corp.	12/1/08	\$5.70	\$17.96	\$12.26	6.52	Hold
EJ	E House China Holdings	10/15/09	\$22.69	\$14.81	-\$7.88	12.45	Hold
EOG	EOG Resources	4/1/09	\$54.76	\$98.37	\$43.61	9.10	Hold
EPAX	Ambassadors Group	3/15/10	\$11.66	\$11.29	-\$0.37	12.42	Hold
ESI	ITT Educational Services	8/1/09	\$97.35	\$83.02	-\$14.33	15.53	Hold
ESV	ENSCO	4/15/10	\$48.70	\$39.28	-\$9.42	12.71	Hold
EVEP	EV Energy Partners	5/15/10	\$30.93	\$31.20	\$0.27	14.44	Hold
EXFO	EXFO Electro-Optical	1/16/10	\$5.11	\$4.98	-\$0.13	10.82	Hold
EZCH	Ezchip Semiconductxor	5/15/10	\$16.70	\$17.50	\$0.80	10.18	Hold
EZPW	ExcCorp, Inc.	3/1/06	\$7.21	\$18.55	\$11.34	12.84	Hold
FEED	AgFeed Industries	5/29/09	\$6.06	\$2.93	-\$3.13	23.50	Average Down
FSIN	Fushi Copperweld	3/15/10	\$12.51	\$8.18	-\$4.33	18.80	Average Down
FTO	Frontier Oil	8/1/09	\$13.90	\$13.45	-\$0.45	10.42	Hold
GA	Giant Interactive Grp.	6/15/10	\$7.18	\$6.88	-\$0.30	11.83	Hold
GENZ	Genzyme	5/29/09	\$58.97	\$50.77	-\$8.20	10.36	Hold
GILD	Gilead Sciences	1/1/09	\$51.14	\$34.28	-\$16.86	10.29	Hold
GLBL	Global Industries	4/15/10	\$6.66	\$4.49	-\$2.17	14.04	Average Down
GLT	PH Glatfelter	9/16/09	\$11.81	\$10.85	-\$0.96	14.52	Hold
GRS	Gammon Gold	4/1/09	\$6.47	\$5.46	-\$1.01	14.80	***SELL***
GSIT	GSI Technology	5/15/10	\$6.15	\$5.72	-\$0.43	12.22	Hold
GXDX	Genoptix Inc.	5/15/10	\$27.00	\$17.20	-\$9.80	7.25	***SELL***
HCKT	The Hackett Group	11/14/09	\$2.88	\$2.81	-\$0.07	13.78	Hold
HEAT	SmartHeat	6/15/10	\$6.44	\$5.71	-\$0.73	17.67	Hold
HIMX	Himax Technologies	5/15/10	\$2.85	\$2.91	\$0.06	12.31	Hold
HLIT	Harmonic Inc.	5/1/09	\$7.39	\$5.44	-\$1.95	8.86	Hold
HMY	Harmony Gold ADR	8/1/09	\$9.26	\$10.57	\$1.31	9.13	Hold
HOGS	Zhongpin Inc.	5/29/09	\$10.71	\$11.76	\$1.05	19.06	Hold
HTGC	Hercules Tech. Growth Capital	11/14/08	\$6.37	\$9.21	\$2.84	21.39	Hold
IGTE	iGate Corp.	5/15/10	\$12.33	\$12.82	\$0.49	7.17	Hold
ISNS	Image Sensing Systems	6/15/10	\$13.00	\$13.45	\$0.45	9.49	Hold
ITRN	Ituran Location and Control	12/14/09	\$13.57	\$15.08	\$1.51	7.28	Hold
JMP	JMP Group	4/15/10	\$7.98	\$6.19	-\$1.79	13.58	Hold
LGCY	Legacy Reserves Units	7/1/09	\$13.23	\$22.52	\$9.29	13.99	Hold
LINE	Linn Energy	3/1/09	\$15.01	\$26.55	\$11.54	3.86	Hold
LLY	Eli Lilly	7/1/08	\$45.98	\$33.50	-\$12.48	4.97	Hold
LOPE	Grand Canyon Edu.	6/15/10	\$23.51	\$23.43	-\$0.08	9.51	Hold
LPHI	Life Partners	3/1/09	\$17.11	\$20.46	\$3.35	15.05	Hold
MA	Mastercard	10/15/09	\$218.05	\$199.53	-\$18.52	9.90	Hold
MAIN	Main Street Capital	12/14/09	\$14.80	\$14.93	\$0.13	14.15	Hold
MATK	Martek Biosciences	2/14/10	\$20.33	\$23.71	\$3.38	9.34	Hold
MFLX	Multi-Fineline Electronix	11/14/09	\$25.80	\$24.96	-\$0.84	10.44	Hold
MOS	Mosaic	11/1/08	\$39.41	\$38.98	-\$0.43	14.76	Hold
MPWR	Monolithic Power Systems	2/14/10	\$21.50	\$17.86	-\$3.64	7.55	Hold

