



Jim Patterson

Patterson Relative Strength Report

The Ultimate Let Your Winners Run Strategy

Issue # 8: June 2007

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Contents

Introduction ...	1
New Entries...	2
Focus stock #1.....	1
Focus stock #2...	3
All Open Actives...	5
Big Picture Timing ...	7
Overall Performance	8
Portfolio changes...	8
Model Portfolios...	9
Exits...	10
Conclusions...	11

Tuesday morning Ben Bernanke was on live TV and for the most part indicated the Fed is not going to be lowering interest rates any time soon. While this may weigh on certain sectors of the market on a near-term basis, the main thing is the economy remains healthy with many sectors continuing to thrive. The Fed expects inflation pressures to moderate over the balance of the year and expect economic growth to recover from a slow first quarter.

That isn't exactly an exciting expectation, but it is a healthy one. The market has been rallying under the presumption we would see an FOMC rate cut in the not too distant future. With the force fed reality having to set in, the market may go through an adjustment phase as it wrestles with an altered interest rate outlook. Fortunately, solid underlying fundamentals and a healthy US economy should remain an upward driving factor for the market.

Economic data points released over the past week are showing signs the US economy is following the Fed's expectations. There are indications of a pickup after a slower first quarter. While economic

re-acceleration will prevent the Fed from lowering interest rates, most companies and the market in general should see greater benefit from improved economic fundamentals. It is a balance between valuation and value. Thus, the stage remains set for prices to continue their upward trend.

There are many cross currents with a decline in the Chinese market, the looming potential of hurricane season, and the simple fact the market has been on a run. In the end, healthy economic growth should maintain market stability allowing prices to work higher into the summer months.

In the month of May the S&P 500 advanced 3.25% vs. the PRS Open Active Composite which advanced 3.46%. Even in the mega cap market, money still finds its way towards the best performing stocks.

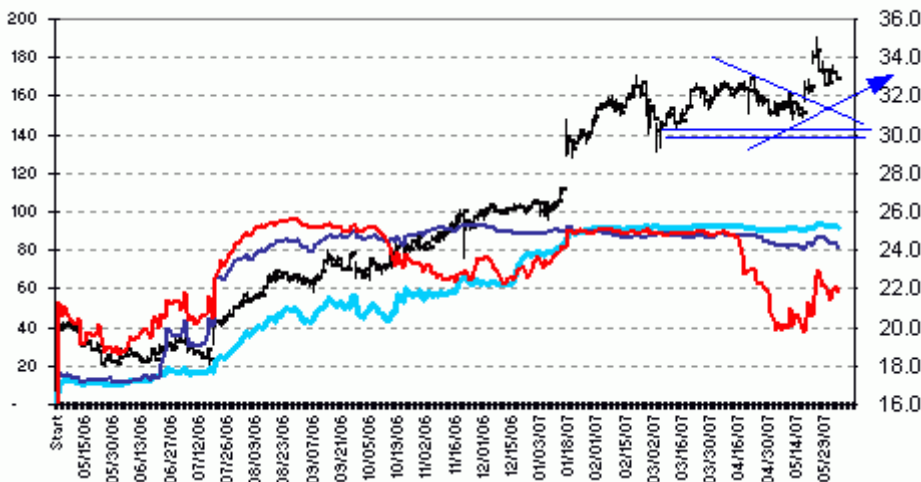
Twenty-one stocks reached our entry criteria in May and 37 were removed (plus 3 in June) from the open active table. We are working to reduce the total number of stocks on the open active table and are making progress in that direction.

Focus Stock #1 TSS

Total Systems provides electronic payment processing and related services to financial and non financial institutions.

There is speculation TSS may be a buy out target. The instant gratification of a buyout would be

TSS (Total System Services) 6/4/2007 Last: 32.91 Avg Vol: 472k



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May New entries		Green = Stock in Buy Zone				Red = Stock under review				86
Stock	Date Active	Entry Price	IBD EPS rank	Avg Daily Volume	Last 6/4/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Group Rank
TTEC	6/4/2007	\$35.16	98	977	35.17	98, 148%	94, 55%	25, -2%	0.0%	81
SMP	6/1/2007	\$15.80	46	119	15.92	95, 80%	71, 17%	46, 3%	0.8%	49
PERY	5/31/2007	\$31.34	74	122	32.19	94, 77%	80, 26%	56, 7%	2.7%	73
HLIT	5/30/2007	\$9.00	75	1,679	8.80	94, 72%	60, 11%	12, -8%	-2.2%	16
ALB	5/25/2007	\$40.77	93	792	41.71	91, 59%	72, 19%	42, 2%	2.3%	87
GGAL	5/22/2007	\$10.64	31	292	10.58	90, 54%	86, 34%	64, 10%	-0.6%	30
MBT	5/21/2007	\$54.65	92	1,647	55.44	93, 70%	69, 16%	65, 11%	1.4%	94
SRVY	5/17/2007	\$14.89	75	150	15.70	96, 94%	78, 23%	49, 5%	5.4%	55
CPA	5/16/2007	67.88	98	415	62.12	98, 131%	91, 45%	77, 17%	-8.5%	61
TPX	5/15/2007	\$24.42	93	1,444	26.46	93, 70%	80, 25%	46, 4%	8.4%	18
GLDN	5/11/2007	\$53.75	45	281	53.48	96, 90%	84, 31%	56, 7%	-0.5%	94
CALM	5/10/2007	\$12.48	75	205	13.89	95, 80%	96, 70%	69, 13%	11.3%	65
LORL	5/9/2007	\$49.79	29	80	46.75	90, 54%	93, 52%	36, 1%	-6.1%	16
ININ	5/9/2007	\$18.64	37	250	19.40	94, 78%	63, 12%	93, 35%	4.1%	33
BWP	5/4/2007	\$36.00	53	196	35.23	81, 36%	71, 18%	20, -4%	-2.1%	65
CCBL	5/4/2007	\$13.06	75	698	14.68	96, 88%	92, 48%	71, 14%	12.4%	28
IWOV	5/4/2007	\$15.76	71	438	14.43	85, 43%	44, 3%	17, -5%	-8.4%	33
TSS	5/3/2007	\$31.48	86	391	32.91	92, 63%	81, 27%	58, 8%	4.5%	81
VPHM	5/3/2007	\$16.11	37	1,723	14.84	84, 41%	33, -1%	25, -2%	-7.9%	20
IOSP	5/2/2007	\$54.61	24	89	60.25	97, 116%	90, 41%	58, 8%	10.3%	69
SIGM	5/1/2007	\$24.15	75	963	29.08	97, 111%	62, 12%	49, 5%	20.4%	59
IMKTA	5/1/2007	\$35.38	92	108	36.31	96, 87%	79, 24%	33, 0%	2.6%	80
NTY	5/1/2007	\$49.20	90	1,174	51.11	95, 81%	90, 41%	62, 10%	3.9%	86

