THE RHODES REPORT

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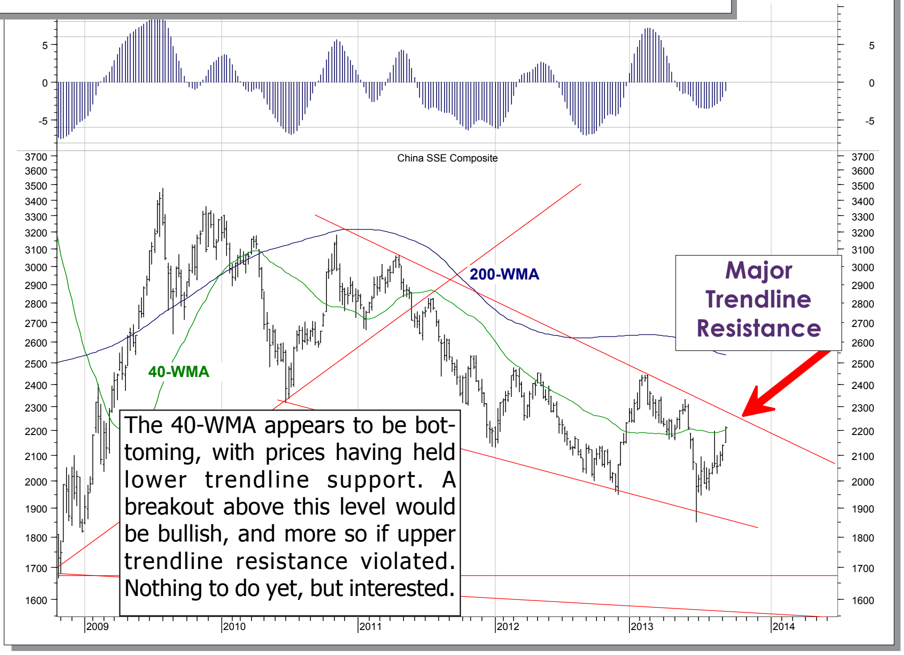
"FORECAST"

STOCKS: The world economy is muddling through: the US payroll tax increase and "sequestration" are headwinds to the US economy; China is being pressured by Japan, and both the US and China housing market are "weakening". The Eurozone remains mired in "inaction", athough showing signs of growth. Quite clearly, we feel risk is being mispriced at current levels given the economic backdrop and developing pressure upon corporate revenues/margins/earnings. At some point, the market will view the central banks will be non-sequitur.

STRATEGY: The S&P 500 remains above the 160-wma long-term support level at 1366; and the standard 200-dma support level at 1568. But perhaps more importantly, the distance above the 160-wma "falied" at the +23- to +25% zone that is our "bubble-like rally" threshold. Hence, a correction of some proportion is forthcoming — perhaps -15% or more.

China SSE Composite Index (Weekly)
"Technically Constructive...But"



CAPITAL MARKET COMMENTARY

▶ **WORLD MARKETS ARE CLEARLY "MIXED" THIS MORNING** as the very same concerns that were extant last week are once again in focus this week: whether or not the US and perhaps some of her allies will "punish" Syria for her chemical transgressions; and whether or not the Fed shall announce its intention to taper at the September 18-19 meeting. There is very little else upon which the capital markets shall focus upon this week. President Obama will address the nation on Tuesday evening, hoping to sway the growing number of Congressional members that aren't sure whether a strike is appropriate at this time – to the side of a meaningful strike. Whether he will be successful or not remains to be seen. The longer this drags on, the more comical it looks to the world the US looks to be sure – and it cannot be a good omen for the US dollar.