# Performance, Ratings & Alerts

SYMBOL	COMPANY	LIST DATE	INITIAL PRICE	PRICE 7/1/10	G / L	Current PBR	ALERT STATUS
MR	Mindray Medical	12/1/08	\$18.08	\$31.42	\$13.34	7.97	Hold
MRK	Merck	11/15/08	\$27.33	\$34.97	\$7.64	13.81	Hold
MUR	Murphy Oil	4/15/10	\$61.71	\$49.55	-\$12.16	16.01	Hold
NED	Noah Education Holdings	12/14/09	\$5.35	\$3.62	-\$1.73	15.66	Average Down
NEM	Newmont Mining	3/1/09	\$41.63	\$61.74	\$20.11	6.63	Hold
NOG	Northern Oil & Gas	10/15/09	\$10.06	\$12.84	\$2.78	9.91	Hold
NRP	Natural Resources Partners	11/1/08	\$23.52	\$23.64	\$0.12	13.12	Hold
NTES	Netease.com	5/1/09	\$30.18	\$31.71	\$1.53	11.15	Hold
NTRI	NutriSystem	12/14/09	\$29.68	\$22.94	-\$6.74	17.48	Hold
NVEC	NVE Corp.	12/14/09	\$39.78	\$43.53	\$3.75	6.10	Hold
NVO	Novo-Nordisk ADR	5/1/09	\$47.51	\$81.02	\$33.51	6.52	Hold
NVR	NVR, Inc.	2/14/10	\$691.00	\$655.03	-\$35.97	9.18	Hold
NVS	Novartis	5/15/10	\$47.28	\$48.32	\$1.04	7.35	Hold
OLN	Olin Corp.	2/14/10	\$16.40	\$18.09	\$1.69	11.64	Hold
PAC	Pacific Airport ADR	5/1/09	\$20.56	\$29.05	\$8.49	5.76	Hold
PBCT	Peoples United Financial	2/27/08	\$17.28	\$13.50	-\$3.78	8.06	Hold
POT	Potash	3/1/09	\$83.97	\$86.24	\$2.27	11.57	Hold
PSEC	Prospect Capital	9/2/06	\$16.16	\$9.65	-\$6.51	17.86	Average Down
PTR	Petrochina	9/16/09	\$117.78	\$109.73	-\$8.05	17.65	Hold
PWRD	Perfect World	8/1/09	\$35.75	\$22.01	-\$13.74	18.44	***SELL***
QCOR	Questcor Pharmaceuticals	8/1/09	\$5.87	\$10.21	\$4.34	9.52	Hold
QSII	Quality Systems	1/16/10	\$63.53	\$57.99	-\$5.54	7.92	Hold
RGNC	Regency Energy Partners	5/29/09	\$12.44	\$24.16	\$11.72	8.97	Hold
RNR	RenaissanceRe	3/15/10	\$56.00	\$56.27	\$0.27	15.43	Hold
ROLL	RBC Bearings	1/16/10	\$25.22	\$28.99	\$3.77	8.24	Hold
ROVI	Macrovision	5/1/08	\$15.78	\$37.91	\$22.13	8.05	Hold
RRST	RRSat Global Comm.	11/14/09	\$10.60	\$8.84	-\$1.76	14.75	Hold
SAPE	Sapient Corp.	5/15/10	\$10.41	\$10.14	-\$0.27	9.01	Hold
SCCO	Southern Copper	5/15/10	\$28.31	\$26.54	-\$1.77	14.50	Hold
SCR	Simcere Pharmaceuticals ADR	11/14/09	\$7.44	\$8.28	\$0.84	8.62	Hold
SEIC	SEI Investments	1/16/10	\$19.65	\$20.36	\$0.71	8.64	Hold
SF	Stifel Financial	10/15/09	\$56.29	\$43.39	-\$12.90	10.67	Hold
SINA	SINA Corp	4/1/09	\$23.25	\$35.26	\$12.01	7.44	Hold
SOHU	Sohu.com	3/15/10	\$54.62	\$41.09	-\$13.53	12.37	Hold
SPIL	Siliconware Precision	6/15/10	\$5.64	\$5.35	-\$0.29	16.34	Hold
SSRX	3SBio Inc.	4/15/10	\$10.91	\$11.63	\$0.72	8.17	Hold
STV	China Digital TV	2/14/10	\$7.23	\$5.46	-\$1.77	10.68	Hold
SWKS	Skyworks Solutions	11/14/09	\$12.08	\$16.79	\$4.71	9.60	Hold
SWM	Schweitzer Mauduit	9/16/09	\$55.09	\$50.45	-\$4.64	12.27	Hold
SYK	Stryker Corp.	12/1/08	\$38.92	\$50.06	\$11.14	7.61	Hold
SYKE	Sykes Enterprises	3/15/10	\$23.80	\$14.23	-\$9.57	15.22	Average Down
T	AT&T	10/1/06	\$32.56	\$24.19	-\$8.37	12.07	Hold
TFX	Teleflex	5/1/09	\$43.13	\$54.28	\$11.15	9.16	Hold
TLK	Telkom Indonesia ADR	9/28/08	\$30.01	\$34.23	\$4.22	6.03	Hold

