



Jim Patterson



# PATTERSON RELATIVE STRENGTH STOCK REPORT

The Ultimate let your winners Run Strategy

Issue # 12: October 2007

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October marks our 12<sup>th</sup> monthly issue for the PRS Stock Report as we approach our one year anniversary. With eleven months in the books and a lot of subscriber feedback, it is time for a few refinements to make PRS an even more valuable asset.

The number one comment is that readers want a smaller more filtered list of new trading ideas. As a result, we are implementing new filtering techniques that are intended to bring the cream to the top. We will also be adjusting the near-term timing of new additions. While our Primary entry criteria remain in tact, the exact timing of new additions will be adjusted such that the stocks are either right on their break point, or have just moved through a critical price area.

Finally, we are adding stop prices for all stocks on the open Active list. Personally I am not a big fan of stop prices due to the potential whipsaw factor. However, based on subscriber feedback, this is a desired feature.

These changes are intended to increase the overall value of the PRS Stock Report. If you have any questions or comments please feel free to contact

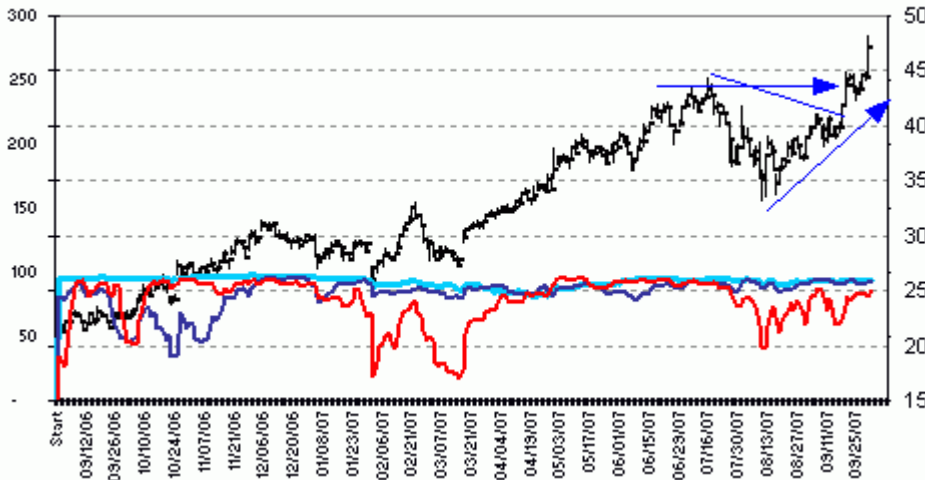
us, we appreciate all feedback.

In September the S&P 500 advanced 3.58% while the PRS Composite return in September was 3.73%. Since inception in November 2006, the PRS Composite is up 14.7% vs. 10.6% for the S&P 500.

September is technically the worst month of the year for the market. However, it seems folks are keenly aware of this phenomenon and as a result, August ended up as the detrimental month. We are now confronted with the psychologically irksome month of October.

In September we were treated to a very aggressive interest rate cut, which spurred the rally effort that began in August. Looking forward, the market is expecting another rate cut at the FOMC meeting at the end of October, which has the potential to further goose the market higher. Continued on Page 4

MTW (Manitowoc Co Inc) 10/1/2007 Last: 47 Avg Vol: 1411k



### Focus Stock #1 MTW Manitowoc Company Inc

**Manitowoc Company, (MTW)** builds and markets cranes and related products. They are also in the foodservice equipment and marine products businesses. The main business is cranes and related lifting equipment. Whether you are building a new stadium in Arizona for the Cardinals, replacing a bridge in Minneapolis, or expanding port capacity anywhere in the world, cranes are needed for these projects.

It should not be assumed that recommendations made will be profitable or will equal the past performance of securities discussed herein. The information herein is collected from various sources believed to be reliable but cannot be guaranteed in any way. Patterson Capital, Inc., Patterson Relative Strength Report, nor their employees or directors shall be liable in any manner for losses of any kind. The firm, its affiliates and their respective offices, directors, employees and clients may or may not have a position long or short in stocks mentioned in this publication and may from time to time increase or decrease their positions. All performance numbers presented are hypothetical and do not represent actual trading.

New Entries September			Green = Stock in Buy Zone					Red = Stock under review				79
Stock	Date Active	Entry Price	>90 PRS_12 > 60 PRS_6 <40 PRS_3	IBD EPS rank	Avg Daily Volume	Last 10/1/207	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Group Rank	
ATLS *	10/1/2007	51.86	92 91 38	<b>90</b>	139	51.87	<b>92, 67%</b>	<b>91, 36%</b>	<b>38, -7%</b>	0.0%	91	
CHE	10/1/2007	\$62.36	92 86 35	<b>97</b>	350	62.36	<b>92, 70%</b>	<b>86, 26%</b>	<b>35, -8%</b>	0.0%	53	
PKOH	10/1/2007	\$27.51	93 93 35	79	<b>83</b>	27.51	<b>93, 81%</b>	<b>93, 46%</b>	<b>35, -8%</b>	0.0%	96	
CHRD	9/26/2007	14.4	93 93 33	75	575	14.10	<b>92, 67%</b>	<b>89, 32%</b>	<b>28, -12%</b>	<b>-2.1%</b>	65	
AMSC	9/26/2007	19.28	94 92 57	<b>13</b>	702	20.64	95, 97%	95, 53%	55, -2%	7.1%	48	
TSO	9/24/2007	\$49.63	91 59 23	<b>97</b>	4,444	46.77	86, 46%	<b>34, -10%</b>	15, -20%	<b>-5.8%</b>	74	
X	9/21/2007	105.06	92 71 42	70	3,695	107.28	92, 70%	66, 6%	46, -5%	2.1%	96	
ENG	9/21/2007	\$11.06	93 99 39	71	293	11.72	93, 74%	98, 101%	41, -6%	6.0%	96	
TWI	9/20/2007	\$29.17	90 80 34	<b>15</b>	400	32.84	91, 66%	86, 26%	66, 1%	12.6%	78	
MTRX	9/19/2007	21.07	91 70 20	29	543	22.04	88, 51%	65, 5%	27, -12%	4.6%	97	
WNR	9/17/2007	48.31	97 88 35	<b>99</b>	1,291	38.94	88, 50%	<b>57, 1%</b>	4, -37%	<b>-19.4%</b>	74	
B	9/14/2007	31.34	93 93 45	<b>91</b>	658	32.30	92, 67%	92, 40%	52, -3%	3.1%	81	
RS	9/13/2007	\$52.95	91 84 36	<b>94</b>	1,176	57.33	91, 63%	76, 14%	60, -1%	8.3%	96	
RTIX	9/11/2007	10.64	93 93 48	25	220	11.03	86, 46%	94, 49%	41, -6%	3.7%	73	
SWIR	9/11/2007	23.09	95 97 40	70	787	20.39	90, 58%	87, 26%	14, -20%	<b>-11.7%</b>	50	
PCR	9/11/2007	\$55.02	97 96 40	89	695	58.90	<b>98, 138%</b>	<b>95, 55%</b>	<b>36, -8%</b>	7.1%	97	
KMGB	9/11/2007	\$21.78	98 99 39	<b>92</b>	262	23.06	<b>98, 138%</b>	<b>98, 96%</b>	<b>24, -14%</b>	5.9%	95	
NVTL	9/10/2007	\$23.29	96 97 64	71	1,333	23.41	<b>97, 114%</b>	<b>92, 42%</b>	<b>37, -7%</b>	0.5%	44	
BKC	8/31/2007	23.7	90 77 37	<b>98</b>	745	25.83	87, 48%	79, 17%	50, -3%	9.0%	69	