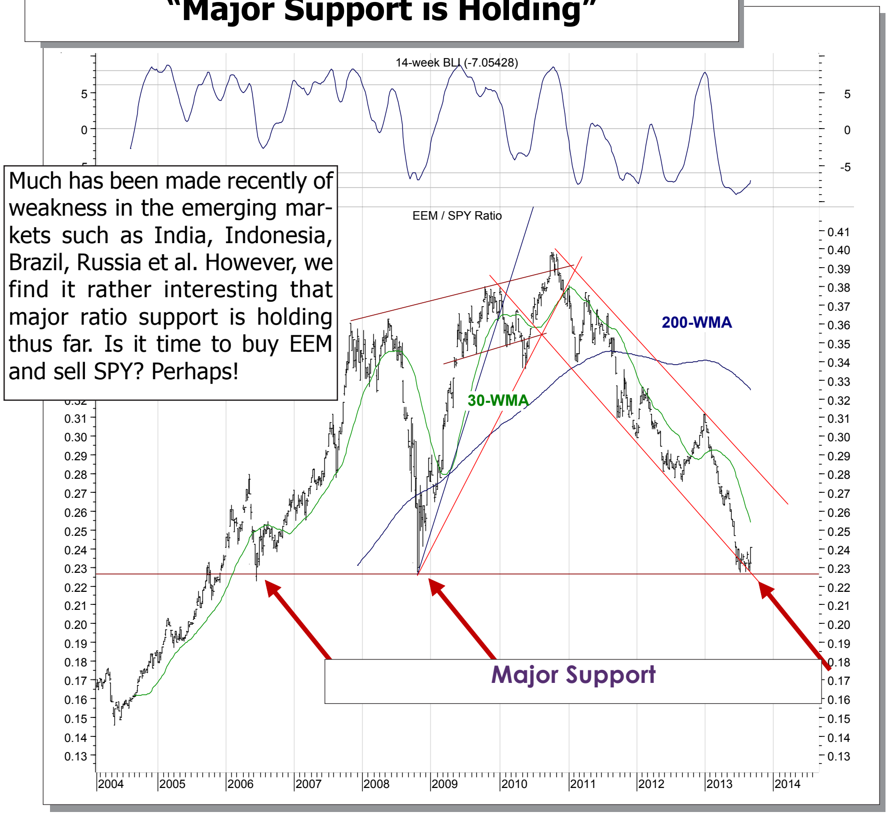
As for the Fed decision, it wasn't made any easier with Friday's US employment report, which was "weaker-than-expected."

That said, Japan's NIKKEI and China's SSE Composite rose rather sharply. The NIKKEI was higher due to a GDP revision higher, which allows it move ahead with its planned sales tax hike. In China, the August inflation figure was rather muted, and was another in a growing number of Chinese data points that suggest the Chinese economy is stabilizing. The NIKKEI rose a rather stout +3.4%, while the SSE Composite rose a sharp +2.5%. However, the European bourses have not found it feasible to follow suit this morning, with all the major bourses trading lower on the concerns outlined above. We find this rather "interesting" to be sure, for in the past – if Asian bourses

OVERNIGHT PRICES Quotes at: 7:35am EST

INDEX		LAST	DAILY CHG	CHG %	YTD	YTD %
Morning Futures						
S&P 500	up	1,657.50	4.00			
Nasdaq 100	up	3,143.50	14.00			
10-year Note Yield	up	2.92%	-2.0 bps			
Crude Oil	down	$ 109.95	$ (0.57)			
Euro €	up	0.1394	0.0012			
Yen ¥	down	1.0052	-0.0026			
Gold	down	$ 1,386.00	$ (0.50)			
Foreign Indices						
Japan Nikkei 225	up	14,205	344.4	2.48%	3,810	36.65%
SSE China Composite	up	2,213	72.5	3.39%	-57	-2.49%
German DAX	down	8,266	-9.2	-0.11%	654	8.59%
Spain Madrid General	down	870	-7.0	-0.80%	45	5.45%
Italy FTSE MIB	up	17,088	40.6	0.24%	814	5.00%
US Indices						
Dow Industrials	down	14,923	-15.0	-0.10%	1,819	13.88%
Nasdaq 100	up	2,984	3.4	0.12%	323	12.14%
S&P 500 Large-Cap	up	1,655	0.1	0.01%	229	16.06%
S&P 400 Mid-Cap	up	1,199	1.9	0.16%	178	17.47%
S&P 600 Small-Cap	up	581	0.2	0.03%	105	21.99%

Emerging Markets/S&P 500 Ratio (Weekly)
"Major Support is Holding"



were this strong – then we would have expected a VERY strong Europe and the S&P futures higher in double digits. This simply isn't the case, and it raises a myriad of red flags to be sure.

▶ **ON THE US ECONOMIC FRONT:** After last week's cornucopia of economic data, this week brings a dearth of data. Today, there is nothing other than Consumer Credit for July, and it is expected to rise by +13 billion, which is nearly the same as June's increase in the figure. Also, San Francisco Fed President Williams is expected to speak at 11am ET at the NABE Conference…the National Association of Business Economists. Mr. Williams spoke last week on the taper issue, and noted that he has seen enough labor market improvement to vote to a taper in September. Moreover, Mr. Williams is one of the more "dovish" of FOMC committee members, but he doesn't have a vote this year.