## Performance, Ratings & Alerts

SYMBOL	COMPANY	LIST DATE	INITIAL PRICE	PRICE 7/1/10	G / L	Current PBR	ALERT STATUS
TLM	Talisman Energy	4/1/09	\$10.50	\$15.18	\$4.68	14.30	Hold
TRAD	TradeStation Group	11/14/09	\$7.57	\$6.75	-\$0.82	37.78	Hold
TRI	Thomson Reuters	12/31/07	\$40.85	\$35.83	-\$5.02	10.22	Hold
TRLG	True Religion Apparel	3/15/10	\$29.11	\$22.07	-\$7.04	12.10	Hold
TRMB	Trimble Navigation	1/16/10	\$24.53	\$28.00	\$3.47	7.91	Hold
TRV	Travelers	6/8/09	\$43.45	\$49.25	\$5.80	6.81	Hold
TSRA	Tessera Technologies	2/14/10	\$18.71	\$16.05	-\$2.66	11.01	Hold
TSYS	TeleCommunication Systems	2/14/10	\$8.06	\$4.14	-\$3.92	13.32	Hold
TV	Grupo Televisa	7/1/08	\$23.27	\$17.41	-\$5.86	8.10	Hold
TWGP	Tower Group	7/1/08	\$21.64	\$21.53	-\$0.11	19.79	Hold
UEPS	Net 1 UEPS Tech.	6/15/10	\$14.16	\$13.41	-\$0.75	7.13	Hold
UTX	United Technologie	7/1/08	\$60.55	\$64.91	\$4.36	10.62	Hold
VIV	Vivo Participacoes ADR	7/1/09	\$19.41	\$25.92	\$6.51	12.76	Hold
VOD	Vodafone	7/1/08	\$29.32	\$20.67	-\$8.65	8.53	Hold
VZ	Verizon	5/31/08	\$38.47	\$28.02	-\$10.45	5.47	Hold
WMS	WMS Industries	2/14/10	\$39.40	\$39.25	-\$0.15	7.64	Hold
YUII	Yuhe International	12/14/09	\$7.58	\$7.16	-\$0.42	25.46	Hold

ARRVIN started with \$100,000 and chose the initial stocks & options from the 5/2/04 Top Picks list. ARRVIN'S Portfolio is monitored and when Warning Alerts are issued defensive actions are taken. Trades made in the portfolio are reported below.

5/2/04	ARRVIN'S Portfolio						7/1/2010	
Symbol	Name	Quantity	Price Paid	Cost Basis	Market Value	Last Price	Dividends	ROI
ROLL	RBC Bearings	300	\$25.22	\$7,576.00	\$8,697.00	\$28.99		14.8%
AMX	America Movil (ADR)	225	\$11.30	\$2,542.50	\$10,687.50	\$47.50	\$1,180.35	366.8%
ANH	Anworth Mortgage	1000	\$6.53	\$6,530.00	\$7,120.00	\$7.12	\$3,140.00	57.1%
ATW	Atwood Oceanics	350	\$24.40	\$8,540.00	\$8,932.00	\$25.52		4.6%
HIMX	Himax Technologies	4500	\$2.85	\$12,825.00	\$13,095.00	\$2.91		2.1%
CAST	ChinaCast Education	1000	\$7.26	\$7,260.00	\$5,940.00	\$5.94		-18.2%
HOGS	Zhongpin Inc.	900	\$12.73	\$11,457.00	\$10,584.00	\$11.76		-7.6%
HCKT	The Hackett Group	2000	\$2.89	\$5,770.00	\$5,620.00	\$2.81		-2.6%
YUII	Yuhe International	1250	\$7.92	\$9,900.00	\$8,950.00	\$7.16		-9.6%
EVEP	EV Energy Partners	400	\$30.93	\$12,372.00	\$12,480.00	\$31.20		0.9%
PSEC	Prospect Capital	1300	\$12.62	\$16,406.00	\$12,545.00	\$9.65	\$3,587.80	-1.7%
	Cash (\$)				\$2,630.63			
	Total Account Value (\$)			\$100,000.00	\$107,281.13			
	Account Percent Change				7.3%		Annualized:	1.2%
S&P 500		5/2/2004	1107.26	7/1/10	1030.71	-6.9%	Annualized:	-1.1%