Active August Entries			Green = Stock in Buy Zone					Red = Stock under review			
Stock	Date Active	Entry Price	>90 PRS_12 > 60 PRS_6 <40 PRS_3	IBD EPS rank	Avg Daily Volume	Last 10/1/207	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Group Rank
SF	8/29/2007	\$53.86	91 85 39	<b>96</b>	139	58.88	91, 66%	90, 34%	54, -2%	9.3%	36
CRWN	8/29/2007	\$6.84	92 97 35	<b>18</b>	173	7.30	89, 53%	92, 42%	70, 2%	6.7%	46
CYCL	8/29/2007	\$9.22	95 81 40	25	704	10.19	93, 73%	82, 20%	52, -3%	10.5%	92
MA	8/29/2007	133.41	97 89 35	<b>99</b>	3,745	153.37	95, 95%	92, 42%	40, -6%	15.0%	60
CYPB	8/22/2007	\$13.50	95 98 13	62	888	14.23	93, 79%	98, 89%	81, 8%	5.4%	50
CHTT	8/21/2007	\$57.06	92 70 35	<b>92</b>	367	72.08	94, 85%	84, 23%	86, 11%	26.3%	27
TEO	8/21/2007	\$22.51	93 63 23	71	328	24.10	90, 57%	71, 10%	41, -6%	7.1%	87
MM	8/20/2007	42.06	91 76 19	66	345	54.00	93, 80%	79, 17%	93, 24%	28.4%	99
LAVA	8/20/2007	12.85	92 90 29	55	517	14.28	86, 45%	81, 19%	65, 0%	11.1%	34
BRP	8/17/2007	\$55.90	93 93 43	68	430	76.05	97, 120%	96, 62%	89, 16%	36.0%	88
VTO	8/17/2007	6.69	95 75 23	57	<b>91</b>	7.62	95, 98%	74, 11%	41, -6%	13.9%	62
NTL	8/17/2007	18.2	97 89 40	75	<b>82</b>	20.86	<b>96, 104%</b>	<b>93, 43%</b>	<b>26, -12%</b>	14.6%	88
RIO	8/16/2007	\$19.10	92 78 30	<b>99</b>	26,541	36.14	99, 200%	98, 88%	98, 54%	89.2%	99
LFL	8/16/2007	13.72	96 53 27	<b>98</b>	656	16.04	94, 84%	75, 13%	44, -5%	16.9%	39

Active July Entries			Green = Stock in Buy Zone					Red = Stock under review			
Stock	Date Active	Entry Price	>90 PRS_12 > 60 PRS_6 <40 PRS_3	IBD EPS rank	Avg Daily Volume	Last 10/1/207	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Group Rank
FARO	7/27/2007	29.57	93 82 39	89	240	44.96	97, 116%	95, 57%	97, 39%	52.0%	93
AMKR	7/27/2007	\$12.97	94 85 39	34	2,975	11.74	95, 92%	<b>28, -12%</b>	8, -27%	<b>-9.5%</b>	34
MFV	7/27/2007	\$57.61	99 98 29	62	166	50.85	<b>98, 184%</b>	<b>62, 3%</b>	<b>9, -27%</b>	<b>-11.7%</b>	60
NXST	7/26/2007	\$10.51	97 97 23	27	162	10.70	<b>97, 131%</b>	<b>71, 9%</b>	<b>8, -27%</b>	1.8%	49
WFR	7/19/2007	58.9	91 82 27	<b>99</b>	4,908	60.11	88, 52%	<b>53, -1%</b>	51, -3%	2.1%	34
RTI	7/19/2007	\$84.76	92 64 13	75	937	80.75	92, 72%	<b>26, -13%</b>	61, -1%	<b>-4.7%</b>	94
FFH	7/13/2007	207.94	92 66 17	27	<b>65</b>	244.00	93, 73%	67, 6%	93, 23%	17.3%	35
PRKR	7/13/2007	\$12.00	92 70 23	25	187	15.38	96, 101%	80, 17%	96, 32%	28.2%	34
IT	7/12/2007	24.68	90 71 33	44	818	25.27	81, 35%	61, 3%	72, 2%	2.4%	60
AOI	7/11/2007	9.72	96 87 37	26	921	6.93	86, 47%	<b>10, -30%</b>	6, -31%	<b>-28.7%</b>	64

Note-IBD EPS rank &gt;90 are bold

Note-Average Daily Volume &lt; 100k Bold Red

Note-Current PRS\_12 &lt; 80 Bold Red

Red PRS numbers means stock is under review, PRS\_12 &lt;80 - Exit is 75

Green PRS numbers means the stock is in the Buy Zone

MTW has exhibited tremendous revenue growth with quarterly revenue growing from just over half a billion two years ago to over a billion in the most recent quarter ended June 30. While revenue has grown over 100% in two years, earnings have grown even more dramatically, from 19 cents in the quarter ended September 2005 to 76 cents in the quarter ended June 2007.

