



Jim Patterson

Patterson Relative Strength Report

The Ultimate Let Your Winners Run Strategy

Issue #3: January 2007

www.prsreport.com

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Happy New Year!

The first of the year is a fascinating and volatile time. For some it is powerful new beginning with well intentioned resolutions and promises to adopt better ways. On the flip side, my dogs didn't seem to notice the passing of the midnight hour. Then there are folks like a buddy of mine, the New Year is somewhat unwelcome because he has to start paying for an expensive TV he bought with *no payments until Jan 2007*. His New Year Resolution is avoid the *no payments until* deals.

While we enjoy the onset of the New Year, the US economic machine is moving forward with admirable gusto, despite what the Fed thinks.

The US economy should accelerate relatively quickly in the first half of 2007. Auto inventories are being worked down and the housing glut is subsiding. Meanwhile the US remains at a state of virtual full employment. In the improving economic environment, the strongest stocks will continue running ahead of the rest.

The Patterson Relative Strength Report is looking forward to an excellent 2007. We have an

improved website coming on line next week, and with two solid months of performance in the books the PRS Report is taking favorable shape. 2007 is going to be a strong year for us all.

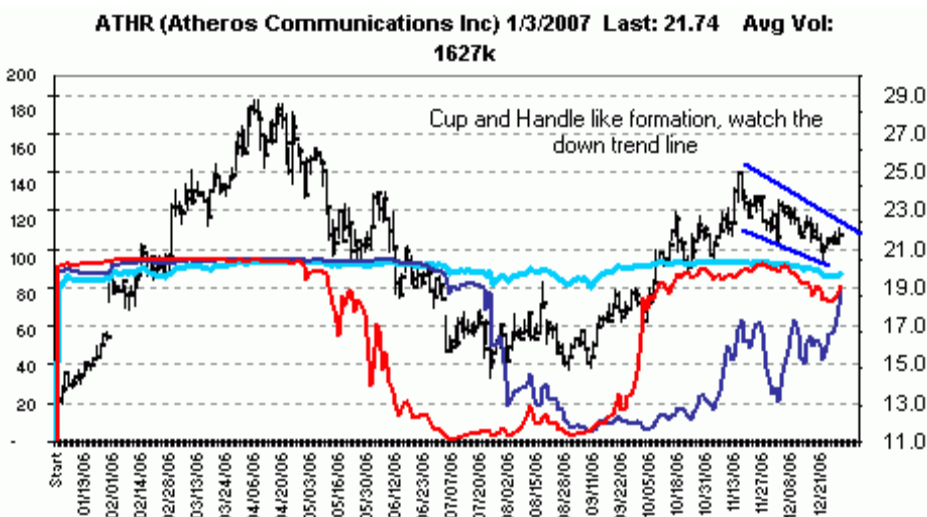
My 2007 resolution is to make the PRS Report an indispensable asset for every investor out there, and avoid the no payments until deals.

In our first two months the PRS report is showing its strength and value. Since our first report on November 2nd, the S&P 500 advanced about 2% and the NASD increased about 1%. That compares with an average gain for of 2.5% for the 29 stocks that reached our entry criteria.

29 new stocks are fewer than expected, though the number of new issues will always vary with market conditions. The average gain of 2.5% is clearly better than the indices and that's what's important. Excluding stocks entered since Christmas, which haven't had time to move, the average is close to 3%, much better than the S&P 500 and more than double the NASD.

Our entry criteria continue pointing us towards the strongest stocks at opportunistic times, and they are outperforming the market.

Looking at 2007, here's a general outline of my expectations. The good news: the current rally should continue for another couple of



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December Entries												
Green = Stock in Buy Zone Red = Stock under review, PRS_12 getting low												
Stock	Date became active	Close on day active	>90 PRS_12 > 60 PRS_6 <40 PRS_3	IBD EPS rank	Avg Daily Vol k	Last 1/3/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta	
OMG	1/3/2007	\$43.84	97 91 12	75	755	\$43.85	97, 105%	91, 40%	12, -7%	0.0%	2.55	
SIM	12/29/2006	\$14.36	99 98 22	99	515	\$13.57	99, 186%	97, 75%	12, -7%	-5.5%	4.54	
AEOS	12/26/2006	\$30.47	95 89 36	91	4,620	\$32.53	96, 88%	92, 42%	55, 7%	6.8%	1.14	
CMRG	12/26/2006	\$12.93	96 86 20	55	544	\$12.60	95, 75%	82, 25%	13, -7%	-2.6%	1	
WRLD	12/22/2006	\$46.49	90 83 30	90	252	\$48.04	91, 55%	89, 36%	38, 2%	3.3%	-0.06	
BAP	12/19/2006	\$41.79	92 93 37	84	178	\$41.73	92, 59%	90, 38%	27, 0%	-0.1%	1.41	
XING	12/15/2006	\$12.53	91 77 14	75	929	\$13.27	93, 62%	74, 18%	14, -6%	5.9%	4.78	
SWHC	12/11/2006	\$11.57	98 95 10	93	887	\$10.31	98, 124%	75, 19%	2, -27%	-10.9%	2.19	
NVEC	12/7/2006	\$37.65	97 99 40	97	795	\$30.30	95, 76%	99, 109%	50, 6%	-19.5%	4.7	
CRY	12/6/2006	\$6.73	92 91 36	49	98	\$7.64	97, 114%	91, 40%	81, 20%	13.5%	0.93	
CASS	12/4/2006	\$37.00	92 55 33	86	9	\$34.23	89, 45%	70, 16%	49, 6%	-7.5%	-0.61	
SYX	12/4/2006	\$12.56	95 98 17	99	604	\$18.10	98, 149%	99, 122%	69, 13%	44.1%	1.1	

November Entries												
Green = Stock in Buy Zone Red = Stock under review, PRS_12 getting low												
Stock	Date became active	Close on day active	>90 PRS_12 > 60 PRS_6 <40 PRS_3	IBD EPS rank	Avg Daily Vol k	Last 1/3/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta	
ICLR	11/28/2006	\$35.93	93 92 48	94	139	\$38.94	94, 71%	91, 40%	61, 10%	8.4%	1.47	
NOVN	11/28/2006	\$23.29	93 92 14	46	380	\$24.83	90, 48%	90, 37%	41, 3%	6.6%	0.64	
OMCL	11/28/2006	\$18.37	94 92 40	76	230	\$18.30	88, 42%	88, 34%	56, 7%	-0.4%	0.77	
TAR	11/20/2006	\$17.79	92 98 16	5	44	\$18.82	94, 69%	97, 70%	27, 0%	5.8%	2.22	
ALY	11/17/2006	\$18.07	92 93 35	96	423	\$20.48	91, 52%	94, 47%	97, 59%	13.3%	4.95	
HL	11/17/2006	\$6.32	93 88 37	42	1,905	\$7.47	94, 70%	92, 40%	95, 45%	18.2%	2.38	
SPSX	11/17/2006	\$34.93	95 64 18	69	231	\$31.97	87, 42%	49, 7%	12, -7%	-8.5%	1.21	
FTO	11/16/2006	\$28.79	89 55 4	95	2,397	\$27.54	83, 33%	12, -16%	62, 10%	-4.3%	0.43	
MIG	11/16/2006	\$10.85	93 95 37	82	174	\$9.90	90, 51%	66, 14%	9, -9%	-8.8%	0.48	
AVCI	11/9/2006	\$6.88	90 63 9	75	475	\$7.63	94, 71%	85, 29%	9, -9%	10.9%	5.45	
ARD	11/9/2006	\$39.04	92 82 48	99	253	\$39.90	84, 35%	73, 18%	91, 32%	2.2%	1.22	
TXCO	11/9/2006	\$12.81	96 87 48	26	388	\$12.08	94, 73%	61, 12%	92, 35%	-5.7%	2.98	
OCN	11/8/2006	\$15.60	94 94 35	98	452	\$15.68	93, 64%	79, 22%	45, 4%	0.5%	2.28	
CVA	11/7/2006	\$20.14	92 79 34	42	1,000	\$22.38	85, 37%	86, 31%	44, 4%	11.1%	3.73	
STAN	11/3/2006	\$33.74	93 90 51	51	26	\$40.12	96, 89%	93, 43%	87, 26%	18.9%	0.47	
DTLK	11/3/2006	\$8.57	98 94 29	75	229	\$7.63	95, 74%	85, 29%	3, -23%	-11.0%	2.64	
KNOL	10/26/2006	\$10.57	99 95 38	34	121	\$10.47	98, 150%	59, 11%	49, 6%	-0.9%	3.7	
FTI	10/25/2006	\$61.59	91 80 26	91	842	\$59.05	76, 26%	13, -14%	75, 16%	-4.1%	1.01	
ZUMZ	10/10/2006	\$32.04	95 67 29	91	541	\$31.05	83, 34%	11, -17%	58, 8%	-3.1%	1.78	
GETI	10/10/2006	\$28.25	96 80 36	75	50	\$33.77	95, 74%	79, 22%	83, 22%	19.5%	1.73	
FVE	10/9/2006	\$11.17	91 81 44	8	387	\$11.37	84, 35%	32, 0%	53, 7%	1.8%	1.95	
DSW	10/6/2006	\$34.09	94 78 33	96	390	\$39.07	88, 43%	49, 7%	83, 22%	14.6%	2.32	