Active April Entries		Green = Stock in Buy Zone				Red = Stock under review				86
Stock	Date Active	Entry Price	IBD EPS rank	Avg Daily Volume	Last 6/4/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Group Rank
MGM	4/24/2007	\$69.80	95	2,094	79.82	94, 78%	92, 47%	81, 20%	14.4%	73
IBN	4/24/2007	\$45.34	83	2,119	48.45	94, 73%	79, 24%	83, 22%	6.9%	30
CHL	4/23/2007	\$46.20	86	2,083	46.32	91, 59%	60, 11%	50, 5%	0.3%	94
ITC	4/23/2007	\$42.65	68	315	43.38	89, 52%	59, 10%	36, 1%	1.7%	72
ITMN	4/23/2007	\$29.10	17	859	27.63	92, 62%	83, 30%	84, 23%	-5.1%	20
ASIA	4/19/2007	\$7.59	71	352	8.75	96, 88%	90, 43%	89, 29%	15.3%	85
PHRM	4/18/2007	\$29.39	11	479	29.30	86, 45%	73, 19%	66, 11%	-0.3%	48
GSOL	4/17/2007	\$19.39	97	186	21.55	95, 81%	94, 58%	90, 30%	11.1%	38
PNCL	4/16/2007	\$17.63	59	258	18.38	98, 138%	97, 89%	54, 7%	4.3%	61
ICE	4/11/2007	\$126.94	96	4,450	149.67	98, 148%	93, 53%	59, 9%	17.9%	81
JST	4/10/2007	20	90	126	18.08	97, 105%	28, -3%	35, 0%	-9.6%	13
CNS	4/5/2007	\$41.93	97	249	52.21	96, 93%	89, 40%	89, 29%	24.5%	88
IGLD	4/3/2007	\$12.40	87	220	13.58	97, 101%	77, 22%	62, 10%	9.5%	99

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

Excellent, but that is not the reason to buy the stock. It is a buy out candidate because the stock stands well on its own and has greater value than its current price reflects. That's why the stock is in an uptrend and that is the reason to buy the stock.

It just made a new 52-week high and is now consolidating the move. It pulled back to the breakout level, about \$32 to fill the breakout gap. This is a common development and the stock should hold near the breakout level.

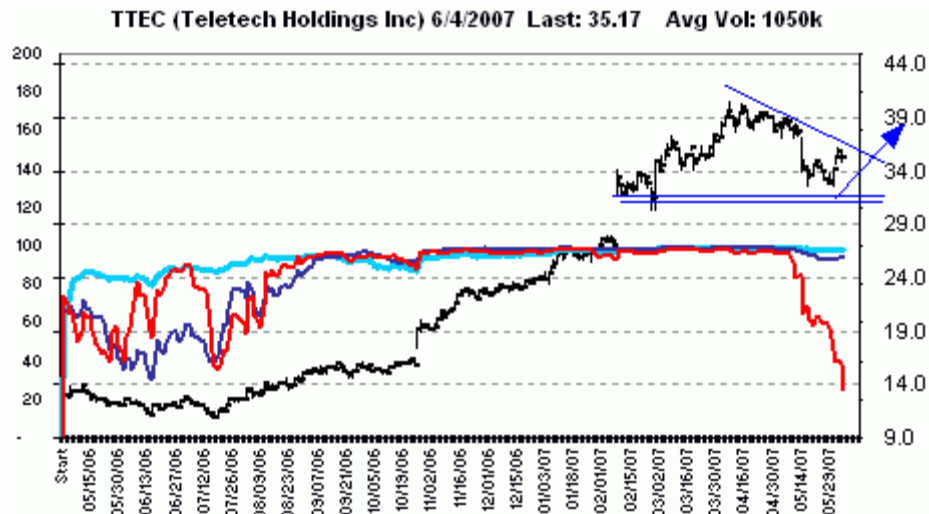
On April 19th TSS reported earnings of 29¢ vs. consensus of 28¢. TSS has a strong IBD EPS ranking of 87 and IBES earnings estimates: 2006a \$1.26; 2007e \$1.27; 2008e \$1.42. With earnings growth resuming the stock is very attractive.

TSS was first mentioned in the May 8 hot line update when it was trading at \$31. We added TSS to the aggressive portfolio on the 15th. Since then TSS broke its near-term down trend with authority and on solid volume. We expect TSS to continue higher.

Focus Stock #2 Teletech Holdings (TTEC)

Teletech Holdings provides outsourced customer management services. The company serves its clients through two primary businesses. Customer Management Services, which provides customer support and marketing services for a variety of industries via, call centers located through out the world. And, database marketing and consulting, which provides outsourced database management, direct marketing and related customer retention services for auto dealerships and manufactures in North America.

TTEC earned \$0.62 in 2006 and IBES earnings estimates are: 2007e \$1.06; 2008e \$1.47. TTEC has a very high IBD EPS rank of 98. On May 9, TTEC reported impressive Q1 earning of 24¢ vs. consensus of 18¢ on better than expected revenue.



The stock reacted with a *sell the news* type reaction to the better than expected earnings numbers. Since their earnings report the stock found support in the \$32 range and has since begun its recovery. Since their earnings report there have been several upgrades. And, because they beat earnings by so much, earnings estimates are being ratcheted higher.

This is a classic example of a strong company that is doing everything right, and it is on sale due to the sell the news earnings reaction. TTEC reached our entry criteria on June 4 with an entry price of \$35.16. We are adding TTEC to our model portfolio this week. Looking forward, ideally the stock will remain above its important support level of \$30 and continue working higher.

When evaluating a stock there are two primary things we watch. First, because stocks are often pulling back and or consolidating when reaching our entry criteria, the first thing to watch is for the most obvious down trend line to be broken. In this case TTEC will break its down trend with a move above \$36.50.

Pushing above that first obvious down trend line does two things. First, it tells us the stock still has support and investors remain interested. Second, the positive move leaves a secondary point in its wake that we can watch and key on if needed.

After studying hundreds of PRS stocks, both success and failures, one thing many of the successes have in common is they don't fall to new lows once that obvious first down trend is broken. If they do it is often a very minor move. In the case of TTEC, falling below \$32.60 will break recent lows, which will be a warning flag. This won't be enough for the stock to be removed from the Open Active Position Table. But it will probably be enough to remove it from the Aggressive Portfolio if it does not quickly recover.