Commodity prices are going through the roof, everything from wheat and corn to steel and crude oil. While market forces are involved, the primary driver is basic supply and demand. Countries like China and India are growing like kudzu grows here in the south. These countries are where the future demand for MTW lies and the company is positioned to be there and profit.

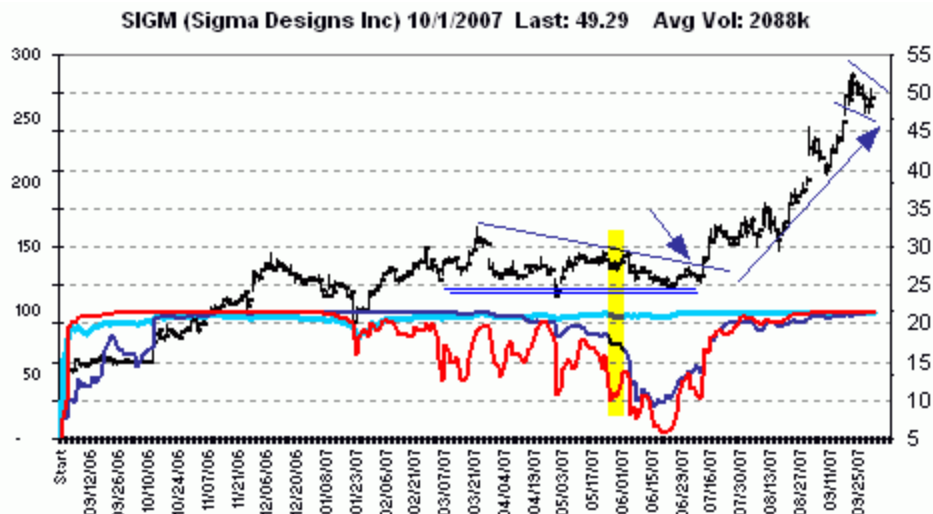
The story is exciting, but it doesn't stop there. What really got me thinking about the upward prospects of MTW came from an article on the Dry-Bulk shipping industry and related stocks, which by the way look very good from a long-term perspective also.

“Port congestion is adding to the vessel supply crunch. The long waits to unload in ports has reduced dry-bulk vessel capacity by more than 11% said Diana Shipping (DCX) President Anastassis Margaritis.” (\* IBD Industry Watch 10-01-07)

The demand for new ships is tremendous and many ship builders are fully booked for the next three to five years. The catch is that new ships won't necessarily increase shipping capacity. To really do that we need port expansion, and that is where the long-term need for cranes and crane equipment from companies like Manitowoc come in.

IBES earnings: 2006a \$1.40; 2007e \$2.47; 2008e \$2.92. With an IBD EPS rank of 96 we know that MTW is one of the best performing companies out there.

From a chart stand point, MTW peaked in the summer and corrected with the bulk of the market. It has since pushed back to its summer



high exhibiting strong price action as it broke out to new highs over the second half of September. We are looking to add MTW to our model portfolios on a pullback to the \$43 area.

## Focus Stock #2 Sigma Designs Inc (SIGM)

**Sigma Designs Inc, (SIGM)** first reached our entry criteria on May 1, 2007. We added SIGM to the #2 portfolio three weeks later on May 22<sup>nd</sup> at 28.36. The stock was trying to push through \$30 resistance, failed and subsequently continued its consolidation. The important thing is SIGM held above key support at \$25 over the duration of its consolidation period.

In late June SIGM began showing signs of life rebounding sharply off its 200-day moving average just above the key \$25 level and in mid-July SIGM jumped higher on strong high volume breaking out to the upside. The stock hasn't looked back since, surging almost 100% in just a few months.

In early August we reduced the position locking in gains amid overall weak market conditions. However, considering the overall strength of the stock we held on to half and have been rewarded for doing so.

Now comes the tricky part. The stock is in a ferocious uptrend and we want to ride the trend as long as possible. However, at some point the move higher will stall out and SIGM will undergo another base building process as we saw from March through June 2007.

SIGM's current PRS Ranks, 12-month, 6-month, and 3-month, are 99, 98, and 99. SIGM is one of the best performing stocks on a 12-month, 6-month, and a 3-month basis. And, it has been ranked this high for over one month.

In this case, we are watching the 3-month PRS Ranking. Once it starts falling off that will be our near-term profit taking signal. This is a situation where we want to hang on as long as possible to maximize the gain, but we don't want to hang around too long and risk giving up too much of a very handsome profit.

Stocks that become this extended to the upside can potentially pull back very quickly. Look no further than GRMN, which fell over 10% on Monday on the heels of surprising news. We have no reason to expect surprisingly negative development out of SIGM, but we are holding a stock that is "priced to perfection" so to speak.

SIGM recently completed a secondary stock offering priced at \$46 on September 27<sup>th</sup>. We are going to use \$45.85 as the near-term stop price. If SIGM reaches 53.5 consider cutting the position in half again. That will effectively lock in a 100% gain leaving us with virtual free stock.

**In addition to the two focus stocks, Current Open Actives I like for purchase right now are:**

**MA (MasterCard Inc)** continues to recover after correcting with the market. It is currently pushing through resistance from 152 to 158 after which it will target new highs.

**TEO (Telecom Argentina Sa)** is building out a handle formation, look to buy on a thrust above \$26 while 200-day SMA support is at 23.

**HLIT (Harmonic Inc)** DirecTV is set to offer 100 High-Def TV channels by the end of the year. That means the cable companies have to build out their bandwidth and HLIT provides the equipment they need. HLIT is a buy.

**IT (Gartner Inc)** has begun an aggressive recovery pushing above key resistance at \$24, look to buy on a pullback.

**Continued from Page 1**

While Fed rate cuts will help with the home mortgage and sup-prime lending markets as well as other debt markets, when it comes to the overall economy, the real question I am asking is, exactly how important is housing.

The catch phrase I keep hearing is, 'every housing downturn has led to a recession.' I am not going to argue that. However, once upon a time, every slow down in auto-sales preceded an economic down turn. Why? Because the US economy was a manufacturing economy and autos were a gigantic component. Today this is not the case.

Auto sales and production are still large components of the US economy, but the sector is no longer large enough such that a slow down sinks the entire economy. With the employment rate at near 4.5% it is possible for the US economy to weather a slow down in housing.