Note-IBD EPS rank >90 are bold

Note-Average Daily Volume < 100k Bold Red

Note-Current PRS_12 < 80 Bold Red

Red PRS numbers means stock is under review, PRS_12 <80 - Exit is 75

Green PRS numbers means the stock is in the Buy Zone

Months; ideally into March with the NASD side of the market leading the way. Then it gets tricky. Over the middle section of 2007, March through September / October, I expect a significant correction. Historically years that end with a seven, like 2007, experience a correction greater than 10% over the middle of the year. Such a development would be the first 10% correction since 2003. And as the reaction on January 3 demonstrated, the driving force behind a correction is like to be a shift in attitude towards interest rates relative to economic growth and inflation.

Over the past 70 years no Federal Reserve series of rate hikes has reversed from up to down before the Dow reached its final high. Since the Dow is at a new high it stands to reason we will see at least one more rate hike.

This established historical paradigm can change, but I don't think it will this time around. As the weather warms so will talk regarding the next potential rate hike. Currently we are in a balance between inflation and economic growth. As the home and auto industries stabilize and improve, the delicate balance will become unsettled. This in turn should rattle the stock market.

While unsettling, the US economy is showing tremendous resilience. Even if rates tick a bit higher, from a historical perspective they remain extremely low and favorable. Once the expected corrective phase runs its course, bottoming in July or the September – October time frame, the overall bull market action will return and the strongest stocks will lead the way.

No one looks forward to a 10% correction, but if and or when the expected downturn exhausts its self we will have a tremendous buying opportunity. The PRS Time Planes will tell us when it is time to get aggressive and the PRS Report will continually point out the best stocks for us to concentrate in our portfolios. If my expectations come to fruition, 2007 will be a huge year for the Patterson Relative Strength Report with big gains for all of us.

Focus Stock #1 ATHR

Atheros Communications, Inc is a current Open Active Position. Atheros manufactures wireless radio systemonachip and mixed signal/digital IC chipsets for wireless communications produces. In December they announced Lenovo has integrated Atheros' industry-

leading XSPAN(TM) draft 1.0 802.11n wireless LAN (WLAN) technology into select V100 notebook models of the Lenovo 3000 product family. In layman's terms this is a new chip that makes wireless computer networking work better and faster, and there is huge demand for wireless networking devices.

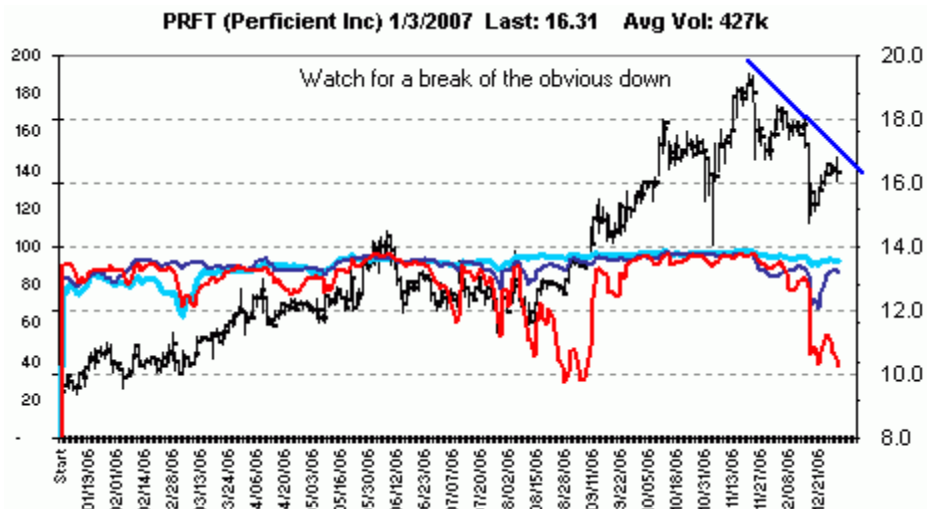
ATHR has an IBD EPS ranking of 75, which tells us the company has a solid earnings foundation. More importantly, according to IBES earnings estimate Forecasts; ARTH earned \$0.21 in 2005. In 2006 they are expected to earn \$0.70, more than 300% earnings growth. Their estimate for 2007 is \$0.90 and \$1.10 for 2008. With the growth of wireless networks expected to continue its rapid pace over the next few years, ATHR should continue seeing strong demand for their new products.

From a price stand point, ATHR saw a strong run higher into the May 2006 top. From that peak the stock corrected almost 50%, which is common for a high growth company. After bottoming in August with the market ARTH has resumed its advance. It is currently building a handle like formation at the end of a long cup like formation. It is in the process of breaking out of its handle formation. Doing so on strong volume will look very bullish.

ATHR's current PRS numbers are 91, 74, and 82 at 12, 6, and 3 months respectively. The stock reached our entry criteria on May 31, 2006 at 22.09 as it was in the early stages of its pullback. In September 06 its PRS_3 climbed above its PRS_6, a sign of significant improvement, and the stock continues to outperform the market on a shorter-term basis.

Focus Stock #2 PRFT

PRFT, Perficient, Inc, is a current open active position.



Perficient provides information technology services to midsized companies in the US. The company helps its clients gain competitive advantage by using internet-based technologies to make their businesses more responsive to market opportunities and threats. They also help strengthen relationships with customers, suppliers and partners and improve productivity and reduce information technology costs.

PRFT has an IBD EPS rank of 98, which is exceptional. According to IBES estimates, PRFT earned \$0.28 in 2005. In 2006 they are expected to earn \$0.50. In their most recent quarter Perficient reported per share earnings on a fully diluted basis were up 25% to \$0.10 compared to \$0.08 per share during the third quarter of 2005, beating estimates by a penny. Their IBEX 2006 estimate is \$0.50 and 2007e is \$0.67. These are excellent earnings numbers. We have a strong company with solid growth prospects.

On a technical basis, PRFT made a strong run higher from the August lows to an October high. It has been consolidating a strong run higher over the balance of the year. It is currently consolidating in a down trend and has good support at the \$15 level. While this is an excellent prospect, the stock is still going through its corrective cycle as it has not yet broken its most obvious down trend. Seeing the stock close above \$17.50 will indicate a break of its near-term consolidation thus setting the stage for a run to higher levels.

PRFT first reached our entry criteria on 8/25/06 when the stock was trading at 12.52. It is about 30% higher now yet its PRS_3 has come back down to our entry level allowing another opportunity to get on board. This is a classic case of a very strong stock that ran higher and has

pulled back into a prime entry zone. Seeing the stock slide measurably below \$14 will argue against a more immediate-term recovery.

In November AG Edwards downgraded the stock based on valuation. Since then the stock has consolidated and the company reported improved earnings. Its last consolidation lasted about two and a half months and we are nearing an equal time frame. The primary thing we want to see is a break of the obvious near-term down trend, which will signal its corrective phase is over.

Over the next few days or weeks as PRFT and ARTH work through the bottoming process of their corrective moves I expect to add them to the Model Portfolio, possibly as early as next week.