▶ **TRADING STRATEGY:** Again, there is nothing new from our perspective. We believe a top has formed in the broad averages, with the S&P 500 breaking and remaining below intermediate-term support at the 60-dma, with this moving average turning lower – suggesting an extended period of weakness. Our downside S&P target stands at the 1530-to-1560 zone – of which within this zone crosses the long-term 15-month moving average. As for its higher-beta cousin the Russell 2000 Small Caps, we expect a drop into the 875-to-900 zone. At this point, we expect this to be an intermediate-term high rather than a longer-term high given there is scant evidence this is anything more than just that. Now, there are various long-term indicators that indeed say this is so, but we simply don't have any level of confidence as of yet this is absolutely the case.

We are positioned for just such a decline – a return to "safety" so to speak. But as for additional positions, we are not ready to put any further capital to work at this point. We'll let the market guide us at this point, for we are already rather aggressively short. If we were to consider doing more on the current front, then we'd look to be buyers of TMF again, and of SCO as the short-to-intermediate term is lower for bond yields, while crude oil appears to have forged a high near $112.

Good luck and good trading,
Richard

S&P 500 Index/ Broad Mkt Indicators

S&P 500 Technical Comments

➔ **NOTHING HAS CHANGED REGARDING A TOP:** The overbought condition resulted in prices testing and ultimately violating the rising 60-dma. And perhaps more bearish, this moving average is rolling over, which suggests the trend is now lower. We'll now look upon a clear breakdown of trendline suppport as confirmation that a larger decline is underway towards major support levels. We believe this is a decline of intermediate-term proportion at this point; more evidence is needed to declar this is a bear market decline of -20% or more.

As for targets, we've noted our target for the first major correction since the November lows is lower into the slowly rising 380-dema — the very same as the 2011 summer correction. This test will likely provide the next "tradable" buying opportunity in late October/November time frame.

TECHNICAL INDICATOR REVIEW:

➔ The 20-day and 40-day models both peaked at the +8 overbought level, and are in clear declines — although the 20-day has turned higher in a short-term fashion.

➔ The % of stocks above their 10-dma is back to "neutral levels" at the 50% level.

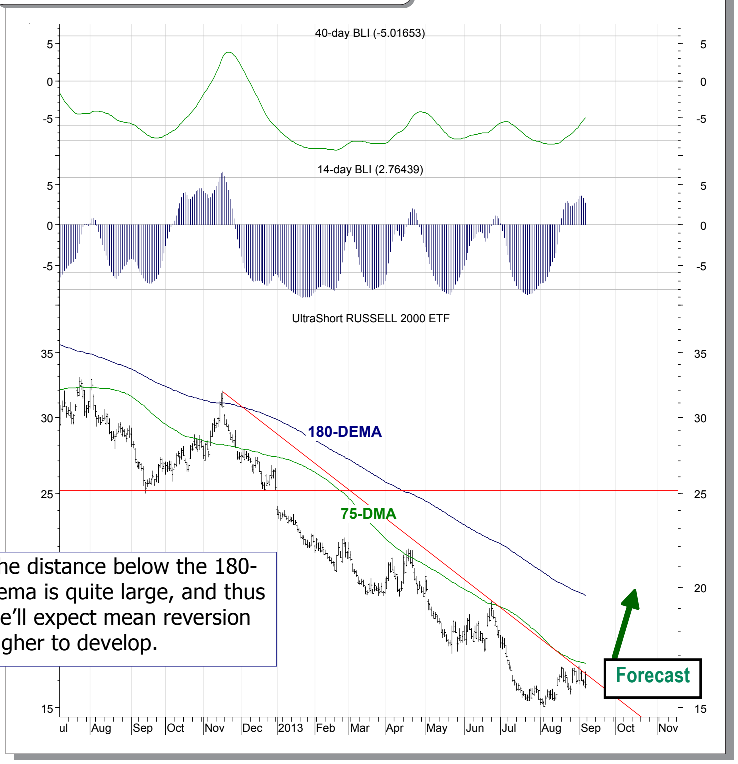
➔ The % of stocks above their 200-dma stands at 72%...flat from the prior close. *The 87% level marked previous highs. The 50-dma/150-dma cross breakdown now confirms a larger correction. Bottoms form between 30%-40%.*

➔ The Intermediate-term Model has broken below the 10-dma; a clear bearish signal.

