

TSPKey Newsletter (for the weekend of 17-19 November 2006)

Thrift Savings Plan

50% I Fund and 50% S Fund *as of market's close on 11/17/06*

New Trades: None

3) Gold Fund Timer (GFT)

100% in gold/precious metals mutual fund *as of market's close on 8/31/2006*

New Trades: None

Current Stock and Bond Composite System Status

System	Current Signal	As of*
Stock Composite	Buy	09/25/06
Bond Composite	Buy	11/13/06

* This assumes you buy or sell at the market's closing price on that day

TSP and General Market Commentary

It was another good week for U.S. stocks. The S Fund was the top performer with a 1.97% gain. The C Fund took second place with a 1.51% gain. The I Fund suffered a loss of -0.28%. The I Fund's poor performance was largely due to a decline in Japan's Nikkei 225 Index coupled with the U.S. Dollar's strength in the currency markets.

Most of the important news releases last week were related to inflation. The Producer Price Index (PPI) had a surprisingly large drop while the Consumer Price Index (CPI) mustered an insignificant gain. These releases, along with another drop in oil prices, indicate that inflation is in check. Stocks responded by rallying once again.

We're about to enter a very bullish seasonal period. The end of November until the beginning of January, also known as the "Santa Clause Rally," has been one of the most consistent and strong seasonal patterns. Since 1942, stocks have gone up 75% of the time during this period. In addition, annualized returns have been four times higher than they've been during the rest of the year.

Composite Stock System

Our composite stock system continues to have a buy signal. The positive factors for the stock market include:

- 1) **Declining crude oil prices.** Crude prices declined again last week. They remain in a trading range between \$55 to \$61 barrel.

- 2) **Strong volume for the Nasdaq.** When the Nasdaq is strong and has increasing volume, it's very bullish for the overall stock market. Our timing model that measures this has a buy signal.
- 3) **Our long-term timing model (based on various stock indices, the advance/decline ratio and other weekly data) is bullish.** This model has been on the right side of almost every major bull and bear market since 1942. It's too lagging to use as a stand-alone tool, but works very well in a composite system.
- 4) **Seasonal strength.** November-December has historically been the strongest two month period for stocks.

There are a few negative factors as well:

- 1) **Relative strength for small-cap and technology stocks.** The stocks of small companies and tech firms usually lead the overall market's direction, whether it's up or down. Our model that measures this has a mixed signal. Tech stocks have regained their edge but smaller-cap stocks are slightly underperforming large-caps.
- 2) **Large commercial traders are bearish.** The “smart money” crowd of S&P 500 futures traders are bearish right now. They're continuing to increase their short positions.

The Charts

*Note: Our recommendations are **always** based on our system, not our interpretation of charts. That's why our recommendations are at the beginning of each newsletter and charts are at the end. We review charts to go over the market's recent action and observe key levels and patterns. However, we never override our system's recommendations because of chart patterns.*

Please scroll to the next page to see our charts and analyses.

The Daily S&P 500



Last week the charts suggested that we may see consolidation or a retracement. We noted a potential double top and said we needed “a clean break of 1390 as soon as possible.” We got our wish as the S&P 500 smashed through 1390 on Tuesday. Not surprisingly, however, it ran into more resistance at 1400.

1400 is one of those “round number” levels we often talk about. Price levels ending in a “00” or “50” are important psychological points for traders. Often, the market will stall at these levels before it continues up or reverses. On the graph above, notice how the market behaved around 1300 and 1350. There was a much greater struggle at 1300, but both levels showed clear resistance before prices moved up. We saw the same thing with the Dow at 12,000 a few weeks ago.

Perhaps the bullish seasonal tendency will push prices through faster this time? We'll find out in the next one or two weeks.