Current Open Actives I like for purchase right now are:

Nuance Communications (NUAN); VA Software Corp, (LNUX); Palomar Medical Technologies (PMTI); Gymboree (GYMB); Zumiez Inc (ZUMZ); Oplink Communications (OPLK.)

Following up on new Open Actives from November: Meadowbrook Insurance Group Inc, (MIG) has broken its obvious down trend and looks healthier. Icon PLC (ICLR) is attempting to breakout at this time. Superior Essex Inc (SPSX) is still going through a bottoming process. Datalink Corp (DTLK) is working through a bottoming process and looks better. Finally, Technitrol Inc. (TNL) was removed from the open active list because its 12-month PRS fell below 75.

Current Open Active Positions Green = Stock in Buy Zone Red = Stock under review, PRS_12 falling											Count:	192
Stock	Date became active	Close on day active	>90 PRS_12 >60 PRS_6 <40 PRS_3	Weeks Held	Avg Daily Volume k	Last 1/3/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta	
ICTG	7/18/2006	\$22.20	97 89 35	24	87	\$31.81	94, 72%	82, 25%	29, 0%	43.3%	-0.34	
SHOO	7/20/2006	\$27.87	95 96 30	24	317	\$35.97	93, 61%	81, 24%	7, -12%	29.1%	2.08	
AKAM	7/24/2006	\$31.29	97 95 47	23	5,082	\$52.07	98, 118%	93, 45%	34, 2%	66.4%	2.44	
ATML	7/24/2006	\$4.82	95 92 35	23	8,846	\$6.10	94, 67%	67, 14%	39, 3%	26.6%	4.68	
GIGM	7/31/2006	\$8.76	99 98 34	22	1,624	\$9.79	99, 167%	64, 13%	16, -4%	11.8%	4.23	
GYMB	8/14/2006	\$29.21	94 93 29	20	948	\$39.38	91, 52%	63, 12%	9, -9%	34.8%	0.52	
PRFT	8/25/2006	\$12.52	94 88 29	19	478	\$16.31	93, 63%	86, 31%	38, 2%	30.3%	4.02	
DTLK	11/3/2006	\$8.57	98 94 29	9	229	\$7.63	95, 74%	85, 29%	3, -23%	(11.0%)	2.64	
AVCI	11/9/2006	\$6.88	90 63 9	8	475	\$7.63	94, 71%	85, 29%	9, -9%	10.9%	5.45	
TAR	11/20/2006	\$17.79	92 98 16	6	44	\$18.82	94, 69%	97, 70%	27, 0%	5.8%	2.22	
SWHC	12/11/2006	\$11.57	98 95 10	3	887	\$10.31	98, 124%	75, 19%	2, -27%	(10.9%)	2.19	
XING	12/15/2006	\$12.53	91 77 14	3	929	\$13.27	93, 62%	74, 18%	14, -6%	5.9%	4.78	
BAP	12/19/2006	\$41.79	92 93 37	2	178	\$41.73	92, 59%	90, 38%	27, 0%	(0.1%)	1.41	
WRLD	12/22/2006	\$46.49	90 83 30	2	252	\$48.04	91, 55%	89, 36%	38, 2%	3.3%	-0.06	
CMRG	12/26/2006	\$12.93	96 86 20	1	544	\$12.60	95, 75%	82, 25%	13, -7%	(2.6%)	1	
SIM	12/29/2006	\$14.36	99 98 22	1	515	\$13.57	99, 186%	97, 75%	12, -7%	(5.5%)	4.54	
OMG	1/3/2007	\$43.84	97 91 12	0	755	\$43.85	97, 105%	91, 40%	12, -7%	0.0%	2.55	
VRTX	4/10/2006	\$33.72	98 92 36	38	1,845	\$36.90	75, 25%	36, 2%	54, 8%	9.4%	2.79	
HITT	7/28/2006	\$38.99	97 96 73	23	466	\$32.32	76, 25%	8, -22%	2, -26%	(17.1%)	0.45	
FTI	10/25/2006	\$61.59	91 80 26	10	842	\$59.05	76, 26%	13, -14%	75, 16%	(4.1%)	1.01	
IDEV	4/18/2006	\$5.63	91 97 35	37	386	\$6.94	78, 27%	82, 25%	81, 20%	23.3%	0.89	
XNR	5/12/2006	\$4.46	93 89 25	34	55	\$4.95	78, 28%	22, -6%	5, -16%	11.0%	1.02	
LRCX	9/27/2006	\$45.31	90 70 33	14	3,635	\$49.46	78, 28%	47, 7%	59, 9%	9.2%	2.8	
PNK	10/3/2006	\$29.71	94 61 39	13	487	\$33.28	78, 28%	53, 9%	65, 11%	12.0%	3.04	
ZONS	7/6/2006	\$6.61	92 90 39	26	94	\$7.35	79, 29%	62, 12%	1, -40%	11.2%	3.61	
AAUK	7/18/2006	\$19.07	92 75 37	24	952	\$23.71	79, 28%	69, 15%	71, 14%	24.3%	1.8	
MEK	8/14/2006	\$11.22	99 82 32	20	206	\$12.79	79, 29%	7, -25%	68, 12%	14.0%	2.9	
GI	12/7/2005	\$53.47	96 96 28	56	410	\$75.28	80, 30%	60, 11%	11, -8%	40.8%	1.57	