Crude Oil 2x Short			SCO	
Last:	$	26.75	TGT:	$ 61.00
Entry:	$	31.90	STP:	$ -

30-yr Bond 2x Long			TMF	
Last:	$	44.28	TGT:	$ 62.00
Entry:	$	48.88	STP:	$ -

Russell 2000 2x Short			TWM	
Last:	$	15.85	TGT:	$ 19.00
Entry:	$	15.96	STP:	$ -



		0		0
Last:	$	-	TGT:	$ -
Entry:	$	-	STP:	$ -

TRR Model Portfolio: "Paid-to-Play"

No.	Trade Date	POS	Share No.	Name	SYM	Beta	Port %	Invest	Entry Price	Current Price	Unrealized P/L	Percent P/L	Stop Loss Point	TARGET
1	7/8/13	L	1,472	Crude Oil 2x Short	SCO	(0.60)	22.5%	$ 46,965	$ 31.90	$ 26.75	$ (7,576)	-16.1%	$ - "H"	$ 61.00
2	8/9/13	L	371	30-yr Bond 2x Long	TMF	(0.11)	9.4%	$ 18,119	$ 48.88	$ 44.28	$ (1,705)	-9.4%	$ - "H"	$ 62.00
3	8/15/13	L	6,811	Russell 2000 2x Short	TWM	(1.47)	61.5%	$ 108,728	$ 15.96	$ 15.85	$ (766)	-0.7%	$ - "H"	$ 19.00
4							0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
5				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
6				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
7				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
8				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
9				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
10				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
11				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
12				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
13				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
14				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
15				N/A			0.0%	$ -	$ -	$ -	$ -	0.0%	$ -	$ -
				TOTAL		(2.19)	93.4%	$ 173,812			$ (10,048)		"<" Denotes Change	

2013 RECAP	Starting Balance	$ 210,130			"T" = TRADE
	Closed Positions	$ (24,833)			"C" = CLOSE
	Open Positions	$ (10,048)			"E" = EXIT
	Dividends	$ 177			"H" = HOLD
	PORTFOLIO YTD (Gain/Loss)	$ 175,425	$ (34,704)	-16.52%	
	S&P 500 YTD			16.06%	
	Over/(Under) Performance			-32.57%	

TRADE PRICE NOTE: All entry and exit prices for stocks are the "average" of the high and low prices for the trading day as provided for byYahoo!'s website at http://www.finance.yahoo.com; unless clearly stated in the trade instructions below.

DISCLAIMER: *"The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so that investors' securities, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. The illustrations and charts in this report are educational only and do not take into consideration your personal circumstances or other factors that may be important in making investment decisions. This report is not a recommendation to buy or sell a particular security."*

TRADE ORDERS:

1. None.

TRADE EXECUTIONS:

1. None.

The "Blue-Line Indicator" or "BLI" Explained

The BLI is our simple momentum oscillator used for timing and trend decisions; we rarely if ever use other momentum indicators for we prefer to focus and understand one indicator really well rather than a basket of indicators that can at times be contradictory. Furthermore, we prefer to use the BLI in conjunction with basic chart patterns; it is our experience that this combination works rather well for type of trading style.

Basically, the BLI it is a full stochastic indicator derivative of our own undertaking; our changes have been several, but primarily relate to "smoothing" the indicator in order to provide for better signals once it does in fact change directions. We use varying time periods dependent upon whether we are working with weekly or daily charts. We have found that a 14-period BLI works well with the weekly charts, whereas both a 20-period and 40-period work well with daily charts. Obviously, the 40-period BLI catches longer and more tidal changes in direction. We normally don't use these in our Daily Bulletin given its shorter-term time frame, but behind the scenes it plays a big part.

When using the BLI with price charts; we look upon the following 3-factors as "set-ups" upon which the probability is highest to trade:

1. **BLI Extremes: Oversold (-6 to -8)/Overbought (+6 to +8)**
    - When the BLI trades into either extreme, our "reversal ears" go up as a change in trend becomes a higher probability. This puts the risk/reward dynamic in our favor generally, but we won't take a position without well defined stop losses and perhaps prices are trading into support or resistance as the case may be. However, we must note that extreme conditions can and will become more extreme in a powerfully trending market; hence this is the "caveat" to trading with the BLI in isolation.

2. **BLI Divergences: Positive/Negative**
    - A divergence is said to have occurred when the price and BLI do not make new lows/highs together. They in effect "diverge", with the BLI not confirming the prevailing trend. If the BLI turns higher/lower from below a previous BLI low/high – then a divergence is said to have occurred, of which the probability is increased that the trend is changing in favor of the BLI direction.

3. **BLI Reversals from Positive/Negative Levels**
    - Another very good BLI trading pattern which denotes a strongly stock is when the BLI turn higher from already positive levels – this suggests a strong upwards acceleration is underway. Conversely, a turn lower from already negative numbers suggests a strong downward acceleration is underway.