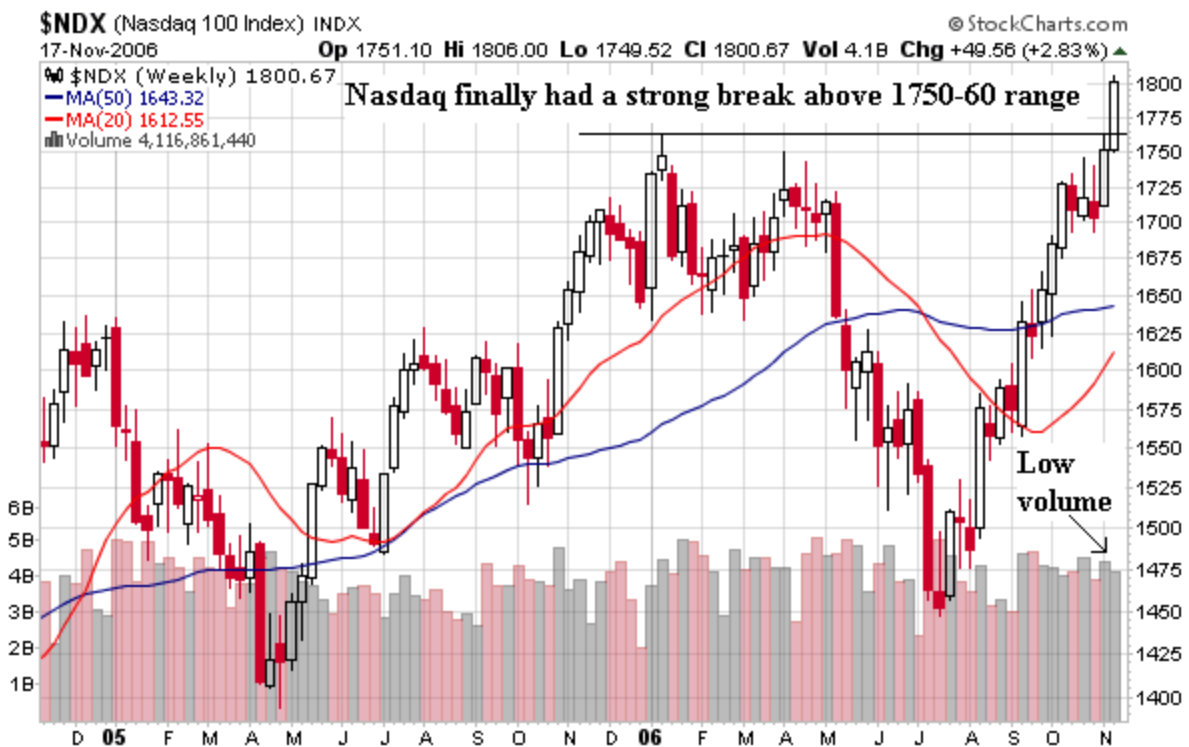
Now on to the weekly chart (next page).

The Weekly S&P 500:



In the longer-term, prices continue to challenge the upper trendline. Since they're now at the important 1400 level, they have an additional test to pass before an upper channel breakout is confirmed.

The Weekly Nasdaq 100:



The Nasdaq finally broke through its resistance around 1760. This is what we've been wanting to see. The only downside is that this happened with low trading volume. Still, this is a bullish indication, especially if the Nasdaq can make a clear break above 1800 (another one of those round numbers).

Well, that's pretty much wraps things up. Have a great Thanksgiving and we'll see you again next week. Our annual allocations are listed below.

Kind regards,

John S. Pope

2006 Allocations

<u>IFT Date</u>	<u>Allocation</u>
12/16/05	100% G Fund
1/23/06	50% I Fund and 50% S Fund
1/30/06	100% G Fund
2/22/06	50% I Fund and 50% S Fund
3/02/06	100% G Fund
3/27/06	50% I Fund and 50% S Fund
4/4/06	100% G Fund
4/12/06	50% I Fund and 50% S Fund
4/19/06	100% G Fund
4/24/06	50% I Fund and 50% S Fund
4/28/06	100% G Fund
5/25/06	50% C Fund and 50% S Fund
5/26/06*	100% G Fund
6/30/06	50% C Fund and 50% S Fund
7/3/06	100% G Fund
8/21/06	100% F Fund
8/25/06	50% C Fund and 50% I Fund

9/5/06	100% F Fund
9/11/06	100% G Fund
9/18/06	100% F Fund
9/25/06	50% C Fund and 50% I Fund
10/20/06	50% C Fund and 50% S Fund
11/17/06	50% I Fund and 50% S Fund

* Bolded items are allocations made since the start of our service.
All other allocations were made publicly at the TSPTalk website:
<http://www.tsptalk.com/mb/showthread.php?t=828&page=4>