TTI	12/30/2005	\$15.26	93 91 42	53	959	\$23.00	80, 31%	7, -24%	49, 6%	50.7%	1.13	
ORA	4/25/2006	\$33.81	92 91 17	36	109	\$37.25	80, 30%	28, -2%	70, 13%	10.2%	0.85	
CRS	7/24/2006	\$104.48	93 93 25	23	625	\$100.29	80, 30%	12, -16%	18, -3%	(4.0%)	2.12	
OPLK	8/8/2006	\$16.61	91 66 36	21	260	\$20.06	80, 30%	55, 9%	29, 0%	20.8%	2.86	
HBHC	8/31/2006	\$51.84	92 88 31	18	97	\$53.28	80, 30%	23, -5%	29, 0%	2.8%	0.68	
TIE	6/29/2004	\$2.29	95 96 35	131	3,276	\$29.45	93, 61%	14, -13%	85, 24%	1186.0%	1.73	
NIHD	7/7/2004	\$17.35	95 83 40	130	1,683	\$63.73	82, 33%	61, 12%	35, 2%	267.3%	1.53	
HANS	8/17/2004	\$2.48	99 98 34	124	4,074	\$33.92	91, 54%	4, -33%	55, 7%	1267.7%	1.05	
GGY	12/17/2004	\$13.19	91 60 31	107	30	\$42.75	97, 111%	79, 23%	95, 45%	224.1%	2.94	
HOC	1/4/2005	\$13.35	95 90 23	104	958	\$49.43	91, 53%	36, 2%	83, 21%	270.3%	0.63	
SBAC	1/21/2005	\$8.65	95 97 57	102	1,111	\$27.55	87, 42%	55, 9%	68, 12%	218.5%	3.07	
DRQ	5/12/2005	\$13.14	91 85 23	86	839	\$36.40	85, 39%	14, -14%	71, 14%	177.0%	1.25	
UBB	5/25/2005	\$34.15	95 90 32	84	676	\$95.89	85, 38%	92, 41%	88, 28%	180.8%	2.06	
ANST	5/27/2005	\$11.77	91 92 22	84	284	\$28.31	91, 53%	90, 38%	74, 15%	140.5%	2.03	
GROW	6/7/2005	\$5.13	93 96 19	82	844	\$63.81	99, 339%	99, 201%	99, 172%	1143.9%	4.52	
ARS	6/14/2005	\$23.64	94 96 22	81	263	\$52.48	90, 50%	66, 14%	41, 3%	122.0%	3.48	
KNOT	6/15/2005	\$6.53	90 91 28	81	442	\$26.65	97, 109%	87, 31%	88, 27%	308.1%	0.75	
JLL	6/27/2005	\$44.25	91 86 29	79	298	\$92.00	93, 61%	49, 7%	58, 8%	107.9%	1.57	
CVO	7/8/2005	\$8.17	98 99 43	78	314	\$21.29	89, 47%	75, 19%	72, 14%	160.6%	-0.51	
MDR	7/12/2005	\$15.17	95 85 42	77	1,190	\$48.09	89, 47%	44, 5%	84, 22%	217.0%	1.43	
PWEI	8/16/2005	\$5.34	91 97 15	72	444	\$34.25	90, 49%	69, 15%	71, 13%	541.4%	4.72	
ILMN	10/12/2005	\$13.02	94 95 32	64	1,164	\$38.41	98, 126%	81, 24%	70, 13%	195.0%	1.57	
AMR	10/14/2005	\$11.89	92 70 15	64	7,576	\$32.86	88, 44%	83, 26%	92, 34%	176.4%	3.76	
BMRN	10/14/2005	\$7.59	92 92 30	64	908	\$16.10	84, 35%	57, 10%	41, 3%	112.1%	1.78	
ICON	10/20/2005	\$8.17	94 96 23	63	612	\$18.93	93, 66%	73, 18%	71, 14%	131.7%	3.1	
TS	11/30/2005	\$22.36	97 94 34	57	1,723	\$48.52	96, 87%	77, 21%	94, 40%	117.0%	3.02	
OMNI	12/29/2005	\$3.25	92 94 8	53	614	\$9.14	98, 123%	7, -25%	82, 21%	181.2%	0.64	
VTS	12/29/2005	\$35.70	91 84 39	53	1,180	\$85.04	97, 105%	96, 61%	91, 32%	138.2%	1.06	
WFR	12/30/2005	\$22.17	94 89 38	53	4,162	\$40.33	92, 59%	51, 8%	76, 16%	81.9%	4.18	
LCC	2/7/2006	\$29.00	97 92 28	47	1,975	\$56.30	86, 40%	45, 5%	79, 18%	94.1%	-0.22	
CPTS	2/21/2006	\$14.28	93 88 22	45	226	\$20.22	90, 49%	93, 45%	78, 18%	41.6%	3.24	
NTRI	2/21/2006	\$37.70	99 97 22	45	1,476	\$63.77	93, 62%	36, 2%	45, 5%	69.2%	2.06	
ANAD	3/9/2006	\$5.67	98 97 28	43	1,363	\$8.79	86, 40%	89, 34%	85, 24%	55.0%	5.51	
GES	3/9/2006	\$34.34	96 93 24	43	861	\$64.70	93, 66%	95, 56%	91, 32%	88.4%	1.8	
BTJ	3/13/2006	\$10.47	90 86 25	42	226	\$19.37	89, 45%	95, 54%	97, 57%	85.0%	1.97	
AMX	4/12/2006	\$33.15	91 84 40	38	3,885	\$46.21	87, 42%	87, 32%	79, 18%	39.4%	2.65	
AIRM	5/19/2006	\$22.27	98 93 28	33	129	\$29.08	92, 57%	63, 13%	86, 24%	30.6%	2.1	
EGY	5/22/2006	\$6.19	92 95 38	32	656	\$6.58	85, 38%	5, -30%	11, -8%	6.3%	-0.3	
NUAN	5/22/2006	\$9.53	97 95 22	32	2,865	\$11.72	90, 51%	72, 17%	96, 50%	23.0%	2.74	