Q2 growth was 3.8%, the best in over a year. This happened despite a drastic slow down in housing starts over the past year. Let's not forget that housing started slowing down over 18 months ago. The point is housing has been slowing for six quarters yet we just saw the best quarter of economic growth since the first quarter of 2006, arguably when the housing boom peaked.

The global economy is strong, ship builders are booked solid for several years. The communications business is rampant and continuing to expand. The only thing wrong in the auto market is that Ford and GM keep losing market share to their competitors. There is tremendous softness in the residential construction business, but it is like a 16 cylinder engine running on 15. It won't go full speed, but the ship will reach its destination.

From an economic stand point, the market has good reason to continue its current march higher.

Open Active Recommendations													Count:	96	48%		
Stock	Date Active	Entry Price	>90 PRS_12 > 60 PRS_6 <40 PRS_3			Weeks Held	Avg Vol	Last 10/1/2007	Green = Buy Zone			Red = under review			% Gain /Loss	Group Rank PRS12	Stop Price
			Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3				Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3						
MICC	7/5/2006	\$35.02	93	86	9	65	740	\$86.13	94, 85%	67, 6%	32, -10%	145.9%	88	70.00			
ARGN	8/2/2006	\$7.01	93	96	36	61	314	\$18.37	94, 86%	94, 50%	36, -8%	162.1%	78	14.00			
CCOI	8/21/2006	\$8.18	91	86	14	58	999	\$24.97	95, 91%	63, 4%	14, -21%	205.3%	87	20.00			
BGC	1/19/2007	\$44.38	96	89	40	37	1,548	\$70.11	91, 64%	89, 31%	27, -12%	58.0%	89	58.00			
GEL	2/22/2007	\$19.29	91	64	25	32	62	\$28.62	91, 65%	90, 34%	15, -20%	48.4%	42	26.00			
ASIA	4/19/2007	\$7.59	92	96	19	24	487	\$9.22	94, 83%	89, 32%	32, -10%	21.5%	86	7.00			
NXST	7/26/2007	\$10.51	97	97	23	10	162	\$10.70	97, 131%	71, 9%	8, -27%	1.8%	49	9.00			
MFV	7/27/2007	\$57.61	99	98	29	10	166	\$50.85	98, 184%	62, 3%	9, -27%	(11.7%)	60	48.00			
NTL	8/17/2007	\$18.20	97	89	40	7	82	\$20.86	96, 104%	93, 43%	26, -12%	14.6%	88	19.00			
NVTL	9/10/2007	\$23.29	96	97	64	3	1,333	\$23.41	97, 114%	92, 42%	37, -7%	0.5%	44	18.00			
KMGB	9/11/2007	\$21.78	98	99	39	3	262	\$23.06	98, 138%	98, 96%	24, -14%	5.9%	95	20.00			
PCR	9/11/2007	\$55.02	97	96	40	3	695	\$58.90	98, 138%	95, 55%	36, -8%	7.1%	97	45.00			
CHRD	9/26/2007	\$14.40	93	93	33	1	575	\$14.10	92, 67%	89, 32%	28, -12%	(2.1%)	65	12.75			
ATLS*	10/1/2007	\$51.86	92	91	38	0	139	\$51.87	92, 67%	91, 36%	38, -7%	0.0%	91	44.00			
CHE	10/1/2007	\$62.36	92	86	35	0	350	\$62.36	92, 70%	86, 26%	35, -8%	0.0%	53	56.00			
PKOH	10/1/2007	\$27.51	93	93	35	0	83	\$27.51	93, 81%	93, 46%	35, -8%	0.0%	96	22.00			
MDR	7/12/2005	\$7.59	95	85	42	116	3,529	\$55.43	98, 143%	99, 127%	95, 26%	630.3%	97	40.00			
GES	3/9/2006	\$17.17	96	93	24	82	1,526	\$49.97	94, 83%	81, 19%	65, 0%	191.0%	10	43.00			
GIII	5/23/2006	\$8.72	91	87	12	71	189	\$20.47	92, 69%	70, 9%	93, 22%	134.7%	40	15.00			
NETC	5/23/2006	\$7.26	93	61	24	71	454	\$17.38	92, 69%	84, 23%	61, -1%	139.4%	46	13.50			
AKS	6/7/2006	\$12.18	92	91	29	69	3,162	\$44.18	99, 218%	97, 84%	89, 15%	262.7%	99	31.00			
MTW	6/13/2006	\$17.82	93	94	38	68	1,873	\$47.00	94, 87%	93, 46%	86, 11%	163.7%	94	36.00			
PCU	6/13/2006	\$35.43	91	58	28	68	2,284	\$127.80	98, 148%	97, 72%	95, 28%	260.7%	99	82.00			
