

# Cycle Projections

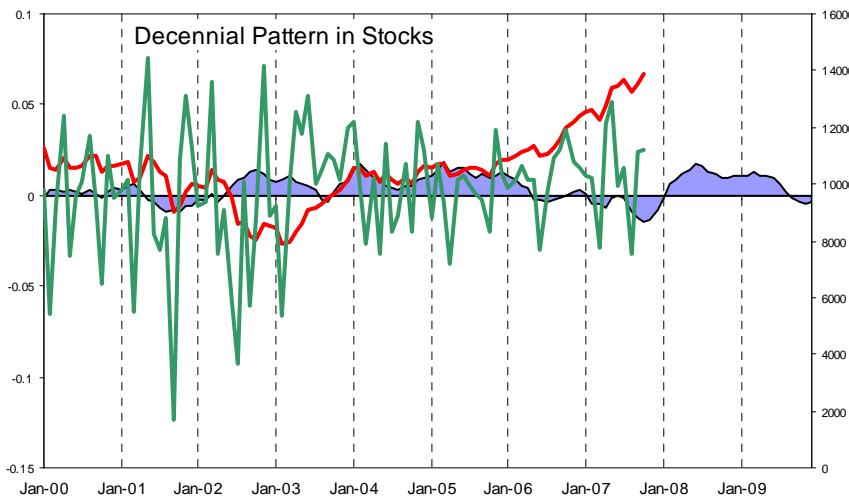
DECEMBER 2007

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

## The Economic and Equities Conundrum of 2007

Whither stocks, up or down? As the fall of 2007 arrived we found the real estate market falling and the lending market in trouble and mired in a sub-prime mortgage mess. As well, the economy was beginning to show signs of faltering accompanied by the biggest commodity bull market since the late 1970s. Then enter the Fed. The Fed has turned aggressive in lowering interest rates under its control. All of this has taken its toll on the US dollar.

So just prior to the holidays the question is whither stocks? There is an old stock market saw that states "If Santa fails to call then the bears will come to Broad and Wall". So it is time to check our list not once and not just twice, but at least thrice. We have a long list of trouble and one bit of good news called Fed Intervention. What do the cycles say? Short-term the market has made a low and is now rallying but the question is will it lead to a new bull market or to more corrections?



Cyclically crude oil and gold are due to continue a correction for the month of December although likely with limited additional downside. This is positive for the stock market and the US

dollar. The Fed has eased and that is positive for the stock market. However a funny thing happened in June, the bull market stopped making much progress and has managed at best, in most averages, marginal new highs.

Can this market put on another bull leg in light of all the bad news? The Decennial or typical 10-year pattern argues that it should but the economic realities do not necessarily support this possible outcome. The 40-month cycle that has been dominant in the stock market for many years is now turning down and we expect that the stock market will continue to go sideways and correct until we get closer to the election.

*Cycle Projections*

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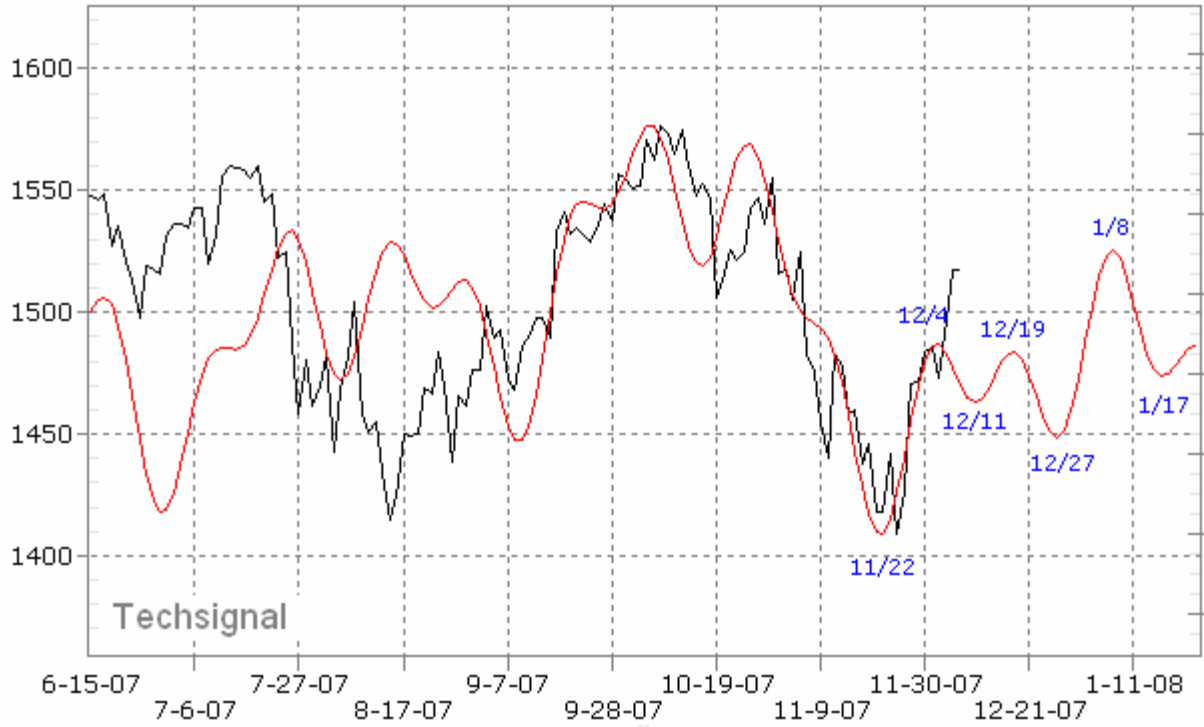
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# Stocks