Note-IBD EPS rank >90 are bold
Note-Average Daily Volume < 100k Bold Red

Note: Current PRS Red means stock is under review, PRS_12 <80 - Exit is 75
Note: Current PRS Green means the stock is in the Buy Zone

Current Open Active Positions Green = Stock in Buy Zone Red = Stock under review, PRS_12 falling											Count:	192
Stock	Date became active	Close on day active	>90 PRS_12 >60 PRS_6 <40 PRS_3	Weeks Held	Avg Daily Volume k	Last 1/3/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta	
GGB	5/23/2006	\$13.39	95 89 21	32	1,313	\$16.42	84, 36%	53, 8%	83, 22%	22.6%	2.13	
GIII	5/23/2006	\$8.72	91 87 12	32	59	\$19.43	97, 104%	98, 105%	98, 71%	122.8%	1.57	
IIIN	5/23/2006	\$16.65	98 98 43	32	224	\$17.47	95, 81%	6, -28%	7, -11%	4.9%	4.01	
NETC	5/23/2006	\$7.26	93 61 24	32	137	\$11.74	91, 55%	94, 47%	85, 23%	61.7%	1.24	
MEH	5/24/2006	\$4.25	95 82 13	32	341	\$11.66	97, 105%	99, 128%	95, 43%	174.4%	2.43	
CHINA	5/25/2006	\$4.53	90 80 33	32	2,778	\$9.64	99, 175%	99, 122%	98, 71%	112.8%	3.73	
CYBI	5/30/2006	\$5.94	93 95 42	31	75	\$6.26	92, 57%	28, -2%	12, -7%	5.4%	0.98	
ATHR	5/31/2006	\$22.09	97 99 39	31	2,382	\$21.74	92, 57%	84, 28%	85, 23%	(1.6%)	5.4	
AKS	6/7/2006	\$12.18	92 91 29	30	2,174	\$16.41	96, 87%	74, 18%	93, 38%	34.7%	5.48	
AVNX	6/7/2006	\$1.82	91 98 7	30	4,074	\$1.92	89, 48%	62, 12%	80, 19%	5.5%	4.87	
FNSR	6/9/2006	\$3.29	98 97 3	30	10,649	\$3.29	88, 43%	40, 3%	7, -12%	0.0%	4.94	
BWNG	6/12/2006	\$10.15	96 95 16	29	2,262	\$15.73	98, 126%	94, 50%	89, 29%	55.0%	6.62	
LAZ	6/13/2006	\$36.54	91 86 27	29	523	\$47.64	88, 43%	73, 18%	80, 19%	30.4%	2.04	
MTW	6/13/2006	\$35.65	93 94 38	29	737	\$56.30	96, 96%	81, 25%	84, 22%	57.9%	1.78	
OS	6/13/2006	\$41.79	98 94 35	29	1,276	\$62.58	96, 92%	80, 24%	93, 37%	49.7%	3.15	
PCU	6/13/2006	\$35.43	91 58 28	29	2,245	\$51.07	86, 39%	59, 11%	70, 13%	44.1%	3.24	
CBG	6/14/2006	\$23.00	93 90 42	29	2,282	\$33.65	93, 61%	88, 33%	94, 40%	46.3%	2.22	
EME	6/14/2006	\$43.24	93 89 34	29	286	\$56.26	89, 47%	70, 16%	41, 3%	30.1%	1.59	
GNA	6/14/2006	\$8.06	93 94 25	29	325	\$8.38	82, 33%	11, -18%	13, -6%	4.0%	4.58	
TWTC	6/14/2006	\$14.32	98 96 48	29	1,618	\$20.28	96, 87%	91, 39%	56, 8%	41.6%	2.11	
CAL	6/15/2006	\$24.95	93 92 37	29	4,569	\$43.97	96, 92%	94, 47%	95, 44%	76.2%	3.58	
CGA	6/15/2006	\$14.22	93 92 51	29	114	\$20.77	96, 82%	83, 27%	89, 29%	46.1%	2.79	
RLH	6/15/2006	\$11.00	90 82 29	29	32	\$12.85	87, 42%	71, 17%	81, 20%	16.8%	1.36	
RDY	6/16/2006	\$13.77	91 90 32	29	487	\$18.10	91, 53%	83, 26%	76, 16%	31.4%	2.82	
TTM	6/16/2006	\$16.31	91 85 11	29	467	\$21.69	87, 42%	82, 25%	71, 14%	33.0%	3.25	
FCFS	6/22/2006	\$18.65	95 90 32	28	325	\$25.22	93, 64%	83, 27%	88, 26%	35.2%	1.85	
BID	6/23/2006	\$24.27	92 91 38	28	1,014	\$30.86	90, 50%	72, 17%	9, -9%	27.2%	1.77	
LVLT	6/26/2006	\$4.03	94 92 11	27	32,353	\$5.65	95, 81%	88, 34%	70, 13%	40.2%	3.68	
OYOG	6/27/2006	\$53.65	98 98 35	27	68	\$56.97	94, 71%	35, 1%	54, 7%	6.2%	1.41	
AMN	6/29/2006	\$65.05	92 93 28	27	42	\$76.21	91, 54%	74, 19%	79, 18%	17.2%	1.94	
LNIX	6/29/2006	\$3.94	96 99 20	27	739	\$4.97	98, 147%	77, 21%	84, 22%	26.1%	4.62	
AMAG	6/30/2006	\$30.21	98 99 15	27	329	\$59.38	99, 343%	98, 96%	98, 74%	96.6%	4.04	
ICOC	6/30/2006	\$4.92	95 94 33	27	271	\$5.68	92, 56%	53, 8%	8, -11%	15.4%	2.94	
ATNI	7/3/2006	\$20.31	91 81 34	26	54	\$30.80	95, 80%	95, 52%	98, 65%	51.6%	1.65	
IEDU	7/5/2006	\$7.59	96 92 30	26	385	\$13.77	98, 127%	97, 75%	85, 24%	81.4%	1.74	
MICC	7/5/2006	\$35.02	93 86 9	26	443	\$61.82	97, 107%	97, 73%	96, 48%	76.5%	3.81	
ACTU	7/10/2006	\$3.86	95 79 33	25	343	\$5.73	94, 67%	90, 38%	88, 27%	48.4%	2.37	
ANDE	7/10/2006	\$45.83	97 98 81	25	407	\$40.21	94, 70%	23, -6%	86, 25%	(12.3%)	2.51	
IPSU	7/11/2006	\$24.13	91 98 8	25	309	\$25.06	93, 65%	41, 4%	6, -14%	3.9%	2.59	
KNXA	7/12/2006	\$28.02	96 87 30	25	204	\$33.48	90, 50%	39, 3%	89, 29%	19.5%	-0.18	
PJC	7/12/2006	\$55.25	92 93 25	25	250	\$67.35	92, 56%	53, 9%	66, 12%	21.9%	3.12	
COGO	7/14/2006	\$9.81	94 93 26	25	702	\$18.38	99, 163%	96, 67%	87, 26%	87.4%	2.9	
NUE	7/14/2006	\$50.38	96 96 35	25	4,454	\$54.50	89, 48%	31, 0%	67, 12%	8.2%	2.43	
SMDI	7/14/2006	\$8.05	96 96 26	25	662	\$8.06	91, 56%	3, -38%	46, 5%	0.1%	3.49	
ATI	7/17/2006	\$56.63	97 95 20	24	2,673	\$88.45	97, 114%	84, 28%	95, 45%	56.2%	3.49	
OPNT	7/17/2006	\$11.97	91 93 40	24	72	\$14.83	90, 50%	56, 10%	48, 5%	23.9%	1.89	
USAP	7/17/2006	\$23.89	93 95 28	24	78	\$33.25	97, 102%	69, 16%	96, 51%	39.2%	1.63	
ISE	7/18/2006	\$37.27	91 83 28	24	764	\$46.79	89, 47%	71, 17%	20, -2%	25.5%	2.33	
NEU	7/18/2006	\$45.40	99 98 36	24	261	\$57.35	97, 104%	65, 14%	40, 3%	26.3%	1.62	
NITE	7/19/2006	\$15.85	96 97 49	24	1,524	\$19.22	96, 85%	83, 26%	43, 4%	21.3%	1.78	
NYX	7/20/2006	\$61.24	91 86 29	24	3,376	\$93.68	94, 70%	91, 38%	87, 26%	53.0%	0.11	
CLEC	7/21/2006	\$3.41	92 97 28	24	227	\$9.20	99, 321%	99, 174%	85, 24%	169.8%	3.85	
ZOLT	7/21/2006	\$24.10	97 99 26	24	586	\$20.64	97, 98%	5, -31%	5, -16%	(14.4%)	1.79	
MGPI	7/24/2006	\$22.09	98 97 30	23	242	\$22.79	95, 74%	23, -5%	63, 10%	3.2%	1.97	
STLD	7/25/2006	\$28.72	94 95 44	23	2,430	\$31.51	93, 65%	28, -2%	89, 28%	9.7%	2.87	
VMI	7/25/2006	\$49.15	96 93 39	23	143	\$53.99	89, 48%	68, 15%	47, 5%	9.8%	1.6	
LDSH	7/27/2006	\$31.31	96 94 30	23	212	\$36.06	90, 48%	26, -3%	85, 24%	15.2%	0.98	
LTBG	7/27/2006	\$11.06	91 89 35	23	153	\$13.65	91, 54%	40, 3%	83, 22%	23.4%	2.47	
SKX	7/27/2006	\$20.93	80 81 16	23	429	\$33.67	97, 99%	90, 36%	93, 36%	60.9%	2.68	
GPI	8/2/2006	\$48.95	91 96 21	22	465	\$51.32	90, 49%	17, -10%	34, 2%	4.8%	1.74	
PGS	8/2/2006	\$17.75	96 97 17	22	90	\$23.50	97, 103%	51, 8%	96, 50%	32.4%	1.57	
NVDA	8/3/2006	\$24.31	94 77 18	22	9,802	\$36.08	95, 73%	97, 72%	85, 23%	48.4%	4.89	
SMSI	8/3/2006	\$11.01	96 94 23	22	849	\$13.20	96, 87%	11, -18%	12, -7%	19.9%	-0.16	
AXR	8/4/2006	\$39.20	91 96 23	22	171	\$122.88	99, 332%	99, 141%	99, 113%	213.5%	2.41	
FMCN	8/4/2006	\$58.47	99 77 30	22	792	\$70.40	95, 81%	47, 6%	80, 19%	20.4%	2.27	
LVS	8/4/2006	\$62.00	93 92 34	22	2,107	\$92.00	97, 110%	76, 20%	92, 34%	48.4%	3.34	
STKL	8/4/2006	\$9.02	92 92 19	22	549	\$8.60	88, 45%	17, -10%	3, -20%	(4.7%)	2.81	

Note-IBD EPS rank >90 are bold
Note-Average Daily Volume < 100k Bold Red

Note: Current PRS Red means stock is under review, PRS_12 <80 - Exit is 75
Note: Current PRS Green means the stock is in the Buy Zone