AMAG	6/30/2006	\$30.21	98	99	15	66	520	\$59.00	90, 58%	40, -7%	63, 0%	95.3%	93	50.00			
ATI	7/17/2006	\$56.63	97	95	20	63	2,342	\$113.28	92, 67%	61, 3%	75, 4%	100.0%	94	90.00			
TEX	8/9/2006	\$40.56	92	85	24	60	1,525	\$90.04	93, 77%	85, 25%	78, 6%	122.0%	94	70.00			
PRFT	8/25/2006	\$12.52	94	88	29	58	481	\$22.59	82, 36%	69, 8%	81, 8%	80.4%	44	20.00			
AUXL	9/8/2006	\$8.72	90	95	25	56	372	\$21.62	95, 93%	93, 43%	96, 32%	147.9%	55	17.00			
CTRP	9/15/2006	\$24.67	91	90	39	55	757	\$53.74	96, 112%	96, 58%	95, 27%	117.8%	72	38.00			
CLB	10/4/2006	\$59.58	96	85	34	52	248	\$127.79	95, 91%	95, 52%	93, 23%	114.5%	95	100.00			
BAP	12/19/2006	\$41.79	92	93	37	41	315	\$68.00	88, 52%	90, 36%	82, 8%	62.7%	32	61.00			
CBEY	1/10/2007	\$29.94	99	89	32	38	317	\$43.41	86, 47%	94, 47%	84, 10%	45.0%	50	36.00			
PSMT	1/10/2007	\$16.61	96	91	41	38	119	\$24.55	87, 48%	94, 50%	51, -3%	47.8%	28	21.00			
SBS	1/10/2007	\$29.14	91	81	17	38	394	\$51.62	91, 62%	94, 51%	86, 11%	77.1%	87	45.00			
SUNH	1/23/2007	\$12.27	94	88	16	36	482	\$17.04	87, 49%	91, 38%	84, 10%	38.9%	14	14.50			
BW	1/31/2007	\$33.09	91	89	26	35	544	\$52.63	95, 96%	59, 2%	93, 23%	59.1%	94	40.00			
RBN	2/20/2007	\$41.68	96	91	34	32	257	\$58.53	93, 73%	94, 48%	72, 3%	40.4%	77	45.00			
AZZ	2/21/2007	\$20.45	93	78	39	32	270	\$35.84	93, 80%	95, 56%	66, 0%	75.3%	89	25.00			
CHTR	3/6/2007	\$2.88	98	98	62	30	14,903	\$2.69	89, 54%	50, -2%	3, -38%	(6.6%)	46	2.20			
ARD	3/7/2007	\$44.06	92	64	38	30	337	\$67.43	95, 95%	93, 44%	89, 15%	53.0%	91	60.00			
BITI	3/9/2007	\$7.09	96	97	39	30	45	\$7.06	89, 54%	73, 11%	57, -2%	(0.4%)	18	6.15			
GEF	3/16/2007	\$53.34	92	88	23	29	348	\$62.01	85, 43%	72, 10%	66, 1%	16.3%	62	53.50			
CHU	3/26/2007	\$13.06	91	84	26	27	1,055	\$21.41	95, 97%	93, 47%	93, 21%	63.9%	92	16.00			
IGLD	4/3/2007	\$12.40	97	98	41	26	116	\$11.57	91, 66%	41, -6%	28, -11%	(6.7%)	87	9.00			
JST	4/10/2007	\$20.00	98	96	68	25	47	\$27.41	97, 124%	94, 51%	96, 36%	37.1%	48	20.00			
ICE	4/11/2007	\$126.94	98	92	24	25	2,882	\$154.00	94, 83%	84, 23%	72, 3%	21.3%	60	117.00			
PNCL	4/16/2007	\$17.63	98	98	41	24	414	\$16.66	95, 95%	46, -4%	23, -14%	(5.5%)	39	14.00			
GSOL	4/17/2007	\$19.39	94	97	20	24	244	\$22.99	92, 71%	94, 49%	52, -3%	18.6%	91	16.00			
CHL	4/23/2007	\$46.20	90	76	18	23	2,248	\$84.95	97, 119%	98, 86%	98, 52%	83.9%	92	62.00			
IBN	4/24/2007	\$45.34	93	87	43	23	2,359	\$54.57	91, 64%	93, 46%	80, 7%	20.4%	32	43.00			
SIGM	5/1/2007	\$24.15	94	80	39	22	1,512	\$49.29	99, 203%	98, 87%	99, 85%	104.1%	89	45.85			
IOSP	5/2/2007	\$27.30	97	96	46	22	182	\$23.49	84, 41%	17, -20%	11, -23%	(14.0%)	70	20.00			
ININ	5/9/2007	\$18.64	95	59	18	21	166	\$20.18	90, 59%	88, 31%	46, -5%	8.3%	44	17.50			
GLDN	5/11/2007	\$53.75	94	91	32	21	374	\$80.68	98, 137%	92, 40%	97, 37%	50.1%	92	60.00			
TPX	5/15/2007	\$24.42	93	82	28	20	1,555	\$36.63	95, 94%	91, 38%	96, 36%	50.0%	29	32.00			
MBT	5/21/2007	\$54.65	93	81	45	19	1,677	\$74.07	93, 80%	86, 26%	91, 17%	35.5%	92	62.00			
HLIT	5/30/2007	\$9.00	95	64	22	18	1,707	\$10.99	85, 44%	70, 8%	94, 24%	22.1%	50	9.50			
TTEC	6/4/2007	\$35.16	98	94	25	17	921	\$25.59	86, 46%	8, -33%	11, -23%	(27.2%)	60	23.00			
SBGI	6/8/2007	\$15.02	92	93	37	17	745	\$12.54	85, 44%	16, -22%	20, -16%	(16.5%)	49	11.00			
ANAD	6/11/2007	\$12.68	92	84	27	16	1,875	\$18.98	98, 139%	96, 58%	96, 33%	49.7%	34	15.00			