When or if a stock breaks this level it does not mean the stock has failed. However, when looking at lots of successes and failures based on our entry criteria, if a stock starts making new 12-week lows its potential for the sort of powerful rally we are constantly looking for becomes somewhat reduced.

Current Open Actives I like for purchase right now are:

WWIN (Waste Industries USA) is building handle like base looking to breakout above \$32; **RIMM** (Research in Motion Limited) is powering higher, in its last leg up it almost doubled and the stock looks to continue higher from current levels; **ARD** (Arena Resources Inc) is on a run having broken out above \$51 on Monday; **CHINA** (CDC Corporation) going above \$8.50 breaks near-term consolidation; **KNOL** (Knology Inc) high level consolidation; **WST** (West pharmaceuticals Services) ready to make new highs; **ICE** (Intercontinental Exchange) continuing recovery;

Cautious on: **AZZ** (AZZ Incorporated) it is a bit extended, wait for a pullback to buy; **IWOV** (Interwoven); **BLUD** (Immucor) guided earnings lower.

Stocks expected to be removed from the open Active table in the coming days or weeks: **ZONS** (Zones Inc); **XING** (Qiao Xing Universal Telephone);

Open Active Positions			Green = Buy Zone			Red = under review			Count:	122	54%	
Stock	Date Active	Entry Price	>90 PRS_12 > 60 PRS_6 <40 PRS_3	Weeks Held	Avg Vol	Last 6/4/2007	Current PRS_12 Delta_12	Current PRS_6 Delta_6	Current PRS_3 Delta_3	% Gain /Loss	Group Rank PRS12	Beta
SYX	12/4/2006	\$12.56	95 98 17	26	839	\$20.34	98, 140%	93, 53%	11, -9%	61.9%	80	0.27
BONT	1/17/2007	\$36.93	93 95 36	20	325	\$48.38	94, 72%	84, 31%	39, 2%	31.0%	36	0.52
IMKTA	5/1/2007	\$35.38	96 79 24	5	108	\$36.31	96, 87%	79, 24%	33, 0%	2.6%	80	0.48
TTEC	6/4/2007	\$35.16	98 94 25	0	977	\$35.17	98, 148%	94, 55%	25, -2%	0.0%	81	0.36
ZONS	7/6/2006	\$6.61	92 90 39	48	32	\$9.01	78, 32%	46, 4%	19, -4%	36.3%	80	2.29
XING	12/15/2006	\$12.53	91 77 14	25	833	\$12.28	79, 33%	17, -9%	3, -23%	(2.0%)	16	2.79
HOC	1/4/2005	\$13.35	95 90 23	126	705	\$71.43	91, 59%	85, 32%	90, 31%	435.1%	70	0.73
ANST	5/27/2005	\$11.77	91 92 22	106	207	\$33.01	88, 49%	76, 22%	55, 7%	180.5%	67	1.34
GROW	6/7/2005	\$2.56	93 96 19	104	1,706	\$24.16	96, 97%	26, -4%	87, 27%	843.8%	88	3.44
MDR	7/12/2005	\$15.17	95 85 42	99	1,382	\$79.70	94, 76%	93, 54%	98, 73%	425.4%	97	1.66
OMNI	12/29/2005	\$3.25	92 94 8	75	450	\$12.04	88, 49%	73, 19%	93, 37%	270.5%	38	0.69
GES	3/9/2006	\$17.17	96 93 24	65	1,292	\$47.25	96, 97%	93, 50%	75, 16%	175.2%	32	1.24
GIII	5/23/2006	\$8.72	91 87 12	54	126	\$21.99	97, 118%	92, 47%	46, 4%	152.2%	73	1.06
NETC	5/23/2006	\$7.26	93 61 24	54	368	\$16.94	97, 101%	95, 65%	95, 44%	133.3%	59	1.63
MEH	5/24/2006	\$4.25	95 82 13	54	253	\$15.13	99, 202%	97, 79%	90, 31%	256.0%	61	2.4
CHINA	5/25/2006	\$4.53	90 80 33	54	2,801	\$8.28	92, 65%	19, -8%	13, -7%	82.8%	50	2.37
AKS	6/7/2006	\$12.18	92 91 29	52	3,849	\$35.05	98, 144%	98, 117%	97, 57%	187.8%	98	5.54
MTW	6/13/2006	\$35.65	93 94 38	51	864	\$77.73	93, 66%	84, 30%	93, 36%	118.0%	92	1.43
PCU	6/13/2006	\$35.43	91 58 28	51	2,324	\$92.64	97, 102%	96, 70%	93, 37%	161.5%	99	2.7
CAL	6/15/2006	\$24.95	93 92 37	51	4,587	\$37.45	83, 40%	18, -9%	18, -5%	50.1%	90	2.86
BID	6/23/2006	\$24.27	92 91 38	50	1,399	\$48.51	94, 71%	94, 57%	88, 27%	99.9%	81	1.62