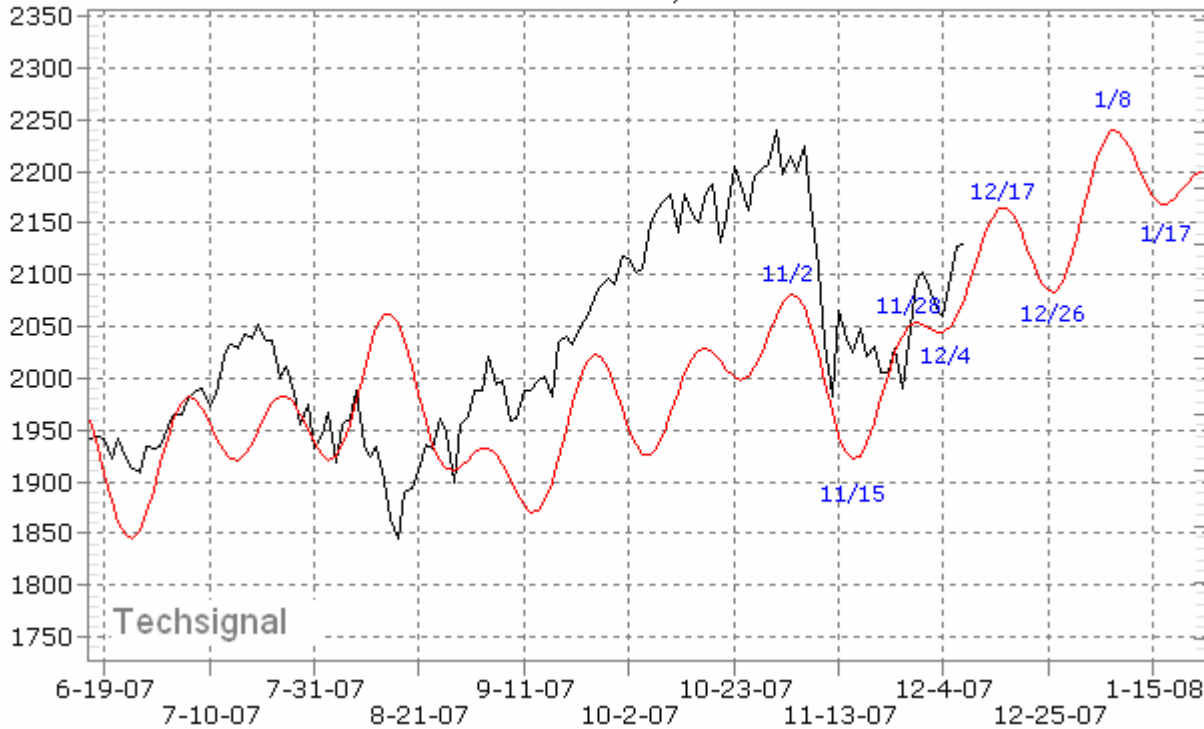
## S&P 500 Index SP

Daily



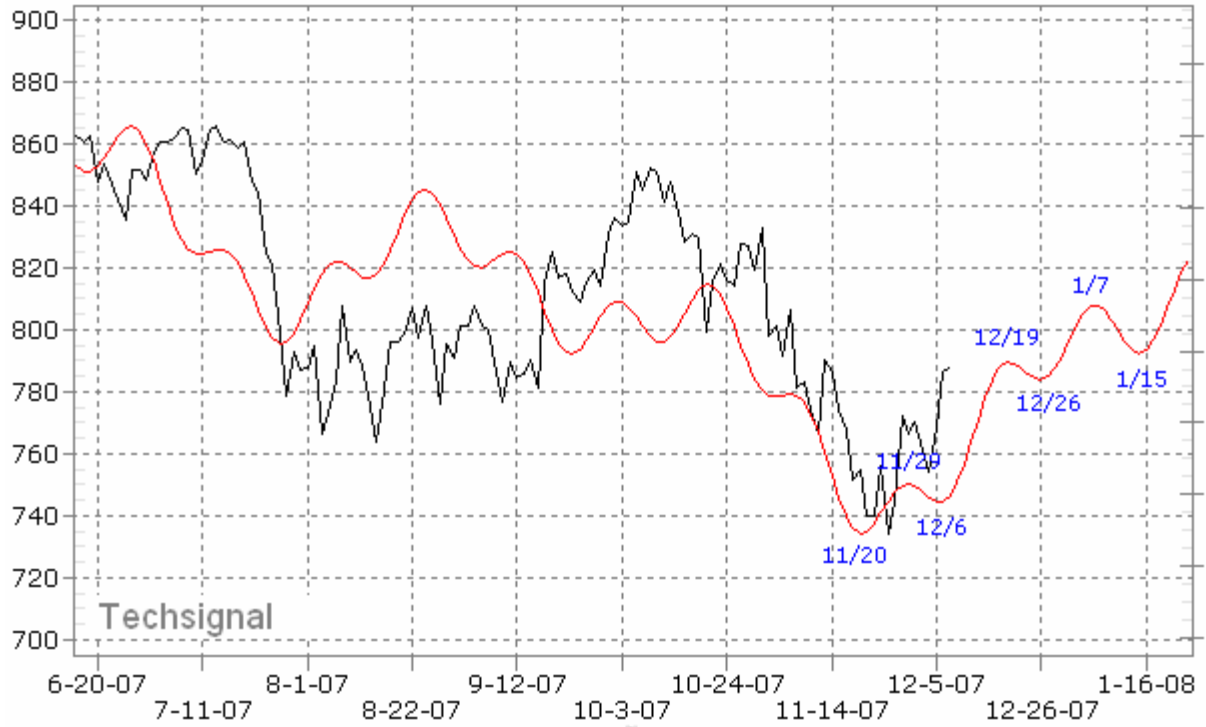
## Nasdaq 100 NDX

Daily