### Portfolio Activity

5/15/10 -- BBEP, sold 800 at \$15.16, comm. 10; LINE, sold 500 at \$25.12, comm. 10. PBRs on both are low and projected earnings growth for each is negative. HIMX, buy 4,500 at \$2.85, comm. 10 (PBR = 16.10 with a 10.5% dividend). EVEP, buy 400 at \$30.93, comm. 10 (PBR = 14.63 with a 9.8% dividend).

5/1/2010 -- FEED, sold 2400 at \$4.31, comm. 10. HOGS, bought 900 at \$12.73, comm. 10. The PBRs are about the same and they both sell hogs in China; however, the momentum is with HOGS.

2/15/10 -- ANH, sold 1,000 at \$6.91, comm. 10. FEED, bought 1,200 at \$4.48, comm. 10.

1/15/10 -- LLYAF (LLY, call Jan10 30), sold 10 at \$5.83, comm. \$12.70. ROLL, bought 300 at \$25.22, comm. 10.

12/15/09 -- HTGC, sold 1,000 at \$9.90, comm. 10. YUII, bought 1,250 at \$7.92, comm. 10.

11/14/09 -- HCKT, bought 2,000 at 2.88, comm. 10.

10/29/09 -- PSEC, bought 500 at 10.17, comm. 10. Arrvin said to average down. PBR = 22.

7/1/09 -- TRI, sold 225 at \$29, comm. 10. CAST, bought 1,000 at \$7.25, comm. 10. TRI's PBR was 7.77; CAST's PBR was 17.06. The trade was an upgrade in PBRs.

6/16/09 -- CBST, sold 350 at \$17.11, comm. 10. Stock probably won't move much while the patent suit against Teva is pending. BBEP, bought 800 at \$8.45, comm. 10.

5/29/09 -- ENDP, sold 300 at \$16.07, comm. 10 (PBR = 5.44; FR = B). FEED, bought 1200 at \$6.05, comm. 10 (PBR = 18.36; FR = A+).

5/13/09 -- HT, sold 2,500 at \$2.91, comm. 10. ATW, bought 350 at \$24.37, comm. 10.

3/1/09 -- LINE, bought 500 shares at \$15.01, comm. 10.

ARRVIN started with \$100,000 on 10/1/06 and chose the initial stocks and options from the 30 stocks that constitute the Dow Jones Industrial Average.

10/1/06		ARRVIN'S DOW Portfolio					7/1/2010	
Symbol	Name	Quantity	Price Paid	Cost Basis	Market Value	Last Price	Dividends	ROI
HPQ	Hewlett-Packard	250	\$47.42	\$11,855.00	\$10,820.00	\$43.28	\$40.00	-8.4%
CVX	Chevron	150	\$69.68	\$10,452.00	\$10,179.00	\$67.86	\$511.50	2.3%
BAC	Bank of America	1000	\$17.67	\$17,670.00	\$14,370.00	\$14.37	\$10.00	-18.6%
MRK	Merck	300	\$36.88	\$11,064.00	\$10,491.00	\$34.97	\$228.00	-3.1%
PFE	Pfizer	600	\$17.28	\$10,368.00	\$8,556.00	\$14.26	\$312.00	-14.5%
KFT	Kraft Foods	400	\$27.15	\$10,860.00	\$11,200.00	\$28.00	\$348.00	6.3%
JPM	J.P. Morgan Chase	300	\$39.58	\$11,874.00	\$10,983.00	\$36.61		-7.5%
	Cash (\$)				\$5,095.92			
	Total Account Value (\$)			\$100,000.00	\$81,694.92			
	Account Percent Change				-18.3%		Annualized:	-4.9%
DJIA		10/1/2006	11,679.07	7/1/10	9,774.02	-16.3%	Annualized:	-4.3%