AMAG	6/30/2006	\$30.21	98 99 15	49	375	\$63.19	98, 124%	62, 12%	65, 11%	109.2%	51	3.92
MICC	7/5/2006	\$35.02	93 86 9	48	577	\$90.75	95, 86%	95, 59%	87, 26%	159.1%	86	3.43
ATI	7/17/2006	\$56.63	97 95 20	46	2,444	\$115.17	93, 68%	84, 30%	74, 16%	103.4%	53	2.78
USAP	7/17/2006	\$23.89	93 95 28	46	157	\$44.13	87, 48%	86, 34%	47, 4%	84.7%	98	1.41
STLD	7/25/2006	\$28.72	94 95 44	45	1,896	\$48.00	91, 59%	92, 49%	90, 31%	67.1%	98	2.7
GIGM	7/31/2006	\$8.76	99 98 34	44	1,191	\$14.93	92, 63%	93, 52%	87, 26%	70.4%	50	3.09
ARGN	8/2/2006	\$7.01	93 96 36	44	151	\$15.67	96, 88%	97, 81%	93, 35%	123.5%	49	0.38
TEX	8/9/2006	\$40.56	92 85 24	43	1,406	\$86.14	95, 80%	93, 54%	91, 32%	112.4%	92	1.52
SVVS	8/10/2006	\$25.93	93 99 58	43	705	\$50.51	91, 60%	96, 67%	85, 24%	94.8%	81	2.08
CCOI	8/21/2006	\$8.18	91 86 14	41	569	\$27.87	99, 167%	97, 77%	82, 21%	240.7%	99	7.63
PRFT	8/25/2006	\$12.52	94 88 29	41	404	\$20.56	83, 39%	72, 18%	60, 9%	64.2%	33	3.29
AUXL	9/8/2006	\$8.72	90 95 25	39	187	\$15.12	92, 62%	19, -8%	78, 18%	73.4%	86	3.52
CTRP	9/15/2006	\$49.34	91 90 39	38	410	\$74.89	88, 48%	88, 36%	89, 28%	51.8%	35	1.48
IIG	9/18/2006	\$13.68	95 96 36	37	637	\$25.08	95, 86%	57, 9%	91, 33%	83.3%	50	3.47
CHAP	9/26/2006	\$34.52	99 73 36	36	753	\$73.74	97, 112%	94, 59%	96, 48%	113.6%	98	1.54
CLB	10/4/2006	\$59.58	96 85 34	35	292	\$93.79	89, 53%	51, 6%	78, 18%	57.4%	38	2.12
KNOL	10/26/2006	\$10.57	99 95 38	32	187	\$18.82	95, 81%	97, 88%	90, 31%	78.1%	94	3.48
CVA	11/7/2006	\$20.14	92 79 34	30	1,158	\$25.00	87, 46%	66, 14%	69, 13%	24.1%	26	2.92
MIG	11/16/2006	\$10.85	93 95 37	29	143	\$11.16	81, 36%	64, 13%	43, 3%	2.9%	47	0.22
HL	11/17/2006	\$6.32	93 88 37	29	2,281	\$8.20	86, 44%	71, 18%	42, 2%	29.7%	84	1.38
TAR	11/20/2006	\$17.79	92 98 16	28	20	\$19.80	93, 69%	61, 11%	67, 12%	11.3%	86	1.5
ICLR	11/28/2006	\$35.93	93 92 48	27	114	\$46.72	92, 62%	81, 27%	69, 13%	30.0%	26	1.65
OMCL	11/28/2006	\$18.37	94 92 40	27	409	\$22.07	86, 45%	70, 17%	68, 12%	20.1%	8	0.34
CRY	12/6/2006	\$6.73	92 91 36	26	192	\$14.50	99, 181%	98, 120%	99, 87%	115.5%	41	1.79
SWHC	12/11/2006	\$11.57	98 95 10	25	645	\$14.06	94, 72%	54, 8%	71, 14%	21.5%	59	1.64
BAP	12/19/2006	\$41.79	92 93 37	24	303	\$57.52	95, 86%	91, 44%	85, 23%	37.6%	30	1.21
SIM	12/29/2006	\$14.36	99 98 22	23	352	\$13.76	94, 74%	3, -34%	82, 22%	(4.2%)	98	4.94
OMG	1/3/2007	\$43.84	97 91 12	22	694	\$62.56	96, 89%	86, 34%	96, 49%	42.7%	69	2.41
WWIN	1/8/2007	\$26.43	93 82 18	21	46	\$31.85	91, 58%	51, 6%	87, 26%	20.5%	44	1.51
IAAC	1/9/2007	\$22.15	98 86 7	21	158	\$23.67	94, 75%	3, -34%	94, 38%	6.9%	88	0.74
ALGN	1/10/2007	\$13.89	97 98 38	21	977	\$23.38	99, 172%	97, 77%	95, 42%	68.3%	41	2.47
CBEY	1/10/2007	\$29.94	99 89 32	21	366	\$37.26	93, 70%	64, 13%	81, 20%	24.4%	16	2.55
PSMT	1/10/2007	\$16.61	96 91 41	21	78	\$20.40	90, 56%	72, 19%	97, 50%	22.8%	50	0.17
SBS	1/10/2007	\$29.14	91 81 17	21	277	\$40.65	93, 66%	87, 35%	80, 20%	39.5%	94	2.3
BRKR	1/16/2007	\$7.46	91 84 22	20	609	\$8.84	84, 41%	66, 14%	13, -7%	18.5%	53	2.26
BDC	1/18/2007	\$40.40	91 84 34	20	590	\$58.12	93, 67%	92, 46%	79, 19%	43.9%	83	2.09
BGC	1/19/2007	\$44.38	96 89 40	20	866	\$70.59	96, 91%	96, 67%	95, 41%	59.1%	83	1.23
CITP	1/19/2007	\$20.54	92 91 34	20	170	\$23.60	91, 60%	83, 29%	81, 20%	14.9%	15	1.38
MFB	1/19/2007	\$19.45	92 92 28	20	313	\$19.95	87, 47%	45, 3%	24, -2%	2.6%	73	0.55