# Stocks

## Russell 2000 RT Daily

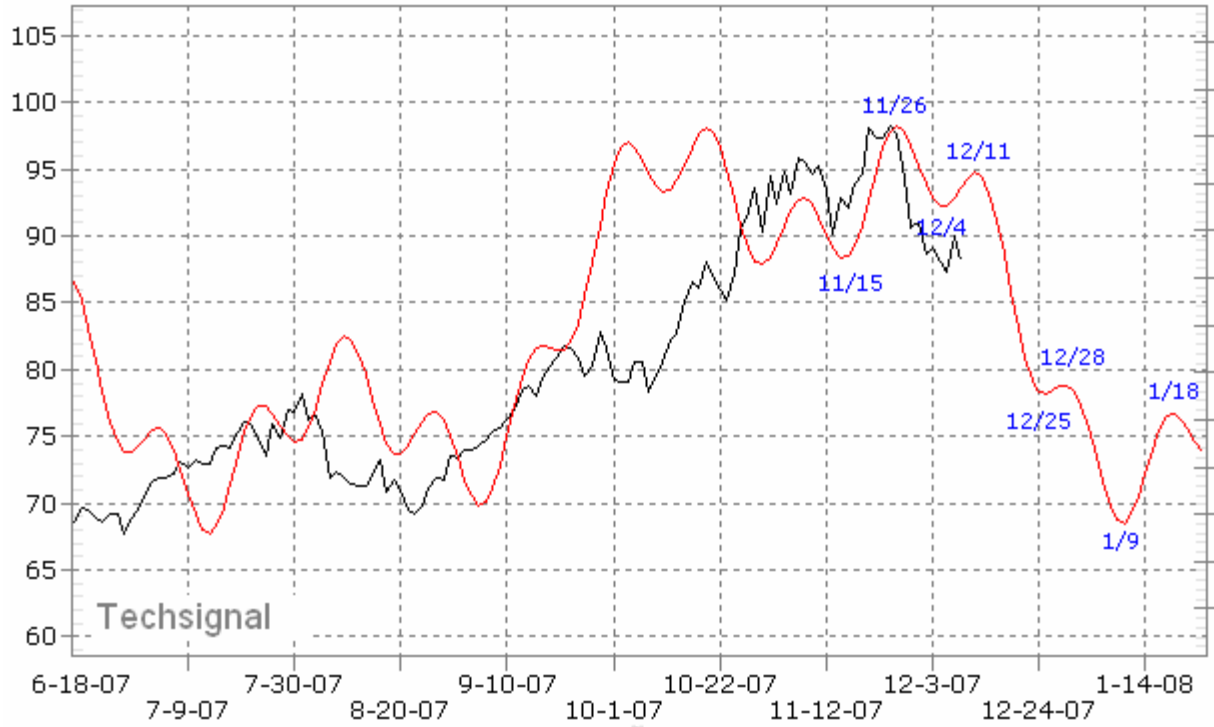


## Dow Jones Transport DJTA Daily