### Portfolio Activity

6/1/10 -- DD, sold 300 at \$36.17, comm. 10. JPM, bought 300 at \$39.58, comm. 10. DD's PBR was 9.65, JPM's was 14.48. This was a trade up in valuation.
5/1/2010 -- INTC, sold 800 at \$22.84, comm. 10. PBR dropped to 5.5. BAC, bought 1,000 at \$17.67, comm. 10. PBR = 17.55, highest on the DOW.
3/1/10 -- BA, sold 250 at 48.93, comm. 10. PBR dropped below 3. MRK -- bought 300 at 36.88, comm. 10. PBR = 16.89.
12/31/09 -- XOM, sold 120 at \$68.19, comm. 10 to reduce weighting of oil stocks. DD, bought 300 at \$33.67, comm. 10.
10/29/09 -- VZ, sold 400 at 29.77, comm. 10; CAT, sold 250 at 56.44, comm. 10; MRK, sold 300 at 31.29, comm. 10; KO, sold 200 at 53.68, comm. 10; HPQ, bought 250 at 47.42, comm. 10; BA, bought 250 at 48.93, comm. 10; PFE, bought 600 at 17.28, comm. 10; KFT, bought 400 at 27.15, comm. 10. These trades were from low to high PBR stocks.
8/15/09 -- GE, sold 700 at \$13.92, comm. 10, PBR = -1.36. INTC, bought 300 at \$18.77, comm. 10, PBR = 11.82. VZ, bought 230 at \$31.08, comm. 10, PBR = 11.47.
7/1/09 -- CAT, bought 250 at \$33.19, comm. 10. PBR = 13.11, third highest on the DOW.
6/16/09 -- PFE, sold 600 at \$14.13, comm. 10. INTC, bought 500 at \$15.98, comm. 10.
5/13/09 -- XOM, bought 120 at \$70.82, comm. 10. CVX, bought 50 at \$69.19, comm. 10.
4/15/09 -- T, sold 185 at \$25.28, comm. 10. KO, bought 200 at \$44.21, comm. 10. Trading KO for T added diversity to the portfolio. Also T's PBR was 7.50 and KO's PBR was 15.00.

## The Investment Environment

**ENVIRONMENT: Average**

**STYLE: Moderate**

**July 1, 2010:** The scores are: Economy (3, average), Foreign Affairs (4, below average), Credit Markets (2, above average), and Market Dynamics (4, below average). The average is 3.25 which is an average rating for the overall investment environment.

**Economy.** Average. The Fed expects the U.S. economy to grow at a little over three percent this year. That is definitely up from the recessionary rates we saw last year but it is not high enough to bring down unemployment with any rapidity. The overall picture is of an economic recovery that is slow and halting, but a recovery nonetheless.

The state of the economy is the subject of the Arrvin – Spike dialogue in this issue and will not be repeated here.

U.S. growth for 2009 was as follows. The first quarter was -6.4%, the second quarter was -0.7%, the third quarter was +2.2% and the fourth quarter was +5.6%. The first quarter of 2010 was 2.7% and we are estimating an average growth rate of +3.3% for the U.S. in 2010.

Here are the expected growth rates for the non-U.S. part of the global economy as represented by the Euro zone (1.1%), China (9.9%), Japan (2.7%), Canada (3.2%), Mexico (4.2%), Brazil (6.3%), Russia (4.8%) and India (7.8%). The average is 5.0%. Averaging this with a double-weighted 3.3% rate for the U.S. produces a U.S.-centric global rate of 3.9%. By this measure the economic environment is above average. Combining this with the above analysis of the U.S. economy, we assess the overall economic environment as average. Score = 3.

**Foreign Affairs.** Below Average. Blue text indicates new material. The U.S. remains involved in two unnecessary and debilitating wars, Iraq and Afghanistan. The Palestine situation remains a powder keg which the U.S. is mishandling. Our efforts to sanction Iran are pointless and will prove ineffectual. Ultimately we will have to learn to live with a nuclear Iran; however, in the meantime we could get some diplomatic and good will mileage out of a proposal for a non-nuclear Middle East, including Israel. But AIPAC (American Israeli Political Action Committee) which controls the U.S. Senate on all matters affecting Israel will not allow that. (See *The Israel Lobby and U.S. Foreign Policy* by John J. Mearsheimer and Stephen M. Walt for a scholarly exegesis of the operations and impact of the Israel lobby. Mearsheimer and Walt are professors at Harvard and the University of Chicago respectively.)