Note-IBD EPS rank &gt;90 are bold

Note-Average Daily Volume &lt; 100k Bold Red

Note: Current PRS Red means stock is under review, PRS\_12 &lt;80 - Exit is 75

Note: Current PRS Green means the stock is in the Buy Zone

Open Active Recommendations													Count: 96	48%	
Stock	Date Active	Entry Price	Green = Buy Zone			Red = under review			Last 10/1/207	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Group Rank PRS12	Stop Price
			>90 PRS_12	> 60 PRS_6	<40 PRS_3	Weeks Held	Avg Vol	Current PRS_12							
HURN	6/14/2007	\$68.76	96	95	49	16	258	\$75.20	93, 73%	83, 21%	68, 1%	9.4%	60	62.00	
WCG	6/18/2007	\$91.63	93	86	51	15	669	\$110.04	93, 77%	85, 24%	91, 19%	20.1%	29	94.00	
GRA	6/25/2007	\$25.23	96	84	28	14	849	\$27.25	95, 92%	51, -2%	87, 12%	8.0%	70	21.50	
AOI	7/11/2007	\$9.72	96	87	37	12	921	\$6.93	86, 47%	10, -30%	6, -31%	(28.7%)	64	6.25	
IT	7/12/2007	\$24.68	90	71	33	12	818	\$25.27	81, 35%	61, 3%	72, 2%	2.4%	60	21.00	
FFH	7/13/2007	\$207.94	92	66	17	12	65	\$244.00	93, 73%	67, 6%	93, 23%	17.3%	35	225.00	
PRKR	7/13/2007	\$12.00	92	70	23	12	187	\$15.38	96, 101%	80, 17%	96, 32%	28.2%	34	12.20	
RTI	7/19/2007	\$84.76	92	64	13	11	937	\$80.75	92, 72%	26, -13%	61, -1%	(4.7%)	94	65.00	
WFR	7/19/2007	\$58.90	91	82	27	11	4,908	\$60.11	88, 52%	53, -1%	51, -3%	2.1%	34	52.00	
AMKR	7/27/2007	\$12.97	94	85	39	10	2,975	\$11.74	95, 92%	28, -12%	8, -27%	(9.5%)	34	9.00	
FARO	7/27/2007	\$29.57	93	82	39	10	240	\$44.96	97, 116%	95, 57%	97, 39%	52.0%	93	38.00	
LFL	8/16/2007	\$13.72	96	53	27	7	656	\$16.04	94, 84%	75, 13%	44, -5%	16.9%	39	14.50	
RIO	8/16/2007	\$19.10	92	78	30	7	26,541	\$36.14	99, 200%	98, 88%	98, 54%	89.2%	99	27.00	
BRP	8/17/2007	\$55.90	93	93	43	7	430	\$76.05	97, 120%	96, 62%	89, 16%	36.0%	88	64.00	
VTO	8/17/2007	\$6.69	95	75	23	7	91	\$7.62	95, 98%	74, 11%	41, -6%	13.9%	62	6.50	
LAVA	8/20/2007	\$12.85	92	90	29	6	517	\$14.28	86, 45%	81, 19%	65, 0%	11.1%	34	13.00	
MM	8/20/2007	\$42.06	91	76	19	6	345	\$54.00	93, 80%	79, 17%	93, 24%	28.4%	99	42.00	
CHTT	8/21/2007	\$57.06	92	70	35	6	367	\$72.08	94, 85%	84, 23%	86, 11%	26.3%	27	57.00	
TEO	8/21/2007	\$22.51	93	63	23	6	328	\$24.10	90, 57%	71, 10%	41, -6%	7.1%	87	22.00	
CYPB	8/22/2007	\$13.50	95	98	13	6	888	\$14.23	93, 79%	98, 89%	81, 8%	5.4%	50	12.00	
CRWN	8/29/2007	\$6.84	92	97	35	5	173	\$7.30	89, 53%	92, 42%	70, 2%	6.7%	46	6.25	
CYCL	8/29/2007	\$9.22	95	81	40	5	704	\$10.19	93, 73%	82, 20%	52, -3%	10.5%	92	8.75	
MA	8/29/2007	\$133.41	97	89	35	5	3,745	\$153.37	95, 95%	92, 42%	40, -6%	15.0%	60	125.00	
SF	8/29/2007	\$53.86	91	85	39	5	139	\$58.88	91, 66%	90, 34%	54, -2%	9.3%	36	51.00	
BKC	8/31/2007	\$23.70	90	77	37	5	745	\$25.83	87, 48%	79, 17%	50, -3%	9.0%	69	23.00	
RTIX	9/11/2007	\$10.64	93	93	48	3	220	\$11.03	86, 46%	94, 49%	41, -6%	3.7%	73	9.75	
SWIR	9/11/2007	\$23.09	95	97	40	3	787	\$20.39	90, 58%	87, 26%	14, -20%	(11.7%)	50	18.00	
RS	9/13/2007	\$52.95	91	84	36	3	1,176	\$57.33	91, 63%	76, 14%	60, -1%	8.3%	96	48.00	
B	9/14/2007	\$31.34	93	93	45	3	658	\$32.30	92, 67%	92, 40%	52, -3%	3.1%	81	28.00	
WNR	9/17/2007	\$48.31	97	88	35	2	1,291	\$38.94	88, 50%	57, 1%	4, -37%	(19.4%)	74	38.00	
MTRX	9/19/2007	\$21.07	91	70	20	2	543	\$22.04	88, 51%	65, 5%	27, -12%	4.6%	97	16.50	
TWI	9/20/2007	\$29.17	90	80	34	2	400	\$32.84	91, 66%	86, 26%	66, 1%	12.6%	78	26.00	
ENG	9/21/2007	\$11.06	93	99	39	2	293	\$11.72	93, 74%	98, 101%	41, -6%	6.0%	96	9.85	
X	9/21/2007	\$105.06	92	71	42	2	3,695	\$107.28	92, 70%	66, 6%	46, -5%	2.1%	96	89.00	
TSO	9/24/2007	\$49.63	91	59	23	1	4,444	\$46.77	86, 46%	34, -10%	15, -20%	(5.8%)	74	42.50	
AMSC	9/26/2007	\$19.28	94	92	57	1	702	\$20.64	95, 97%	95, 53%	55, -2%	7.1%	48	17.25	

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:

Going into October we have one concern, the weak seasonal tendency of October within the 7<sup>th</sup> year of the decennial cycle.

The chart to the right shows consistent weakness during October of year seven. In years ending in seven, 1947 is the Only year the market advanced in October.

The Current Dow (blue line) is following the decennial cycle pattern. We saw an important low in 2002. Though it was revisited in 2003, it moved higher in 2005. The strength in 05 was below par, but we have seen consistent strength since. The decennial pattern called for a peak in July of year 7 and we saw one last July.

Seasonally speaking, October grows difficult after about the 3<sup>rd</sup> of the month. From the 3<sup>rd</sup> through about the 20<sup>th</sup> is when the potential for a notable setback is the greatest. The good news is a near-term setback, regardless of how deep or shallow should be quickly recovered over the balance of the year. And, we should expect consistent strength through 2008 and into 2009.

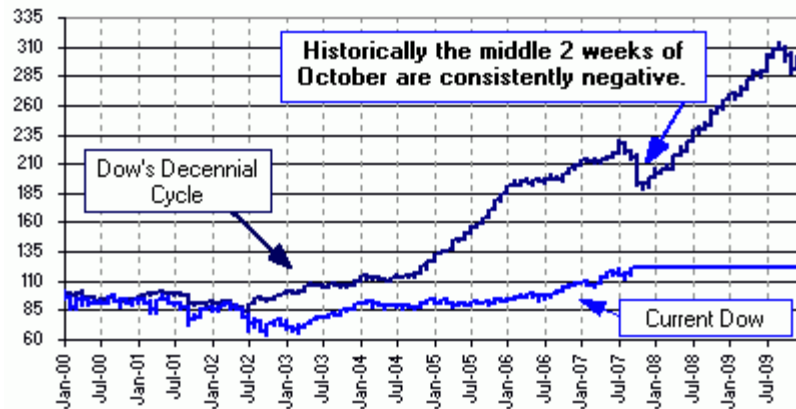
From a seasonal stand point, we are entering a higher risk period. As we near the end of October, seasonal pressures wane with a distinct shift to bullishness as we move through November.