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

Open Active Positions			Green = Buy Zone			Red = under review			Count:	122	54%			
Stock	Date Active	Entry Price	>90 PRS_12	> 60 PRS_6	<40 PRS_3	Weeks Held	Avg Vol	Last 6/4/2007	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Group Rank PRS12	Beta
SUNH	1/23/2007	\$12.27	94	88	16	19	413	\$14.24	90, 57%	89, 41%	71, 14%	16.1%	28	2.2
BW	1/31/2007	\$33.09	91	89	26	18	492	\$54.00	98, 134%	93, 54%	83, 23%	63.2%	53	2.72
OPY	2/1/2007	\$35.49	93	72	29	18	19	\$44.64	90, 56%	83, 29%	93, 38%	25.8%	34	2.13
WST	2/9/2007	\$48.22	91	78	27	17	296	\$51.95	85, 43%	52, 6%	70, 13%	7.7%	63	1.54
CRVL	2/15/2007	\$34.31	98	95	19	16	133	\$25.35	82, 37%	4, -33%	6, -15%	(26.1%)	14	2.37
LHCG	2/20/2007	\$27.95	94	62	46	15	328	\$29.02	85, 43%	51, 6%	18, -5%	3.8%	86	-1.56
RBN	2/20/2007	\$41.68	96	91	34	15	202	\$44.80	94, 74%	49, 5%	69, 13%	7.5%	48	2.67
STEC	2/20/2007	\$8.82	96	82	21	15	1,178	\$6.21	84, 42%	4, -31%	2, -26%	(29.6%)	13	1.48
AZZ	2/21/2007	\$20.45	93	78	39	15	136	\$36.25	99, 189%	96, 72%	99, 85%	77.3%	83	2.56
GRC	2/21/2007	\$31.47	92	86	28	15	57	\$35.15	93, 67%	68, 16%	88, 27%	11.7%	48	1.78
GEL	2/22/2007	\$19.29	91	64	25	15	53	\$34.94	99, 164%	97, 78%	99, 83%	81.1%	65	2.89
BRLC	2/26/2007	\$8.52	94	99	23	14	2,401	\$6.24	98, 136%	5, -27%	5, -17%	(26.8%)	40	3.63
DLLR	2/26/2007	\$27.35	95	88	20	14	367	\$30.51	90, 54%	52, 7%	84, 23%	11.6%	18	3.09
RIMM	2/26/2007	\$146.77	96	96	55	14	6,607	\$167.82	98, 128%	78, 23%	84, 23%	14.3%	67	2.22
AOB	3/6/2007	\$10.43	98	98	39	13	1,633	\$10.04	92, 62%	28, -2%	16, -5%	(3.7%)	20	1.21
CHTR	3/6/2007	\$2.88	98	98	62	13	12,050	\$3.92	99, 200%	85, 32%	93, 36%	36.1%	59	4.5
ARD	3/7/2007	\$44.06	92	64	38	13	269	\$53.29	91, 58%	76, 22%	82, 21%	20.9%	34	1.22
HRZ	3/8/2007	\$27.56	97	97	29	13	291	\$34.50	98, 128%	80, 25%	86, 24%	25.2%	92	1.39
IOC	3/8/2007	\$23.87	91	94	13	13	462	\$38.90	98, 141%	87, 35%	98, 63%	63.0%	70	2.31
BITI	3/9/2007	\$7.09	96	97	39	13	61	\$7.36	93, 66%	51, 6%	29, -1%	3.8%	14	1.06
TELN	3/14/2007	\$57.06	94	92	42	12	93	\$58.79	84, 41%	65, 13%	52, 6%	3.0%	86	0.69
GEF	3/16/2007	\$53.34	92	88	23	12	334	\$58.18	90, 56%	70, 17%	49, 5%	9.1%	84	1.48
GAB	3/19/2007	\$97.94	91	77	33	11	64	\$99.61	86, 45%	43, 2%	35, 0%	1.7%	90	1.27
BHD	3/20/2007	\$18.18	92	87	15	11	267	\$17.88	86, 44%	20, -7%	17, -5%	(1.7%)	14	2.82
PCCC	3/23/2007	\$14.90	98	92	41	11	258	\$11.99	93, 69%	17, -10%	4, -21%	(19.5%)	80	0.88
CHU	3/26/2007	\$13.06	91	84	26	10	778	\$14.97	92, 61%	84, 31%	86, 25%	14.6%	94	1.49
HXM	3/29/2007	\$57.27	93	93	34	10	427	\$60.39	93, 65%	78, 23%	74, 16%	5.4%	93	2.06
BLUD	3/30/2007	\$29.43	91	83	40	10	766	\$30.03	90, 56%	62, 12%	54, 6%	2.0%	51	1.44
IGLD	4/3/2007	\$12.40	97	98	41	9	220	\$13.58	97, 101%	77, 22%	62, 10%	9.5%	99	3.18
CNS	4/5/2007	\$41.93	93	78	31	9	249	\$52.21	96, 93%	89, 40%	89, 29%	24.5%	88	2.6
JST	4/10/2007	\$20.00	98	96	68	8	126	\$18.08	97, 105%	28, -3%	35, 0%	(9.6%)	13	4.46
ICE	4/11/2007	\$126.94	98	92	24	8	4,450	\$149.67	98, 148%	93, 53%	59, 9%	17.9%	81	3.16
PNCL	4/16/2007	\$17.63	98	98	41	7	258	\$18.38	98, 138%	97, 89%	54, 7%	4.3%	61	2.1
GSOL	4/17/2007	\$19.39	94	97	20	7	186	\$21.55	95, 81%	94, 58%	90, 30%	11.1%	38	4.72
PHRM	4/18/2007	\$29.39	91	75	33	7	479	\$29.30	86, 45%	73, 19%	66, 11%	(0.3%)	48	2.13
ASIA	4/19/2007	\$7.59	92	96	19	7	352	\$8.75	96, 88%	90, 43%	89, 29%	15.3%	85	3.12
CHL	4/23/2007	\$46.20	90	76	18	6	2,083	\$46.32	91, 59%	60, 11%	50, 5%	0.3%	94	1.49
ITC	4/23/2007	\$42.65	92	75	34	6	315	\$43.38	89, 52%	59, 10%	36, 1%	1.7%	72	0.5
ITMN	4/23/2007	\$29.10	92	85	8	6	859	\$27.63	92, 62%	83, 30%	84, 23%	(5.1%)	20	3.16
IBN	4/24/2007	\$45.34	93	87	43	6	2,119	\$48.45	94, 73%	79, 24%	83, 22%	6.9%	30	3.17
MGM	4/24/2007	\$69.80	91	95	30	6	2,094	\$79.82	94, 78%	92, 47%	81, 20%	14.4%	73	2.66
NTY	5/1/2007	\$49.20	97	97	27	5	1,174	\$51.11	95, 81%	90, 41%	62, 10%	3.9%	86	0.77
SIGM	5/1/2007	\$24.15	94	80	39	5	963	\$29.08	97, 111%	62, 12%	49, 5%	20.4%	59	4.22
IOSP	5/2/2007	\$54.61	97	96	46	5	89	\$60.25	97, 116%	90, 41%	58, 8%	10.3%	69	1.76
TSS	5/3/2007	\$31.48	91	83	43	5	391	\$32.91	92, 63%	81, 27%	58, 8%	4.5%	81	0.77
VPHM	5/3/2007	\$16.11	91	76	24	5	1,723	\$14.84	84, 41%	33, -1%	25, -2%	(7.9%)	20	4.91
BWP	5/4/2007	\$36.00	92	77	36	5	196	\$35.23	81, 36%	71, 18%	20, -4%	(2.1%)	65	-0.33
CCBL	5/4/2007	\$13.06	92	86	30	5	698	\$14.68	96, 88%	92, 48%	71, 14%	12.4%	28	4.07
IWOV	5/4/2007	\$15.76	92	77	39	5	438	\$14.43	85, 43%	44, 3%	17, -5%	(8.4%)	33	2.53
ININ	5/9/2007	\$18.64	95	59	18	4	250	\$19.40	94, 78%	63, 12%	93, 35%	4.1%	33	3.63
LORL	5/9/2007	\$49.79	94	96	38	4	80	\$46.75	90, 54%	93, 52%	36, 1%	(6.1%)	16	0.06
CALM	5/10/2007	\$12.48	94	96	22	4	205	\$13.89	95, 80%	96, 70%	69, 13%	11.3%	65	1.62
GLDN	5/11/2007	\$53.75	94	91	32	4	281	\$53.48	96, 90%	84, 31%	56, 7%	(0.5%)	94	1.25
TPX	5/15/2007	\$24.42	93	82	28	3	1,444	\$26.46	93, 70%	80, 25%	46, 4%	8.4%	18	1.72
CPA	5/16/2007	\$67.88	99	97	70	3	415	\$62.12	98, 131%	91, 45%	77, 17%	(8.5%)	61	1.97
SRVY	5/17/2007	\$14.89	96	63	33	3	150	\$15.70	96, 94%	78, 23%	49, 5%	5.4%	55	0.71
MBT	5/21/2007	\$54.65	93	81	45	2	1,647	\$55.44	93, 70%	69, 16%	65, 11%	1.4%	94	1.33
GGAL	5/22/2007	\$10.64	91	87	36	2	292	\$10.58	90, 54%	86, 34%	64, 10%	(0.6%)	30	1.83
ALB	5/25/2007	\$40.77	92	73	40	2	792	\$41.71	91, 59%	72, 19%	42, 2%	2.3%	87	1.49