**Afghanistan.** President Obama is committing the U.S. more heavily in Afghanistan. This is a mistake. The possible goals of such a commitment are to fight al Qaeda, to fight the Taliban and/or to build a democratic nation-state. None of these is in our national interest. Al Qaeda poses a threat of international terrorism such as 9/11 (much of which incidentally was planned in Hamburg, Germany, not in Afghanistan). Still, it would be in our interest to annihilate al Qaeda if possible. The trouble is that much of al Qaeda is today based in Pakistan rather than Afghanistan and even if we could chase them out of these areas they could relocate across the Afghan border into Uzbekistan or Tajikistan. Then where would we be? Are we prepared to chase them across the globe? Or do we want to depend on our good friend Vladimir Putin to suppress them? Our best bet regarding terrorism is to channel our resources into homeland security measures and not into far-flung operations that can never be finished or successful.

The Taliban are a bunch of religious extremists whose threat is not international terrorism but domestic terrorism. They want to take over the country and impose their brand of divinely-inspired silliness and cruelty

on all the citizens. That may be unfortunate for the citizens of Afghanistan but it is of no vital interest to the United States. We can't stop all the bad things that go on in the world. We should not commit American lives and resources to fighting these domestic extremists in Afghanistan.

Democracy-building was a goal that inspired the Bush administration with disastrous results in Iraq. The cost of the Iraq war is now around \$700 billion and well over 4,000 American lives in addition to the damage done to our global reputation, and it is not at all clear that the people who live in Iraq are on the whole any better off than they were before we invaded. Millions of Iraqis have been turned into refugees, the economy has been literally blown up with oil production only now approaching pre-invasion levels but thanks to higher oil prices GDP is now well above pre-invasion levels, the government is now controlled by the Shiites rather than the Sunnis but who is to say that's an improvement? Quixotic efforts at democracy-building in foreign cultures is not something on which we should waste American resources.

**Middle East.** Since Hamas took over the government in Gaza in June 2007 Israel with the help of Egypt has imposed a blockade on Gaza preventing the inflow and outflow of a great many goods. For instance, sewage pipes, cement and other construction materials are banned. Living conditions in Gaza have deteriorated greatly in consequence of which aid groups recently arranged a convoy of ships carrying humanitarian aid. Israel attacked the convoy before it reached Gaza killing nine peace activists and wounding many others. The ships were then diverted to an Israeli port. All of the activists killed were Turkish citizens (one was also an American) and Turkey has been loud in its condemnation of the attack. The U.S., however, has declined to condemn the attack and this has strained relations with Turkey, a member of NATO and an important ally. Much of our war activities in Iraq are supported from an airbase in Turkey. Since the attack Egypt has ended its assistance to Israel in maintaining the blockade. The Israelis, however, are persisting with the blockade albeit with some minor relaxations—for instance, they will now allow potato chips and cookies into Gaza.

The U.S. supported Israel in resisting a U.N. investigation into the attack and also succeeded in watering down a U.N. statement on the subject. These sorts of actions continue to undermine our standing in the Muslim world. One immediate consequence was the loss of Turkey's vote on the imposition of new sanctions on Iran. Even so, the action passed; however, the sanctions will have no effect in diverting Iran from its present course.

**Iran.** Iran remains the most immediate flash point in the Middle East; however, for reasons set out in the October 1, 2009, issue of this report we see a direct attack on Iran, either by the U.S. or Israel, to be unlikely. Therefore, the likeliest scenario is as follows: (1) Essentially futile talks regarding the effective prevention of a nuclear weapons development program. (2) No significant U.N. sanctions. (3) Possibly effective economic sanctions imposed by the U.S. and / or Europe acting outside the U.N. (4) Heightened Israeli blustering and growing Iranian frustration as the sanctions begin to bite. (5) Continued efforts toward nuclear weapons development by Iran with success coming in about two years. (6) Growing unease in Turkey and Saudi Arabia at the prospect of a nuclear Iran. (7) Reliance by Israel and the U.S. upon deterrence (the assurance of nuclear retaliation for any use of Iranian nuclear weapons) to prevent such Iranian use. The upshot will be a dangerous and unstable situation for a long time to come. The foreign affairs component of the investment environment is below average. Score = 4.