Current Open Active Positions Green = Stock in Buy Zone Red = Stock under review, PRS_12 falling Count: 192											
Stock	Date became active	Close on day active	>90 PRS_12 > 60 PRS_6 <40 PRS_3	Weeks Held	Avg Daily Volume k	Last 1/3/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta
ACTG	8/7/2006	\$11.00	98 97 31	21	180	\$13.38	95, 75%	19, -9%	77, 17%	21.6%	2.34
GRMN	8/9/2006	\$42.88	91 94 35	21	2,868	\$55.67	92, 59%	43, 5%	76, 16%	29.8%	2.41
TEX	8/9/2006	\$40.56	92 85 24	21	1,619	\$59.06	95, 80%	74, 19%	87, 26%	45.6%	2.1
AP	8/10/2006	\$26.55	96 95 51	21	107	\$31.74	97, 100%	44, 5%	39, 3%	19.5%	1.36
SVVS	8/10/2006	\$25.93	93 99 58	21	361	\$36.07	99, 199%	78, 22%	87, 25%	39.1%	3.09
UBFO	8/10/2006	\$21.46	92 92 36	21	10	\$24.47	89, 46%	69, 15%	66, 11%	14.0%	0.38
MED	8/16/2006	\$11.98	98 99 10	20	509	\$12.21	97, 103%	3, -36%	93, 37%	1.9%	2.87
QLTY	8/18/2006	\$15.05	94 96 53	20	88	\$13.06	89, 47%	30, -1%	5, -15%	(13.2%)	1.52
CCOI	8/21/2006	\$8.18	91 86 14	19	425	\$16.32	99, 172%	97, 69%	95, 43%	99.5%	9.26
PRVT	8/21/2006	\$4.34	93 95 34	19	131	\$3.87	89, 45%	15, -12%	23, -1%	(10.8%)	1.91
TWGP	8/21/2006	\$27.75	94 97 28	19	241	\$32.06	85, 37%	45, 5%	16, -4%	15.5%	-0.39
DAKT	8/25/2006	\$20.72	96 87 21	19	611	\$35.92	98, 126%	79, 22%	98, 76%	73.4%	0.78
EMCI	8/28/2006	\$28.75	92 88 25	18	69	\$34.36	93, 60%	76, 20%	76, 16%	19.5%	1.1
PMTI	8/29/2006	\$39.61	92 90 18	18	431	\$50.62	87, 40%	53, 8%	81, 20%	27.8%	3.48
FCGI	8/30/2006	\$8.86	93 94 38	18	204	\$13.51	97, 112%	94, 50%	93, 35%	52.5%	1.47
APN	9/1/2006	\$4.82	98 99 51	18	142	\$7.91	99, 298%	97, 79%	96, 49%	64.1%	3.81
CELG	9/7/2006	\$41.15	92 69 30	17	4,022	\$57.20	93, 66%	76, 20%	91, 32%	39.0%	-0.15
AUXL	9/8/2006	\$8.72	90 95 25	17	346	\$14.27	98, 129%	97, 78%	93, 36%	63.6%	4.11
GEX	9/8/2006	\$4.82	97 99 27	17	67	\$4.31	99, 199%	16, -12%	52, 6%	(10.6%)	-0.15
IDCC	9/8/2006	\$32.06	95 91 39	17	894	\$33.67	93, 63%	24, -5%	20, -2%	5.0%	2.97
VOL	9/11/2006	\$34.90	93 94 23	16	281	\$51.50	98, 140%	50, 7%	95, 46%	47.6%	1.68
CTRP	9/15/2006	\$49.34	91 90 39	16	384	\$65.58	97, 97%	77, 21%	94, 39%	32.9%	1.04
IIG	9/18/2006	\$13.68	95 96 36	15	371	\$29.30	99, 302%	99, 121%	99, 110%	114.2%	3.78
ININ	9/18/2006	\$11.53	94 92 16	15	328	\$20.73	99, 270%	92, 41%	98, 79%	79.8%	3.26
FIZ	9/20/2006	\$12.50	93 94 32	15	113	\$13.69	90, 51%	19, -9%	80, 18%	9.5%	1.43
MIKR	9/20/2006	\$13.19	97 99 33	15	249	\$11.67	92, 59%	8, -23%	15, -5%	(11.5%)	6.54
BAMM	9/22/2006	\$16.72	96 97 21	15	119	\$22.54	97, 108%	87, 32%	85, 24%	34.8%	0.64
CHAP	9/26/2006	\$34.52	99 73 36	14	808	\$43.68	98, 157%	79, 22%	88, 27%	26.5%	1.06
CTCI	9/29/2006	\$21.71	95 98 28	14	245	\$23.13	94, 71%	30, -1%	57, 8%	6.5%	0.37
EZPW	9/29/2006	\$12.89	98 95 20	14	1,368	\$16.67	99, 183%	70, 16%	93, 36%	29.3%	4.37
BLKB	10/2/2006	\$23.12	93 83 61	13	345	\$26.38	88, 43%	72, 18%	66, 11%	14.1%	1.61
KBALB	10/2/2006	\$19.52	93 96 38	13	206	\$25.50	97, 108%	85, 29%	89, 29%	30.6%	2.4
AGP	10/3/2006	\$29.18	91 97 26	13	778	\$36.64	94, 71%	72, 17%	85, 24%	25.6%	1.24
CLB	10/4/2006	\$59.58	96 85 34	13	359	\$77.64	96, 84%	82, 25%	91, 32%	30.3%	1.99
RVI	10/5/2006	\$16.92	92 86 28	13	359	\$19.35	89, 47%	55, 9%	83, 21%	14.4%	0.42
DSW	10/6/2006	\$34.09	94 78 33	13	391	\$39.07	88, 43%	49, 7%	83, 22%	14.6%	2.32
FVE	10/9/2006	\$11.17	91 81 44	12	387	\$11.37	84, 35%	32, 0%	53, 7%	1.8%	1.95
GETI	10/10/2006	\$28.25	96 80 36	12	50	\$33.77	95, 74%	79, 22%	83, 22%	19.5%	1.73
ZUMZ	10/10/2006	\$32.04	95 67 29	12	541	\$31.05	83, 34%	11, -17%	58, 8%	(3.1%)	1.78
KNOL	10/26/2006	\$10.57	99 95 38	10	121	\$10.47	98, 150%	59, 11%	49, 6%	(0.9%)	3.7
STAN	11/3/2006	\$33.74	93 90 51	9	26	\$40.12	96, 89%	93, 43%	87, 26%	18.9%	0.47
CVA	11/7/2006	\$20.14	92 79 34	8	1,000	\$22.38	85, 37%	86, 31%	44, 4%	11.1%	3.73
OCN	11/8/2006	\$15.60	94 94 35	8	452	\$15.68	93, 64%	79, 22%	45, 4%	0.5%	2.28
ARD	11/9/2006	\$39.04	92 82 48	8	253	\$39.90	84, 35%	73, 18%	91, 32%	2.2%	1.22
TXCO	11/9/2006	\$12.81	96 87 48	8	388	\$12.08	94, 73%	61, 12%	92, 35%	(5.7%)	2.98
FTO	11/16/2006	\$28.79	89 55 4	7	2,397	\$27.54	83, 33%	12, -16%	62, 10%	(4.3%)	0.43
MIG	11/16/2006	\$10.85	93 95 37	7	174	\$9.90	90, 51%	66, 14%	9, -9%	(8.8%)	0.48
ALY	11/17/2006	\$18.07	92 93 35	7	423	\$20.48	91, 52%	94, 47%	97, 59%	13.3%	4.95
HL	11/17/2006	\$6.32	93 88 37	7	1,905	\$7.47	94, 70%	92, 40%	95, 45%	18.2%	2.38
SPSX	11/17/2006	\$34.93	95 64 18	7	231	\$31.97	87, 42%	49, 7%	12, -7%	(8.5%)	1.21
ICLR	11/28/2006	\$35.93	93 92 48	5	139	\$38.94	94, 71%	91, 40%	61, 10%	8.4%	1.47
NOVN	11/28/2006	\$23.29	93 92 14	5	380	\$24.83	90, 48%	90, 37%	41, 3%	6.6%	0.64
OMCL	11/28/2006	\$18.37	94 92 40	5	230	\$18.30	88, 42%	88, 34%	56, 7%	(0.4%)	0.77
CASS	12/4/2006	\$37.00	92 55 33	4	9	\$34.23	89, 45%	70, 16%	49, 6%	(7.5%)	-0.61
SYX	12/4/2006	\$12.56	95 98 17	4	604	\$18.10	98, 149%	99, 122%	69, 13%	44.1%	1.1
CRY	12/6/2006	\$6.73	92 91 36	4	98	\$7.64	97, 114%	91, 40%	81, 20%	13.5%	0.93
NVEC	12/7/2006	\$37.65	97 99 40	4	795	\$30.30	95, 76%	99, 109%	50, 6%	(19.5%)	4.7
AEOS	12/26/2006	\$30.47	95 89 36	1	4,620	\$32.53	96, 88%	92, 42%	55, 7%	6.8%	1.14

Grey dates indicate post-live entries

Average Gain: 65.2%

Note-IBD EPS rank >90 are bold
Note-Average Daily Volume < 100k Bold Red

Note: Current PRS Red means stock is under review, PRS_12 <80 - Exit is 75
Note: Current PRS Green means the stock is in the Buy Zone

Big Picture timing: Seasonality is on our side as we move through the month of January. Relative to the near-term, this is the good news. The other good news item is the US economy was solid in the fourth quarter and the first quarter should see continued strength from the retail sector as holiday gift cards are redeemed. While the stock market typically begins discounting economic weakness three to six months in advance, the immediate horizon looks clear.

Great! But what about the US Dollar; the possible resurgence in the price of oil and the first day of the year was a wild one with the FOMC minutes triggering a major stir.

There is always something to worry about. The main issue with the FOMC is the market has its hopes up for a rate cut, but I don't think that is going to happen any time soon. While upsetting at first, the reason it isn't going to happen is because the US economy is strong and doesn't need a rate cut. That is ultimately bullish.