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 Market Timing:

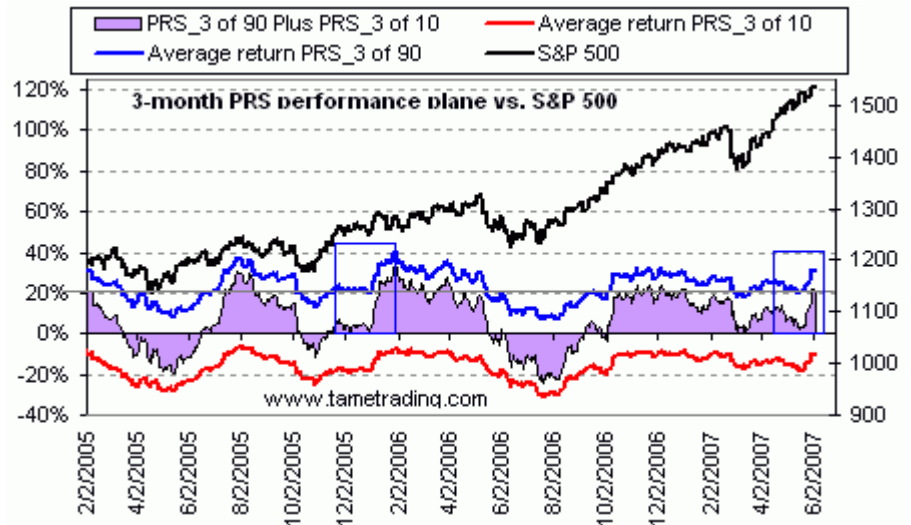
The past six to eight weeks have been uncommon with the Dow running significantly higher while the broad market moved in a manner more consistent with our overall expectations for some consolidation going into May. The S&P 500 struggled and worked higher while the Dow just went up. Meanwhile the broad Russell 2000 index consolidated through the first half of May, in line with expectations. Since mid May we have seen more consistent broad market strength.

The 3-month PRS Time plane now reflects the power of the recent rally. All the metrics have turned sharply higher, similar to what happened in late 2005 / early 2006, a move that carried higher for an additional three to four months.

The S&P 500 has returned to its 2000 highs and some folks see that as an issue and or potential problem point. While it may take prices a time to get through this resistance area, there are only a hand full of times when a major index returned to a previous major high (that was several years old) and failed to push on to significant new highs.

The only period when the market and major indices failed to push significantly higher was during the early 1970's. The primary catalyst for that failure was the Arab Oil Embargo, which quadrupled oil prices and caused massive gasoline shortages. The economy won't run without energy and I think it is fair to say that without energy the stock market won't go up either. But that was then and while energy prices are high, we still have plenty of oil.

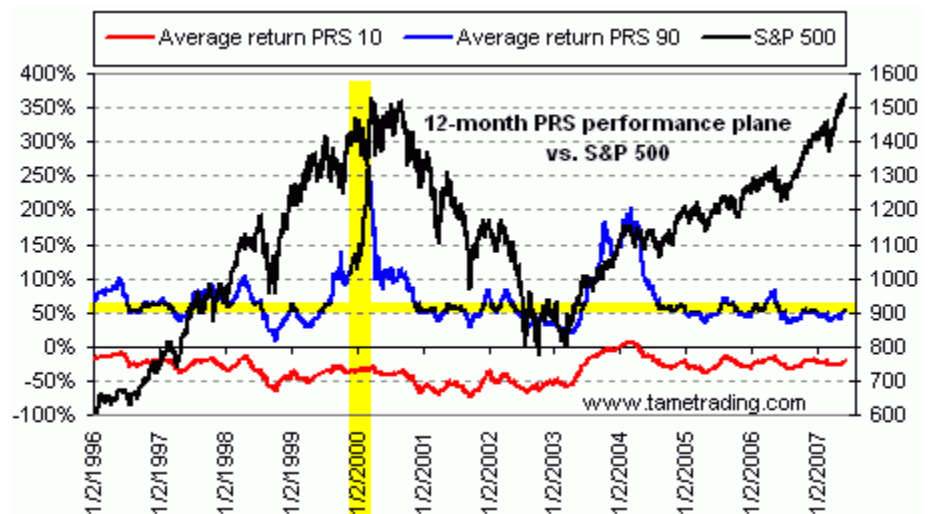
The other day I read an article proclaiming the bulls were partying like it is 1999. Looking at the 12-month PRS Time plane (chart to the right) you can see this is simply not the case. In 1999 the average return for a stock with a 12-month PRS rank of 90 (blue line) soared to over 250%, the highest over the past 15 years.



The current reading is 55%, which is very much in line with history, and well below points that have marked important market highs.

This metric should tick higher as we move into the summer months, but for now it is not at a level to cause significant alarm. Even at the bear market rally highs in early 2002, it peaked higher than it is now.

When looking at the S&P 500 today relative to its 2000 highs, provided history holds to form, barring a global economic growth halting event of similar magnitude as the early 1970's Arab Oil embargo, the S&P 500 should slowly work past the seven year old 2000 highs. Once folks realize this is happening, we should see upside acceleration.



Interest rates and the Fed: I have maintained for some time that the Fed's next move on rates will not be the rate cut that so many want and expect. It's real simple. The Fed expects the economy to rebound from a soft first quarter and recent economic data suggests that is happening.