Point (7) above is open to some question. Israelis in the Netanyahu government may not be willing to rely on deterrence and containment for dealing with a nuclear Iran. They may prefer a (futile) first strike against Iranian nuclear facilities even without the cooperation of the U.S. which almost certainly would not be forthcoming. The best the Israelis could hope for would be a one or two-year delay in the Iranian program unless the Israelis used their own nuclear weapons and essentially reduced Iran to radioactive rubble. There is a real question as to whether the Israelis could deliver such an attack, but even if they could they would bring down unanimous world-wide condemnation on their heads to the extent they would no longer be a viable state. At the least economic sanctions would be instantaneous, massive and crippling. An attack is a no-win option, but even so it is being seriously discussed within Israel.

Israel should give more credence to the long-term option of deterrence and containment. In 1949 the U.S. was faced with the Soviet Union as an emerging super-power. George Kennan, writing as Mr. X in his famous *Foreign Affairs* article, urged a policy of patient, vigilant long-term containment. He said there were fault lines in the Soviet Union and what we had to do was give them time to develop. That is what we did and eventually the Soviet system collapsed. There are fault lines in Iran in the form of a growing opposition movement. Give that time to develop and the rule of the religious nutcases will collapse. It's nothing to go ballistic about.

**Credit Markets.** Above Average. Lending is down but part of the reason is a lack of demand because corporations are holding record amounts of cash. The Fed is keeping its target short-term rate in the 0% to 0.25% range and the rate on the 10-year Treasury note is 2.9%. The spread between the 10-year note rate and the BBB corporate bond rate is only 1.8% which indicates easy money. Traditionally the economy has done well when that spread has been less than 2.4%. The rates are great. Over all, the credit market condition is above average. Score = 2.

**Market.** Below Average. The market remains volatile due in large part to the ups and downs of the European sovereign debt crisis and worries about housing and jobs. From a technical standpoint market momentum is bearish. The S&P 500 is 7% below its 200-day moving average, the S&P 50-day average is about to cross the 200-day average heading down, and declines outnumber advances. All are bearish indicators. The market condition is below average. Score = 4.

**The Investment Environment**

The overall investment environment rating determines ARRVIN'S choice of investment style. The five possible styles are: aggressive corresponding to a great investment environment, moderately aggressive, moderate, moderately conservative, and conservative corresponding to a horrible investment environment. The choice of style has implications for the evaluation of stocks, the triggering of warning alerts and the choice of defensive strategies. Two specific effects of a conservative or moderately conservative investment environment are that dividends and low betas are valued more highly in picking stocks. Low beta stocks tend to move less dramatically, either up or down, than the S&P 500 index.

<u>Average Score</u>	<u>Investment Environment</u>	<u>Investment Style</u>
1	Great	Aggressive
2	Good	Moderately Aggressive
3	Average	Moderate
4	Below Average	Moderately Conservative
5	Horrible	Conservative

*continued from pg. 1*

- *Private sector jobs being created are not even enough to keep up with population growth, much less reclaim the eight million jobs lost in this recession.*
- *Consumer confidence fell sharply in June. The index dropped to 52.9 from 62.7 in May.*

*Oh, and let's not forget the stock market. The DOW is down 5.5% in just the last two weeks. It dropped 268 on Tuesday alone. It's not like the sky is falling; the bottom is falling out. Those are my concerns. And my question is, should I take up permanent residence in Gloom City and invest everything in canned goods and cheap wine?*



*Don't buy your ticket to Gloom City yet, Spike. I'll give you the housing market. Even the Fed says it is "depressed." A fourth of all mortgages are underwater and foreclosures are still rising. Also, lots of homeowners are simply walking away from their underwater mortgages. It's called a strategic default and there are lots of them. When banks dispose of foreclosed homes they drive home prices down even further and then more mortgages are underwater. It's a downward spiral but eventually it will stop.*

*Let's bear in mind that the housing market is now only about four percent of GDP and the impact of housing is no longer amplified through CDOs and synthetic CDOs as it was in 2005-08. The current housing crisis is not the life and death threat that it once was.*

*Some of your other points concerned Europe and jobs. Let's start with Europe. The European banks, mainly those in Germany and France, are sitting on a lot of potentially toxic debt in the form of bonds issued by the PIIGS (Portugal, Italy, Ireland, Greece and Spain). The danger is a financial crisis of the sort that knocked out the big investment banks on Wall Street in 2008 when all their mortgage-based securities began to go bad. But we are not there yet and may not reach that point. Things are being done. In the first place the leading European countries and the IMF have put together a \$1 trillion program to be used, if needed, to avert defaults on sovereign debt. They have already loaned Greece around \$40 billion with this in mind. If the PIIGS don't default then the banks don't get hurt.*