**The PRS Time Plane Chart** shows the average 3-month return for stocks with a 3-month PRS rank of 70. The current return is about 1%, up from -2% several weeks ago.

This chart shows us that over the past eleven years, with only two exceptions, when the PRS\_3-70 line recovers from below zero, we are in a very attractive period for buying with a three month or longer time horizon.

The two exceptions are the October 1998

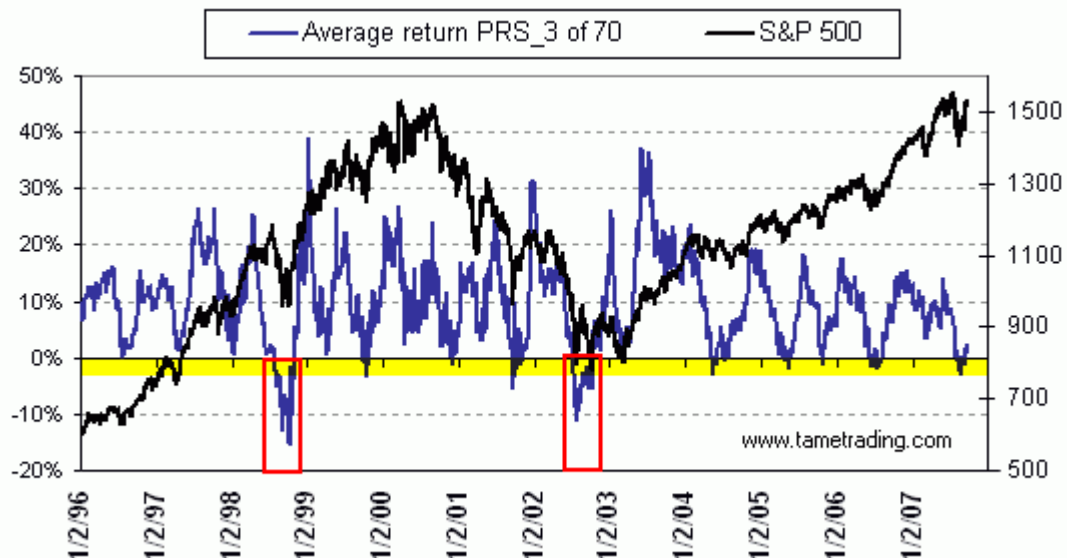
10-Year Monthly Decennial Pattern of Dow During the 20th Century



LTCM sell off event, and the major 2002 July low when the metric fell significantly below its normal historical bottoming range of -1% to -4%. Waiting until the metric moves back above the zero level and or clears a previous high level yields an improved result. Since the metric has fallen below zero and recovered we have a valid buy signal.

The chart below is telling us that over the next two to four months we should expect a larger percentage of stocks to perform much better than they recently have. This metric is expected to remain under pressure for a couple more weeks which suggests a large window of opportunity is at hand.

From a big picture stand point seasonal risk remains high for several more weeks. However, our main indicators are telling us better returns are only a few months away. We have balanced near-term risk while looking to position for improved returns later in the year by focusing on the strongest performing stocks.



## Portfolio Changes:

We are making some rather dramatic changes to the portfolio section. We will continue running two portfolios, a smaller conservative portfolio with up to 12 stocks and an aggressive portfolio with up to 25 positions. We are moving away from the highly structured “sized account” format. The presentation is confusing to some and confusion is rarely a good thing.

We will no longer recommend sized positions. In fact, despite a plethora of opinions on this one, equaled sized positions with a regular re-balancing effort most often yields a performance curve that is significantly above most alternatives. I hope you like the new format.

### In the conservative Portfolio:

- **SELL CLB for a 40% gain**
  - Oil prices appear to be at a near-term peak. We may come back to the stock once it pulls back.

### In the Aggressive Portfolio:

- **We have set stop prices, but are making no changes at this time.**

### Comments on select Portfolio Positions:

**CCBL** (C-Cor Inc.) is being bought out. If the stock reaches \$13 then close the position. Otherwise we will hold out for the transaction to complete.

**ICE** is running higher on strong business trends and takeover speculation.

**GSOL** was slow to recover but is quickly regaining its leadership qualities.

**CHTR** was initiated with an overweight rating at JP Morgan on Monday.

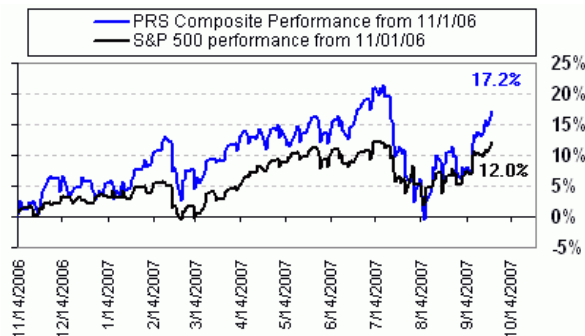
**WFR** was downgraded during the month but the stock continues to bounce back and remains a favorite.

**CBEY** Thrust higher on strong volume from a cup with handle like formation on Monday reaching a new 52-week high.

**HL** continues to track with gold prices and the HUI gold bugs index. While volatile, we expect much higher prices due to the supply demand dynamics in the spot gold market.

## Overall PRS System Performance

Since November 1, 2006, through October 1, the PRS Composite is up 17.2%. That compares with the S&P 500 which has advanced 12.0%.



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

When the market corrected from the July high the strongest stocks saw heavy initial selling. We did not add any new positions from August 1 through August 17. The selloff pulled the PRS composite down even with the S&P 500. Since the rally began off the August lows the PRS Composite has continued outperforming the S&P 500.

Note: The PRS Composite is always 100% invested.

You can view the complete trade table showing all entries and exits on the website at this [link](#).