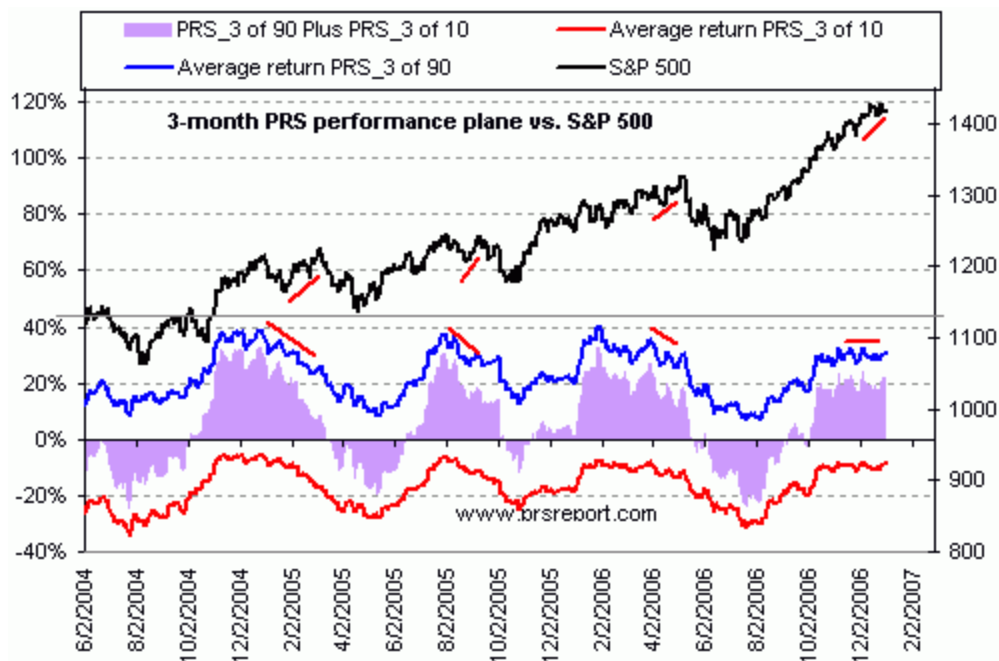
We have to acknowledge the US Dollar has weakened significantly. So, how bad is that for the US stock market? This is one of those answers where how you feel at the time has a lot to do with how bullish or bearish the answer is. A weaker US Dollar makes Boeing aircraft and Cat Tractors less expensive overseas, so it is a good thing. With a falling dollar foreign markets are a less attractive investment alternative. This may push more domestic money into US markets rather than foreign markets. A weak dollar will drive the price of gold up, and it may result in a slight appreciation in the price of oil and that is potentially inflationary.

Relative to the natural volatility in oil, changes relative to movement in the Dollar will be hardly detectable. I don't view this as a serious issue. However, a falling dollar will make foreign goods more expensive in this country and that has the

potential to exude sustained inflationary pressures throughout the country. I find this one interesting because it ties back into my expectation the next FOMC step will be towards another interest rate increase. None the less, these are all issues the currently strong market should be able to handle and overcome as we move through the year.

As we begin the New Year, **looking at the PRS Time Plane on a 3-month basis**, we can see the strongest stocks have maintained a sustained rate of improvement. The 90th percentile of stocks advanced 30% over the past three months. They reached this rate of advance in early November and have more or less maintained it since. There are two constructive elements here. First, the rate of advance is not momentarily high. The red flags don't go up until it nears 40% which has yet to happen. Second, the rate of advance is being maintained, which is more important than the first element. Previous important market peaks have seen waning interest in the strongest stocks as the S&P 500 pushed higher. That is currently not the case today.

Moving on to the 12-month Time plane shown on the next page, it remains very clear that we are in a strong advance. However, on a year over year basis, the current move is well short of historical moves higher. From this perspective one can argue that we



On November 14 the Model Portfolio was launched with the addition of five new positions. On the 11/21 we added another four with an additional three added in December. With 83% exposure we are keeping pace with the S&P 500. However, exposure to commodity related issues, which was hit very hard on the first day of the year, neutralized our advantage.

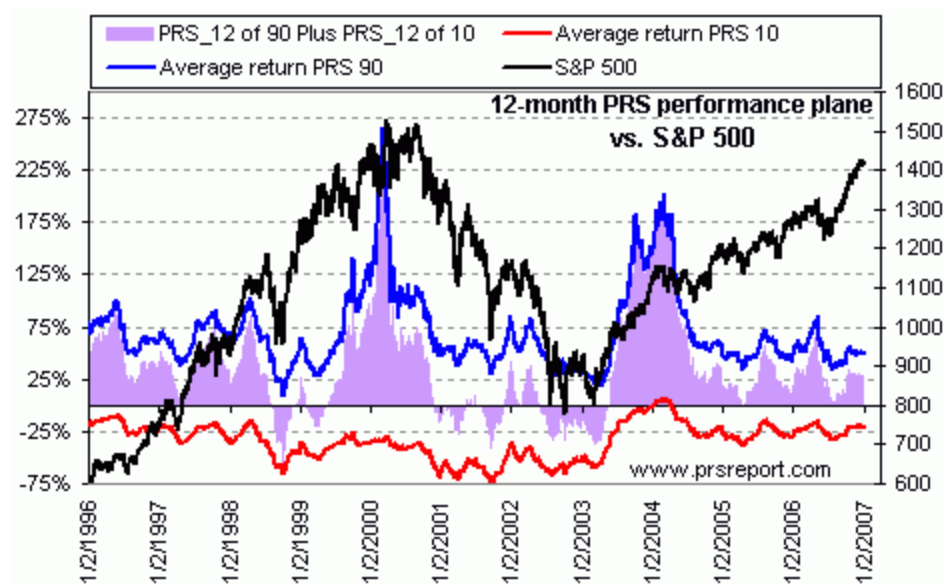
Model Portfolio Started on Tuesday November 14, 2006, \$100,000												
Symb	Entry Date	Entry Price	# shares	Cost	Last Price	Market Value	Gain / Loss %	IBD EPS rank	PRS_12, Delta_12	PRS_6, Delta_6	PRS_3, Delta_3	Avg Vol K
OCN	11/14/06	15.43	500	\$ 7,715	15.68	\$ 7,840	1.6%	98	93, 64%	79, 22%	45, 4%	451
ARD	11/14/06	38.83	200	\$ 7,766	39.90	\$ 7,980	2.8%	99	84, 35%	73, 18%	91, 32%	253
CVO	11/14/06	19.90	400	\$ 7,960	21.29	\$ 8,516	7.0%	75	89, 47%	75, 19%	72, 14%	313
TXCO	11/14/06	13.20	600	\$ 7,920	12.08	\$ 7,248	-8.5%	26	94, 73%	61, 12%	92, 35%	388
AVCI	11/14/06	6.88	500	\$ 3,440	7.63	\$ 3,815	10.9%	75	94, 71%	85, 29%	9, -9%	475
MIG	11/21/06	10.43	700	\$ 7,301	9.90	\$ 6,930	-5.1%	81	90, 51%	66, 14%	9, -9%	171
HL	11/21/06	6.43	1,200	\$ 7,716	7.47	\$ 8,964	16.2%	42	94, 70%	92, 40%	95, 45%	1905
PWEI	11/21/06	35.65	200	\$ 7,130	34.25	\$ 6,850	-3.9%	75	90, 49%	69, 15%	71, 13%	445
ATML	11/21/06	5.28	1,000	\$ 5,280	6.10	\$ 6,100	15.5%	75	94, 67%	67, 14%	39, 3%	8841
SPSX	12/5/06	35.40	200	\$ 7,080	31.97	\$ 6,394	-9.7%	69	87, 42%	49, 7%	12, -7%	239
ICLR	12/5/06	36.00	200	\$ 7,200	38.94	\$ 7,788	8.2%	94	94, 71%	91, 40%	61, 10%	139
TWGP	12/12/06	33.06	200	\$ 6,612	32.06	\$ 6,412	-3.0%	97	85, 37%	45, 5%	16, -4%	241

	Cost	Value as of 1/4/2007	Net Value	%
	\$ 83,120	\$ 84,837	\$ 101,717	2.07%
Starting Values as of 11/13/2006	\$ 100,000		\$ 101,717	1.72%
S&P 500	1,384.42	1,416.63		2.33%
Russell 2000	772.41	787.42		1.94%
NASD Composite	2,406.37	2,423.16		0.70%

are closer to the beginning of a move higher rather than the end of a major move higher.