*Secondly, the European Central Bank is going to stress test the European banks and, this is important, they will make the results of the tests public around the end of July. That will reveal who is soundly capitalized and who isn't. The weak banks will have to raise more capital and a lot of uncertainty will be relieved with respect to all the banks. The relief of uncertainty as to who is healthy and who is not will do a lot to improve the flow of credit. The Euro mess is being dealt with.*



*Okay, but what about jobs? Unemployment is at 9.7%, job creation is slow and slowing and about 460,000 people are getting laid off every week?*



*That is bad, I agree, but there is some basis for hope. Corporations are sitting on about \$1.8 trillion in cash and cash equivalents. They have the money to spend on new equipment and new hires but they are "hunkered down" as one CEO put it. They want to see rising demand for their products and services before committing to new expenditures. It is worth noting here that demand is far more important in spurring growth than are tax incentives. You can offer a company tax credits if they hire more people, but they are not going to hire those people if they don't see demand for their products. What we need is more fiscal stimulus to stimulate demand. If CEOs see rising demand they will spend and hire to meet it.*

*Even so, there has been some increase in business spending lately. Corporate investment "is not only growing but accelerating" says a JP Morgan economist. Granted, orders for durable goods fell 1.1% last month but*

almost all of that was due to a drop in airplane sales. Take those out and orders rose 0.9%. In the first five months of the year orders for equipment and other capital goods are up 15.5%. Companies are replacing outdated equipment and are adding computers, software and networkin. Cisco Systems, the largest manufacturer of computer networking equipment, said its revenue grew 27 percent in the first quarter and they expect rapid sales growth to continue into the summer. Consequently, they have added 1.000 jobs this spring. It's a start.

Here are a few more things to consider. Consumer spending (70% of GDP) grew 0.2% in May after being flat in April. Average incomes increased 0.4% in May following a 0.5% increase in April. It sounds like the number of people who are working isn't growing much but those who are working are earning more.

The U.S. has now had three quarters in a row of positive GDP growth and the second quarter of this year which just closed is likely to show growth, too. Probably Q2 growth will be over 3%, better than the 2.7% growth in the first quarter. Finally, the emerging market countries are growing strongly—China, 9.9%, India, 7.8%, Brazil, 6.3%, Russia, 4.8% and Mexico, 4.2%. All of this growth generates demand and demand is crucial.

So, Spike, you can scrap your plans to move to Gloom City. Just sit back and be patient.

All right, but I've got another concern. What about our financial system? Is this new bill in Congress going to fix it?



It's too early to say. In the first place the bill has not been passed in the Senate yet, and with the death of Senator Byrd it may not pass at all or it may pass in a yet to be modified form. If the conference committee bill were passed as is, however, a lot would depend on the regulators who implement the bill. Regulators at the Federal Reserve and SEC could have averted the last crisis with the authority they had, but they didn't. Will regulators in

the future do any better? It's hard to say.

We do know one thing. The bill does not break up the big banks. They remain too big to fail and consequently there is an implicit government guarantee to keep them in business no matter what. A Wall Street Journal headline said it, "Bank Overhaul Is Too Weak To Hail."

Proponents of the bill answer this by saying the big banks will now be prohibited from engaging in the kinds of risky activities that could cause them to fail so the question of failing won't come up. We will see.

# OPERATOR'S MANUAL:

## A Guide to the Efficient Use of *The ARRVIN Report*

1. **Read the opening dialogue** between ARRVIN and Spike (more about them in a moment) for insights on particular stocks and on the general investment environment.
2. **Pick stocks** by looking at the **Top Picks lists** in the first issue of each month, by watching the **ARRVIN Portfolio** and any trades made there, and by examining the **Performance Ratings & Alerts** table for stocks with high PBR and FR ratings.
3. **Manage stocks** that you own by checking the **Performance Ratings & Alerts** table for *Warning Alerts*. When there is a *Warning* either sell the stock or follow ARRVIN'S **Defensive Recommendations**.

**ARRVIN and SPIKE:** For presentation purposes ARRVIN takes on the form of a character named ARRVIN; however, the ARRVIN character has a split personality. On the one hand there is the confident, careful, positive character known as ARRVIN. On the other hand there is the anxious, erratic, negative character known as Spike. Spike asks the challenging, even belligerent questions that keep ARRVIN on his toes. The opening page of *The ARRVIN Report* consists of a dialogue between ARRVIN and Spike. They also serve as your instructors in the book, *The Almighty Formula*.

Subscriptions to *The ARRVIN Report* are \$99 a year and may be obtained at [www.arrvin.com](http://www.arrvin.com).

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