**In the Conservative Portfolio**  
**Close the long position in CLB**

Conservative Portfolio Started November 14, 2006					
Symb	Entry Date	Entry Price	Last Price 10/01/07	Gain / Loss %	Stop Prices
HL	11/21/06	6.43	9.16	42.5%	7.90
ICLR	12/5/06	36.00	51.00	41.7%	47.40
PRFT	1/9/07	16.60	22.59	36.1%	20.00
CBEY	1/16/07	32.13	43.41	35.1%	39.00
JST	4/24/07	20.91	27.41	31.1%	23.00
<b>CLB</b>	5/30/07	89.89	127.79	42.2%	<b>EXIT</b>
ALB	7/10/07	40.53	44.08	8.8%	41.00
MA	9/4/07	137.95	153.37	11.2%	140.00
NVTL	9/25/07	23.15	23.41	1.1%	20.70
HURN	9/25/07	70.93	75.20	6.0%	71.00
Average gain				<b>25.56%</b>	

Aggressive Portfolio Started on Tuesday February 13, 2007					
Symb	Entry Date	Entry Price	Last Price 10/01/07	Gain / Loss %	Stop Prices
<b>CHINA</b>	4/17/07	8.93	7.42	-16.9%	7.00
ICE	4/17/07	132.56	154.00	16.2%	140.00
CHL	4/24/07	46.34	84.95	83.3%	78.00
CHTR	4/24/07	3.43	2.69	-21.5%	2.25
SUNH	5/8/07	14.00	17.04	21.7%	15.25
<b>CCBL</b>	5/8/07	12.88	11.59	-10.0%	* 13 Tgt
ININ	5/22/07	19.11	20.18	5.6%	18.00
SIGM	5/22/07	28.36	49.29	73.8%	45.85
<b>SYX</b>	5/22/07	20.51	21.14	3.1%	18.25
ANAD	6/12/07	12.34	18.98	53.8%	16.00
TPX	6/19/07	26.12	36.63	40.2%	32.00
MBT	6/19/07	59.95	74.07	23.6%	64.00
SBGI	6/19/07	15.04	12.54	-16.6%	11.35
GROW	6/19/07	24.98	19.65	-21.3%	18.25
HURN	6/19/07	65.26	75.20	15.2%	71.00
GSOL	7/10/07	21.93	22.99	4.8%	19.00
WFR	8/21/07	58.10	60.11	3.5%	55.00
MA	9/4/07	137.95	153.37	11.2%	140.00
NVTL	9/25/07	23.15	23.41	1.1%	20.70
TEX	9/25/07	84.00	90.04	7.2%	82.00
Average Gain				<b>13.89%</b>	

September Removals									
Highlight = Pre-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
JCG	9/10/2007	\$41.75	10/1/2007	3	\$43.52	79	68	14	4.2%
COH *	7/13/2007	\$49.84	10/1/2007	11	\$47.06	77	37	57	-5.6%
PERY	5/31/2007	\$31.34	9/28/2007	17	\$27.70	75	22	20	-11.6%
GHDX	3/20/2007	\$18.18	9/25/2007	27	\$19.62	80	77	74	7.9%
CPA	5/16/2007	\$67.88	9/21/2007	18	\$45.68	73	23	5	-32.7%
UCTT	6/18/2007	\$14.65	9/20/2007	13	\$14.53	78	15	73	-0.8%
LORL	5/9/2007	\$49.79	9/19/2007	19	\$38.18	79	12	11	-23.3%
CAE	9/10/2007	\$67.61	9/18/2007	1	\$62.91	78	65	11	-7.0%
MEH	5/24/2006	\$4.25	9/17/2007	69	\$16.34	96	93	89	284.5%
GROW	6/7/2005	\$2.56	9/14/2007	118	\$20.61	72	63	26	705.1%
BRLC	2/26/2007	\$8.52	9/14/2007	29	\$4.11	21	2	13	-51.8%
PCCC	3/23/2007	\$14.90	9/13/2007	25	\$12.03	73	18	59	-19.3%
AKH	7/26/2007	\$45.22	9/13/2007	7	\$36.65	71	25	12	-19.0%
CHINA	5/25/2006	\$4.53	9/12/2007	68	\$7.38	76	20	26	62.9%
SRVY	5/17/2007	\$14.89	9/11/2007	17	\$13.77	78	30	39	-7.5%
SYX	12/4/2006	\$12.56	9/11/2007	40	\$17.87	77	20	42	42.3%
BDC	1/18/2007	\$40.40	9/11/2007	34	\$47.65	75	34	23	17.9%
OPY	2/1/2007	\$35.49	9/11/2007	32	\$37.97	71	79	25	7.0%
CCBL	5/4/2007	\$13.06	9/11/2007	19	\$10.30	68	18	8	-21.1%

Average Time Held, Weeks: 30  
 Total Number of Exits: 19  
 Gainers: 8  
 Losers: 11  
 Win Rate: 42%

Average for all Exits: **49.1%**

Sum of Gains: 932%  
 Average Win: 141.5%  
 Average Loss: -18.1%

## Exits:

In September 17 stocks were removed from the Open Active Recommendation table. Notable exits: MEH remained within our entry criteria for over one year and was closed with a gain in excess of 250%. GROW was on the open Active table for over two years and was closed with a gain of over 700% for the two year period. Note: we still hold GROW in the #2 Portfolio.

The total number of Open Active Recommendations remains at 95 with 78 of those recommended after 11/1/06. Of the 18 stocks entered before 11/1/06, most have cycled through our entry criteria window offering attractive entry points and several of them have been added to the model portfolios.

## Conclusions:

Since the FOMC rate cut in mid-September the market has made a strong push higher and many of our portfolio stocks have made powerful moves higher. Unfortunately, we are now confronted with the tricky month of October, which historically has not been kind to the market.

We have firm confidence in the US economy and its potential to continue growing; however, we must maintain a measure of near-term caution due to seasonal issues. The one thing we truly are confident about is that once through October, whether we see weakness or strength, we anticipate a very healthy market as we look forward into the second half of the fourth quarter and into 2008. Regardless of how the near-term gyrations shake out, many of the strongest stocks will continue leading the market higher and we will see new stocks rise to the top of the performance tables. These are the stocks that will provide traders and investors with the best returns going forward.

Now some folks like icing  
Some folks like cake  
Some swim in the ocean  
Some paddle in a lake  
Well you can get into Beethoven  
Or you can groove on Jimmy Reed  
But keep it simple stupid  
All we really need is  
Six string music

Jim Patterson

Editor and Publisher  
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