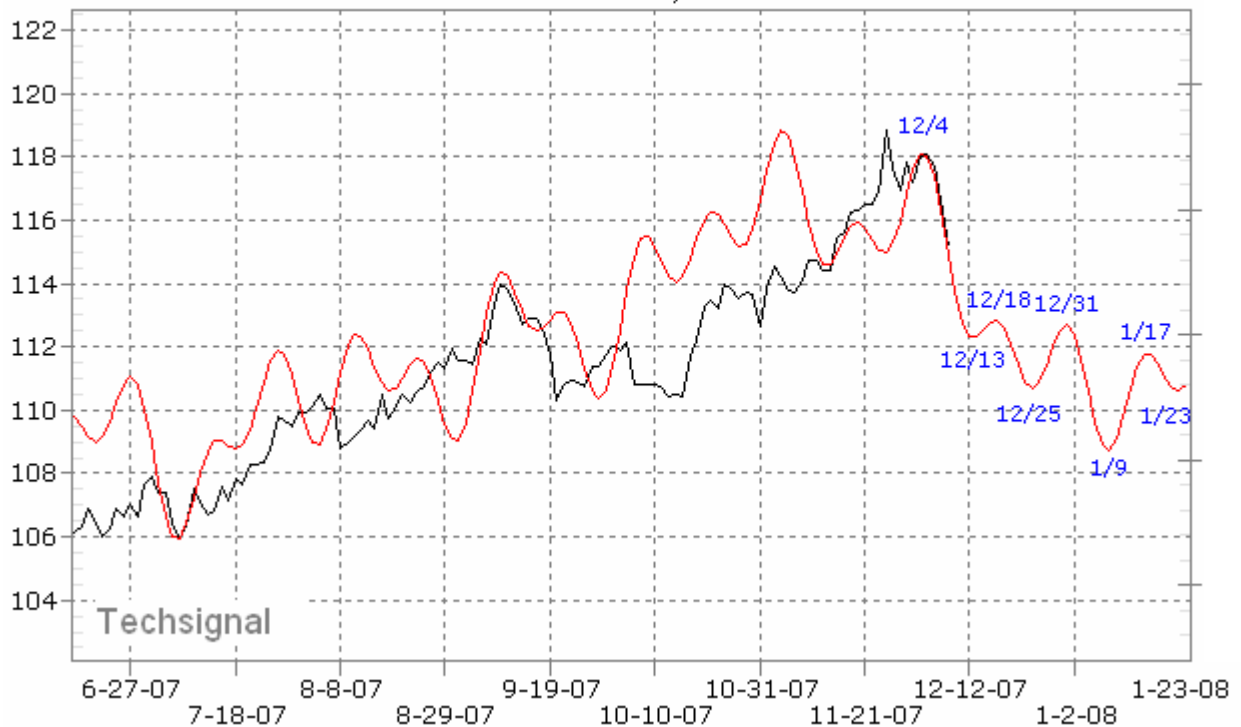
# Energy

## Crude Oil NY CL Daily



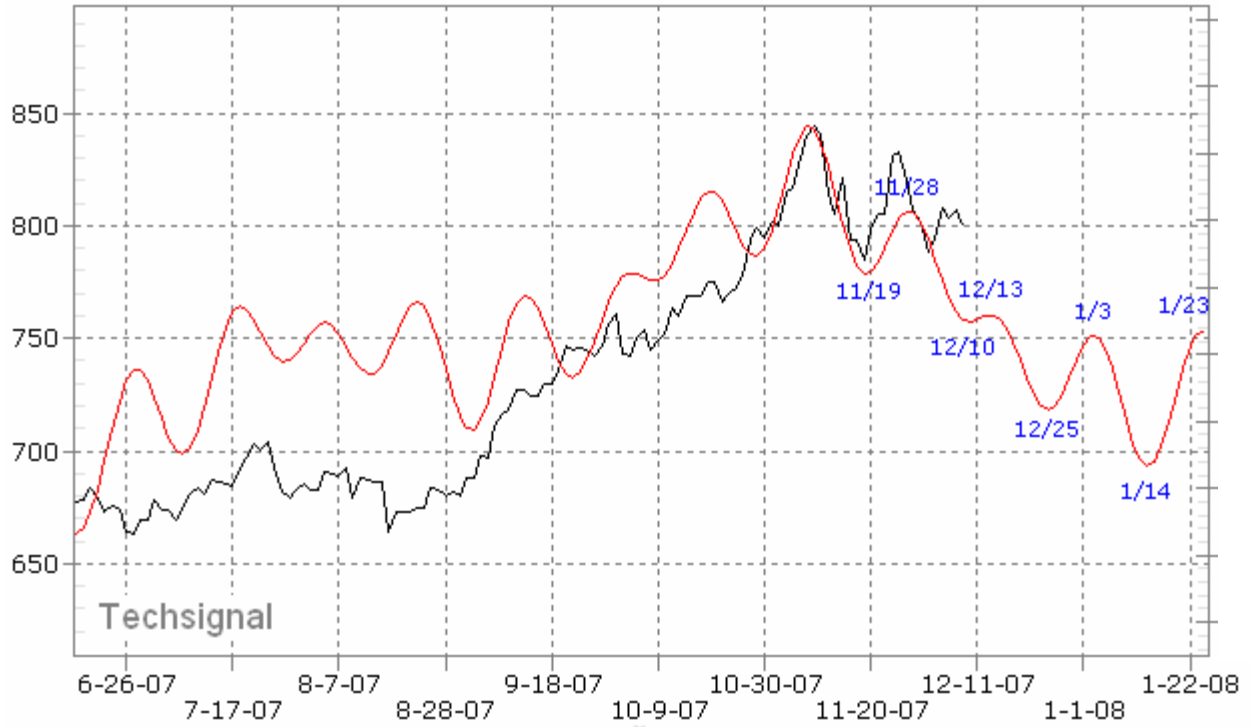
