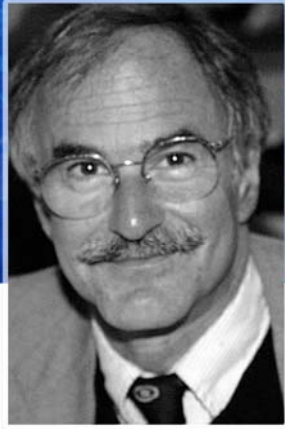


# The PAD System Report



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Special Bulletin November 19, 2008

S+P 500 828 DJ 8200

## WHEN WILL IT END?

The news only gets worse. The auto companies need a bailout. Citigroup is teetering. Claims for unemployment insurance are up sharply. Most of the world is in or close to a recession. Housing has yet to find a bottom. The national mood is dark. We cannot say when the bear market will end, or when the economy will turn around. We do believe that both will happen, and that the stock market, if it has not already hit bottom, will do so soon. We still believe the economy will hit bottom in 2009.

The print edition of the VL MAP is now at 160%, and our estimate is that at today's levels, the VL MAP is approaching 195%, which is closing in on the all-time high for this indicator. Stocks are incredibly cheap. We like all of our Model Portfolio stocks with the exception of Walgreen's. On our Buy List: American Ecology, Autodesk, Autoliv, Barnes, II-VI, Kinetic Concepts, Netflix, Precision Castparts, and Western Digital. These stocks are below or near their maximum buy prices under the PAD System rules. (Note: Subscribers can now check the stocks in the Model Portfolio by clicking on "Current Model Portfolio" in the Subscribers Only portion of our website.)

**RECOMMENDATION:** We will go to the store again with our Buy List and put more of our cash reserves to work now. On this trip we will purchase an old PAD conservative favorite, Automatic Data (NYSE-ADP), which is very cheap at 35. The stock has 3-5 year appreciation potential of 70-85, and a nice dividend yield of almost 4%, about the same as long-term US Treasuries. The dividend has been raised every year for many years, and the company has the highest financial strength ranking of A++ with almost no long-term debt. Earnings for fiscal year 2009 should easily beat fiscal 2008 (ended June 30), which was an all-time record. The company also buys back its shares, which juices earnings per share. We will buy 250 shares of ADP right now. (Note: the Editor has owned ADP since 1988.)

**ADVICE:** We are loaded for bull. Our goal is still to be fully invested before the end of the year. We have one more trip to the store left. Subscribers who are holding lots of cash should also consider all of our Model Portfolio stocks for purchase, with the exception of Walgreen's. These are the times that test us as investors. Be strong. Our patience and discipline will see us through. (11/19/08 9:30 AM PST)