With the Economy at virtual full employment, somewhat capacity constrained, and seeing signs of economic re-acceleration, the Fed will be reluctant to cut rates any time soon. The good news is the economy is re-accelerating and that is an excellent catalyst to drive the market to higher levels. However, on a near-term basis the market may need to work through an adjustment phase as it deals with the reality that for the near-term, a rate cut is unlikely.

Portfolio Adjustments:

We are making several adjustments to the Model portfolios.

In the conservative Portfolio:

- We are Selling 200 BLUD @ 29.82 to close the position.
- We are buying 200 WWIN @ 32.25

In the Aggressive Portfolio:

- SELL 1500 BRCD @ 8.68 to close the position.
- SELL 500 BLUD @ 29.82 to close the position.
- Buy 600 TTEC @ 34.76.
- Buy 700 WWIN @ 32.25

Overall PRS System Performance

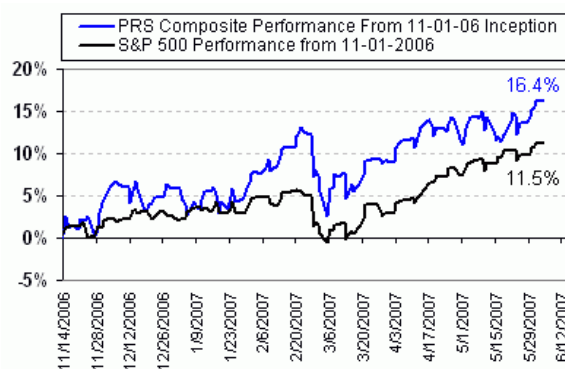
Since November 1, 2006, 139 stocks have reached our entry criteria. That is about four stocks per week. 50 reached our exit criteria and were removed from the Open Active Position Table leaving us with 89 active stocks in the PRS Composite Performance line.

We quickly cut the loser and let the winners run. As a result, 39 of the 50 have been closed with an average loss of 13% each. The 11 winning positions were closed with an average gain of 9% on each one.

The remaining 89 stocks remain open active positions with an overall average gain of 14.5%. 70 currently have gains averaging 20% while 19 show a loss averaging 8.7%.

The Composite return of the PRS system from the November 1, 2006 launch date is 16.3%. That compares to a return of 11.5% for the S&P 500 over the same period.

The Blue line in the chart reflects the PRS Composite return vs. the black line which reflects the return of the S&P 500.



Our methodology continues to find stocks that are out performing the market and tend to continue out performing the market.

Conservative Portfolio Started November 14, 2006, \$100,000							
Symb	Entry Date	Entry Price	# shares	Cost	Last Price	Market Value	Gain / Loss %
MIG	11/21/06	10.43	700	7,301	11.16	7,812	7.0%
HL	11/21/06	6.43	500	3,215	8.20	4,100	27.5%
ICLR	12/5/06	36.00	200	7,200	46.72	9,344	29.8%
PRFT	1/9/07	16.60	300	4,980	20.56	6,168	23.9%
CBEY	1/16/07	32.13	200	6,426	37.26	7,452	16.0%
SMSI	3/20/07	16.24	400	6,496	15.15	6,060	-6.7%
BLUD	4/3/07	30.55	0	0	29.82	0	-2.4%
JST	4/24/07	20.91	300	6,273	18.08	5,424	-13.5%
BRLC	5/8/07	8.35	800	6,680	6.24	4,992	-25.3%
IWOV	5/8/07	15.40	400	6,160	14.43	5,772	-6.3%
NTY	5/22/07	52.33	150	7,850	51.11	7,667	-2.3%
ASIA	5/22/07	8.26	800	6,608	8.75	7,000	5.9%
SRVY	5/30/07	15.60	400	6,240	15.70	6,280	0.6%
CLB	5/30/07	89.89	100	8,989	93.79	9,379	4.3%
WWIN	6/5/07	32.25	300	9,675	32.25	9,675	0.0%
				Cost <u>94,093</u>		MV <u>97,125</u>	3.22%
				Unrealized Gains/ Loss \$ 3,032			
				Realized Gains/ Loss \$ (202)			
				Pct Invested <u>95.05%</u>	6/5/2007	Cur Value	% chg yr
				Values on Jan 1, 2007 103,168		102,187	-0.95%

Aggressive Portfolio Started on Tuesday February 13, 07 \$500,000							
Symb	Entry Date	Entry Price	# shares	Cost	Last Price	Market Value	Gain / Loss %
LHCG	2/20/07	27.78	700	19,446	29.02	20,314	4.5%
SMSI	3/1/07	14.99	1,000	14,990	15.15	15,150	1.1%
OMCL	3/6/07	19.80	1,000	19,800	22.07	22,070	11.5%
HRZ	3/13/07	29.54	500	14,770	34.50	17,250	16.8%
ANST	3/27/07	31.96	500	15,980	33.01	16,505	3.3%
BLUD	4/3/07	30.55	0	0	30.03	0	-1.7%
CHINA	4/17/07	9.45	1,200	11,340	8.28	9,936	-12.4%
ICE	4/17/07	132.56	150	19,884	149.67	22,451	12.9%
CHL	4/24/07	46.34	300	13,902	46.32	13,896	0.0%
CHTR	4/24/07	3.43	4,500	15,430	3.92	17,640	14.3%
BRCD	4/24/07	9.81	0	0	8.68	0	-11.5%
BRLC	5/8/07	8.35	2,000	16,700	6.24	12,480	-25.3%
SUNH	5/8/07	14.00	1,000	14,000	14.24	14,240	1.7%
CCBL	5/8/07	12.88	1,200	15,456	14.68	17,616	14.0%
TSS	5/15/07	31.29	500	15,645	32.91	16,455	5.2%
OMNI	5/15/07	10.16	1,300	13,208	12.04	15,652	18.5%
ININ	5/22/07	19.11	1,000	19,110	19.40	19,400	1.5%
SIGM	5/22/07	28.36	700	19,852	29.08	20,356	2.5%
SYX	5/22/07	20.51	1,000	20,510	20.34	20,340	-0.8%
SRVY	5/30/07	15.60	1,000	15,600	15.70	15,700	0.6%
TTEC	6/5/07	34.76	600	20,856	34.76	20,856	0.0%
WWIN	6/5/07	32.25	700	22,575	32.25	22,575	0.0%
				Cost <u>339,054</u>		MV <u>350,882</u>	3.49%
				Unrealized Gains/ Loss \$ 11,827			
				Realized Gains/ Loss \$ (11,094)			
				Pct Invested 70.1%	6/5/2007	Cur Value	% chg yr
				Values on Jan 1, 2007 500,000		500,734	0.15%
				S&P 500 1,418.30		1,528.20	7.75%
				Russell 2000 787.66		845.02	7.28%
				NASD Composite 2,415.29		2,596.00	7.48%