# Interest Rates

## T-Bonds 30Yr CBT TQ Daily

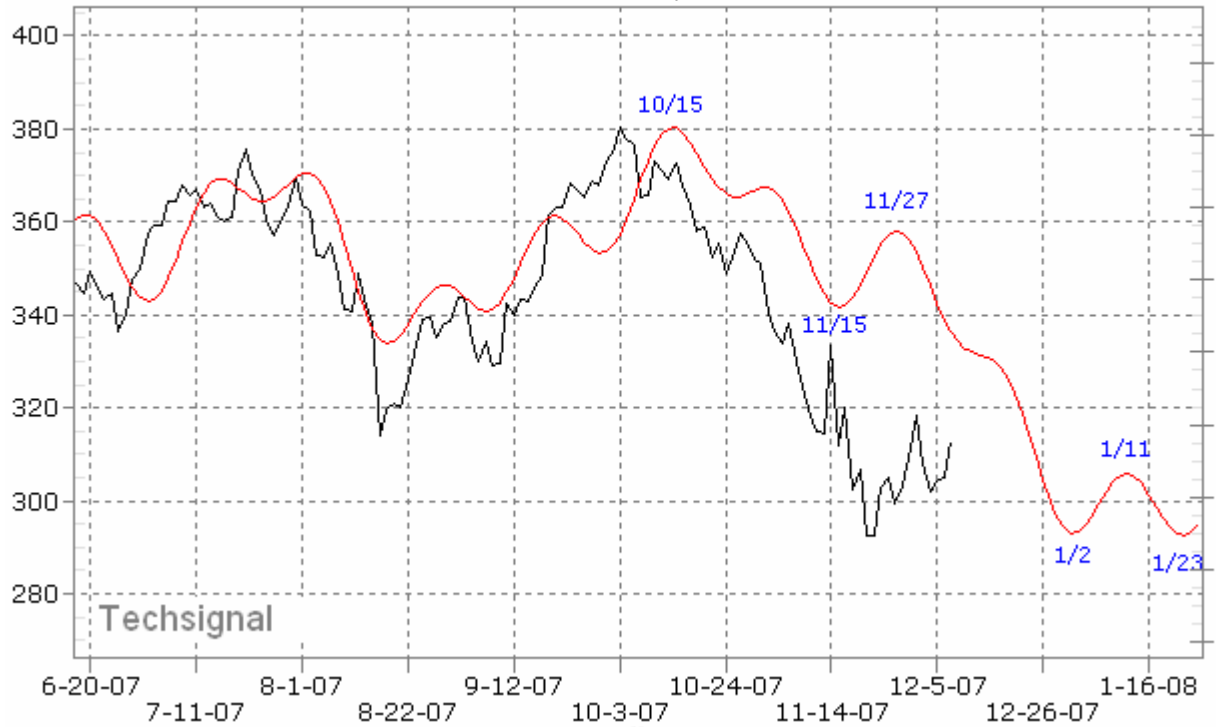


# Metals

## Gold Comex GC Daily