Typically when the market reaches its zenith, the 12-month change for the 90th percentile of stocks is near or above 75%. With a current reading of 50% it is clear stocks have additional room to run higher.

If we consider this metric in conjunction with the NYSE Cumulative Advance Decline line, which continues to make new all time highs, it can also be said that we are not seeing any sort of climactic type of buying event and or narrowing of the advance. Both are constructive for higher prices.



I am not a big fan of the Goldilocks scenario, but we are looking at a market that continues to advance without getting too hot and avoiding any sort of significant cooling.

The current move higher since the August lows is getting long in the tooth. Over the course of 2007 we expect this move higher to peak and we will see a measurable pullback. Our goal is to be ready for a pullback during which time we will raise cash levels. Then as the correction deepens and nears its trough, we will look to pounce on the remaining strong stocks as those will be the stocks that lead the market higher. The near-term outlook is for higher prices. While the whole of 2007 will be a challenging year, it has the potential to be a banner year for those following the strongest stocks.

December Exits		One Post Live Exit										
Stock	Date became active	Close on day active	>90 PRS_12 > 60 PRS_6 <40 PRS_3			Exit Date	Weeks Held	Close on exit date	Last PRS_12 < 75	Last PRS_6	Last PRS_3	% Gain /Loss
WCC *	6/14/2006	\$55.86	94	91	32	1/3/2007	29	\$57.86	73	13	10	3.6%
TSU *	5/11/2006	\$34.50	93	92	23	1/3/2007	34	\$33.70	68	71	78	-2.3%
GRB	10/20/2006	\$15.03	94	97	23	12/29/2006	10	\$12.56	73	23	6	-16.4%
CLDN	8/2/2006	\$17.01	95	88	31	12/27/2006	21	\$17.13	77	8	42	0.7%
TNL	11/16/2006	\$27.44	91	70	20	12/27/2006	6	\$23.67	74	41	3	-13.7%
ARP	6/15/2006	\$31.78	95	91	32	12/26/2006	28	\$33.29	75	25	44	4.8%
DBRN	7/20/2006	\$22.87	96	83	38	12/22/2006	22	\$23.87	76	23	63	4.4%
FLS	6/8/2006	\$51.04	91	90	31	12/22/2006	28	\$49.83	72	24	29	-2.4%
CAMT	8/9/2006	\$6.07	94	88	35	12/22/2006	19	\$4.44	33	6	2	-26.9%
TSCM	4/12/2006	\$7.67	91	96	23	12/20/2006	36	\$9.43	71	8	10	22.9%
HOLX	4/27/2006	\$47.18	96	92	16	12/19/2006	34	\$48.49	73	43	74	2.8%
PNRG	10/7/2005	\$50.00	97	98	50	12/18/2006	62	\$67.29	73	12	7	34.6%
RACK	6/14/2006	\$34.04	98	95	12	12/14/2006	26	\$31.11	74	12	69	-8.6%
MWIV	9/29/2006	\$33.52	92	59	27	12/14/2006	11	\$31.65	69	30	9	-5.6%
Q	10/19/2006	\$8.19	95	90	38	12/13/2006	8	\$7.71	74	29	8	-5.9%
BLK	6/14/2006	\$122.51	90	76	29	12/12/2006	26	\$146.10	74	64	25	19.3%
SVL	9/21/2006	\$3.70	98	89	24	12/12/2006	12	\$4.19	64	55	66	13.2%
DIOD	6/2/2006	\$36.52	91	87	34	12/12/2006	28	\$39.15	60	23	9	7.2%
NUVO	5/1/2006	\$16.03	96	95	23	12/12/2006	32	\$4.07	1	1	1	-74.6%
RSTI	8/4/2006	\$54.11	91	78	36	12/8/2006	18	\$58.18	73	57	47	7.5%
LKQX	10/28/2005	\$14.34	93	82	36	12/8/2006	58	\$21.54	66	41	20	50.2%
ARTG	5/15/2006	\$2.55	95	96	18	12/7/2006	29	\$2.35	78	9	6	-7.8%
VLG	9/27/2006	\$26.10	91	91	30	12/6/2006	10	\$26.36	71	63	8	1.0%
WMG	7/31/2006	\$24.35	91	89	32	12/6/2006	18	\$23.71	71	16	16	-2.6%
IBCA	10/11/2006	\$41.61	95	83	27	12/5/2006	8	\$35.61	73	17	6	-14.4%
GIL	4/4/2006	\$44.70	92	67	26	12/5/2006	35	\$54.27	73	89	49	21.4%
STXN	5/22/2006	\$3.97	96	87	8	12/5/2006	28	\$4.28	72	40	52	7.8%
CECE	3/30/2005	\$3.23	95	94	39	12/5/2006	88	\$9.02	71	73	8	179.3%
RNWK	9/19/2006	\$10.61	96	93	51	12/4/2006	11	\$11.60	78	78	77	9.3%
URGI	5/5/2005	\$5.44	97	93	52	12/4/2006	83	\$14.57	69	17	10	167.8%
ANEN	9/7/2006	\$20.97	90	81	37	12/4/2006	13	\$19.93	68	17	12	-5.0%
PLCE	9/18/2006	\$57.75	91	75	23	12/1/2006	11	\$63.97	74	52	68	10.8%
EXPD	8/4/2006	\$41.29	90	81	17	12/1/2006	17	\$45.00	74	18	67	9.0%
BUCY	6/19/2006	\$41.47	91	91	28	12/1/2006	24	\$42.70	71	14	5	3.0%
NATL	9/25/2006	\$27.00	91	94	34	12/1/2006	10	\$24.81	68	55	10	-8.1%
SKP	5/10/2006	\$23.46	91	80	37	12/1/2006	29	\$25.11	66	50	51	7.0%

* The top 2, with "*" reached their exit criteria on 1/3, will record an official exit as of the close on 1/4

Average for 26 positions:		11.5%
26	Average Weeks Held	Sum: 391.9%

Exits:

Over the course of December a total of 34 of our open active positions reached our exit criteria. Our exit criteria is defined as a stock whose PRS_12 falls below 75. At that point open active positions are closed or exited. The 34 positions have an average gain of 11.3% and an average holding period of 26 weeks. That compounds to an annualized gain of about 23.8%, which is exceptional.

Of the 34 exits in December, only one was a post live exit meaning most were opened before the PRS Report went live in November. The one post-live exit is TNL. TNL reached its entry criteria on 11/16/06 at 27.44. On December 27, it was removed from the list at 23.67 for a loss of 13.7%.

Now some of you might be thinking...well, the first one was a loss. This stinks. First off, losses are all part of the game. The second is over the next few months, most post-live exits are expected to be losses. The PRS Report is all about letting the winners run. That means cutting the losers and in the early going the losers will get cut while the winners run. Note: the week TNL became an open active position I did not highlight the stock and it never broke its most obvious down trend line. This further emphasizes the importance of watching for a critical break of the main corrective down trend when one is present.

As far as the pre-live exits go, CECE and URGI were closed out for gains of 179% and 167%. 21 of the 34 exits were for gains with six of those greater than 20%. Only 13 of 34 resulted in a loss.

Conclusions:

The first day of the year was remarkably volatile and this is something we will need to get used to. Volatility has been remarkably constrained for the past few years. In 2007 volatility is expected to increase, which should be a change for the better. Greater volatility means greater opportunity and over the course of 2007 we should see an excellent buying opportunity which will make for a fantastic year.

Wrapped up in the problems of the day
Just remember there's no rewind and
no replay
So don't you worry cause it ain't gonna
fix a thing

Woke up just the other day
Thought that maybe I'd be ok
Cause the story I'm been getting ain't
written anywhere

I got a roof over my head
Someone to love me in a 4 poster bed
and
I can play this here guitar and
Thank my lucky stars

Jim Patterson

Editor and Publisher

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Subscription rate: \$395.99 per year or 39.95 per month.
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