May Removals										
Highlight = Post Live Exit										
Stock	Date became active	Close on day active	Exit Date	Weeks Held	Close on exit date	PRS_12 @ Exit	PRS_6 @ Exit	PRS_3 @ Exit	% Gain /Loss	
BBCD	1/5/2007	\$8.35	6/4/2007	21	\$8.85	80	27	11	6.0%	
ZOLL	3/14/2007	\$26.00	6/4/2007	12	\$21.14	73	9	4	-18.7%	
AMIE	3/28/2007	\$44.75	6/1/2007	9	\$33.04	72	9	3	-26.2%	
CVO	7/8/2005	\$8.17	5/29/2007	99	\$23.81	71	72	66	191.4%	
FTD	4/25/2007	\$17.44	5/23/2007	4	\$16.70	71	23	8	-4.2%	
CTCI	9/29/2006	\$21.71	5/23/2007	34	\$21.03	71	32	14	-3.1%	
CGA	6/15/2006	\$14.22	5/21/2007	49	\$23.00	91	83	38	61.7%	
MIKR	9/20/2006	\$13.19	5/21/2007	35	\$11.46	81	2	53	-13.1%	
SWIM	7/5/2006	\$7.59	5/18/2007	45	\$12.42	75	39	5	63.6%	
MVL	2/28/2007	\$27.79	5/18/2007	11	\$26.25	72	25	15	-5.5%	
SMSI	8/3/2006	\$11.01	5/18/2007	41	\$15.15	72	21	88	37.6%	
NGI	9/8/2006	\$4.82	5/18/2007	36	\$5.00	70	75	72	3.7%	
WRLD	12/22/2006	\$46.49	5/17/2007	21	\$41.20	72	16	24	-11.4%	
HRT	3/6/2007	\$24.18	5/17/2007	10	\$12.44	33	2	1	-48.6%	
KSS	2/6/2007	\$73.18	5/14/2007	14	\$72.08	74	29	42	-1.5%	
NIHD	7/7/2004	\$17.35	5/9/2007	148	\$78.98	72	77	67	355.2%	
RICK	9/5/2006	\$6.36	5/8/2007	35	\$9.19	78	76	52	44.5%	
EZPW	9/29/2006	\$12.89	5/8/2007	32	\$14.65	77	29	12	13.7%	
SJW	4/13/2007	\$39.04	5/8/2007	4	\$32.27	76	37	9	-17.3%	
NUAN	5/22/2006	\$9.53	5/8/2007	50	\$15.14	74	88	76	58.9%	
ANET	7/27/2006	\$11.06	5/8/2007	41	\$15.92	73	78	40	43.9%	
COGO	7/14/2006	\$9.81	5/8/2007	43	\$17.50	72	36	69	78.4%	
LQDT	3/13/2007	\$18.05	5/8/2007	8	\$19.26	71	68	23	6.7%	
AEO	12/26/2006	\$30.47	5/8/2007	19	\$28.00	71	17	11	-8.1%	
CPTS	2/21/2006	\$14.28	5/8/2007	63	\$18.62	70	19	10	30.4%	
PGS	8/2/2006	\$17.75	5/8/2007	40	\$27.37	65	87	80	54.2%	
ACTG	8/7/2006	\$11.00	5/4/2007	39	\$14.42	69	67	56	31.1%	
SHS	3/16/2007	\$30.87	5/4/2007	7	\$29.15	66	53	4	-5.6%	
VC	1/18/2007	\$8.14	5/4/2007	15	\$8.71	65	70	54	7.0%	
LVS	8/4/2006	\$62.00	5/4/2007	39	\$81.80	62	54	6	31.9%	
JLL	6/27/2005	\$44.25	5/2/2007	96	\$120.09	85	84	78	171.4%	
WFR	12/30/2005	\$22.17	5/2/2007	70	\$57.27	78	94	71	158.3%	
ANAD	3/9/2006	\$5.67	5/2/2007	60	\$10.89	77	86	88	92.1%	
OMX	3/20/2007	\$50.74	5/2/2007	6	\$49.45	73	43	46	-2.5%	
RVI	10/5/2006	\$16.92	5/2/2007	30	\$20.45	71	74	49	20.9%	
STKL	8/4/2006	\$9.02	5/2/2007	39	\$12.21	70	79	75	35.4%	
GYMB	8/14/2006	\$29.21	5/1/2007	37	\$38.29	71	9	13	31.1%	
NOVN	11/28/2006	\$23.29	5/1/2007	22	\$22.97	70	24	9	-1.4%	
AKAM	7/24/2006	\$31.29	5/1/2007	40	\$43.15	70	19	5	37.9%	
DSW	10/6/2006	\$34.09	5/1/2007	30	\$38.41	66	61	28	12.7%	

Average for all Exits: 37.8%

Average Time Held, Weeks: 36
 Total Number of Exits: 40
 Gainers: 26
 Losers: 14
 Win Rate: 65%

Sum of Gains: 1512%
 Average Win: 64.6%
 Average Loss: -11.9%

Exits:

In May 37 stocks were removed from the Open Active Position table. The Exit table shows a total of 40 which includes three for the month of June. There were several notable exits.

CVO was closed out with a 191% gain over 99 weeks, about two years. **NIHD** was removed with a gain of 355% over 148 weeks, about three years. **JLL** and **WFR** were both removed with gains of over 150%.

A number of the exits are stocks that reached our entry criteria after November 1, 2006. We continue to cut out the losing positions while letting the winners run.

Conclusions:

The market continues its impressive run higher that began from the March lows. As the move progresses we should expect a continued shift in strength away from the mega-cap stocks and towards the stocks we tend to favor.

We are nearing the half way point for 2007 and it is almost time to start focusing on 2008. The government is already talking about reducing troop levels in Iraq in early 2008. As that happens we will enjoy a post war peace dividend, but let's not get too far ahead of ourselves.

Over the past month we have seen some excellent stocks reach our entry criteria and the broader market is positioned to continue higher from the consolidation it built in early May.

There is a shade of concern regarding the recent rally, but with the economy showing signs of re-acceleration, the prospects of greater economic growth should smother near-term concerns and lead to higher prices.

Mysterious lost weekends in a land
where time stands still
Where people fall in love again just
for one more thrill
My girl and I went walkin by the
Caribbean sea
Someone snorkeled by, raised her
head up high
And my girl said, who's she?
Pre-you
A friend of mine who's old not new
Pre-you

Jim Patterson

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