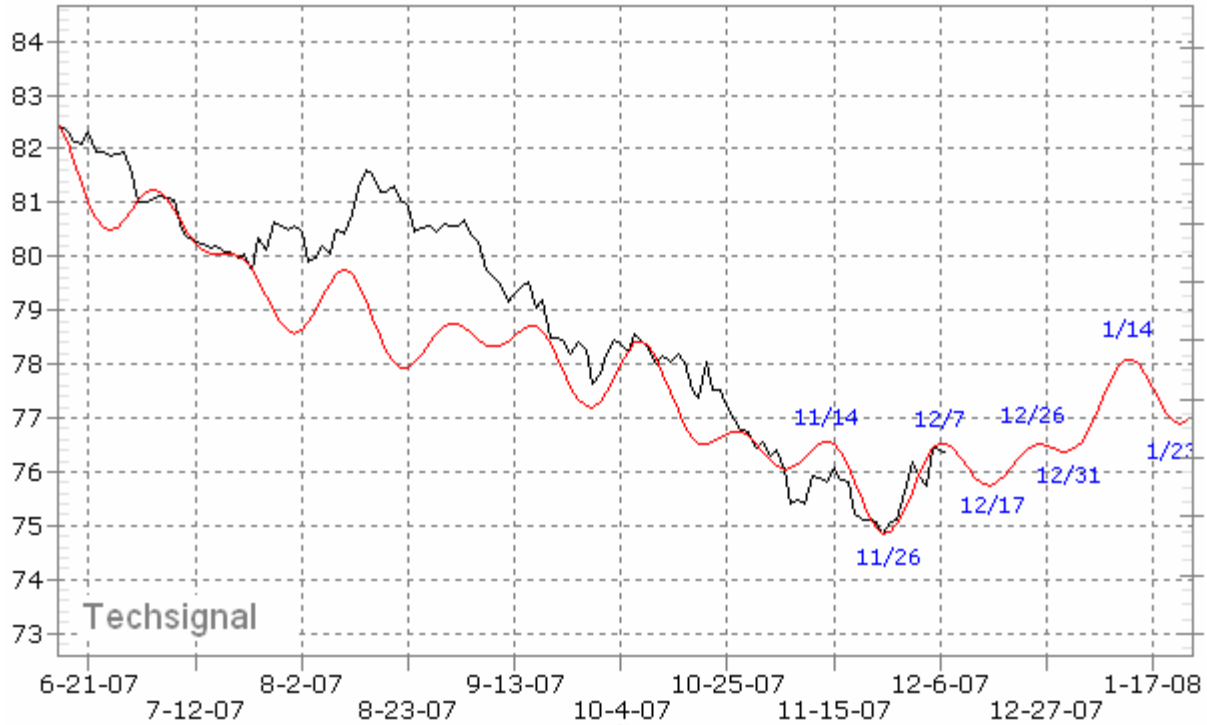


## Copper HG NYMX HG Daily



# Currencies

## US Dollar Index DX Daily



## Japanese Yen JY Daily

