

# Cycle Projections

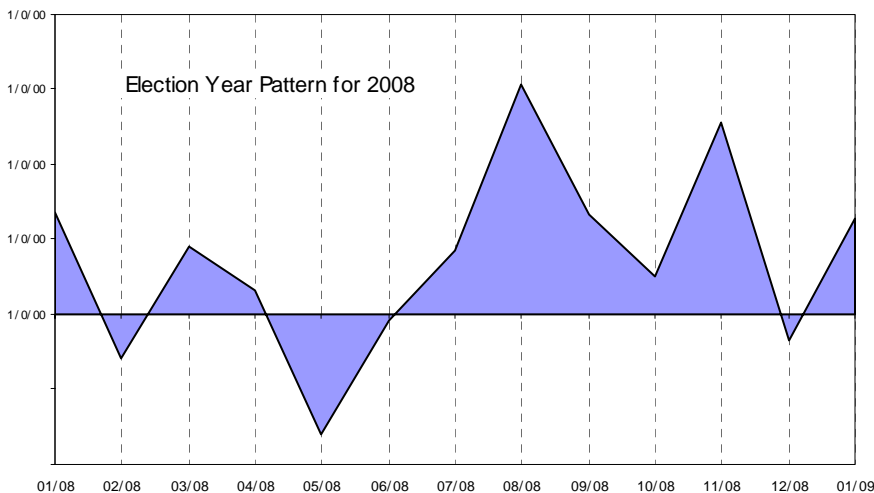
FEBRUARY 2008

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

## How Long will the Rally Last?

The equities market continues to struggle. We have been down nearly 20% on the S&P 500 and the cycles and patterns argue for a reflex rally to March and then a retest of the recent lows in April or May. If the retest fails we could go down even further. If this market was a Roman Catholic patient someone would be considering calling a priest.

The election year pattern gives the major pattern and is in harmony with the cycles. Expect a rally from the end of January ending in early March and then the retest. Nothing really fundamentally has changed in the market. We have higher energy and food prices and major financial woes in the sub prime markets and in real estate. We likely are in a recession as we write, only time and the numbers will confirm this. The best we can expect is a slowdown.



Inflation has not yet hit interest rates but it is a matter of time when the Fed will stop lowering rates and the inflation indices start moving higher and higher; not that they have not already moved. The cycles in crude oil and agriculturals point to higher prices for at least all of 2008. It would take a major recession to moderate inflation, with the more likely scenario being stagflation, the worst of both worlds.

Bond prices continue to rally even in the face of inflation, which goes to show how fractured the usual patterns are. This is not uncommon at 60-year cycle highs in Bond Prices, which is precisely what we have made over the last year or so; but it is not likely to last once the Fed has ceased its intervention. Which it will. The only hope for continued higher prices is a recession and that is at best a faint hope.

The metals continue their meteoric rise with a hesitation now and again, which is preferable to the blow off top of 1980s and more likely to lead to a more sustained rally and higher prices.

At this point, we don't expect this bear market to resemble 2000-2003, We feel that it will be a deep decline, which it already has been, but it will not last 2 or 3 years. If it does we have not seen the signs of that yet. The markets have little or no energy and what can't go up will go down. We will continue to monitor the situation.

*Cycle Projections*

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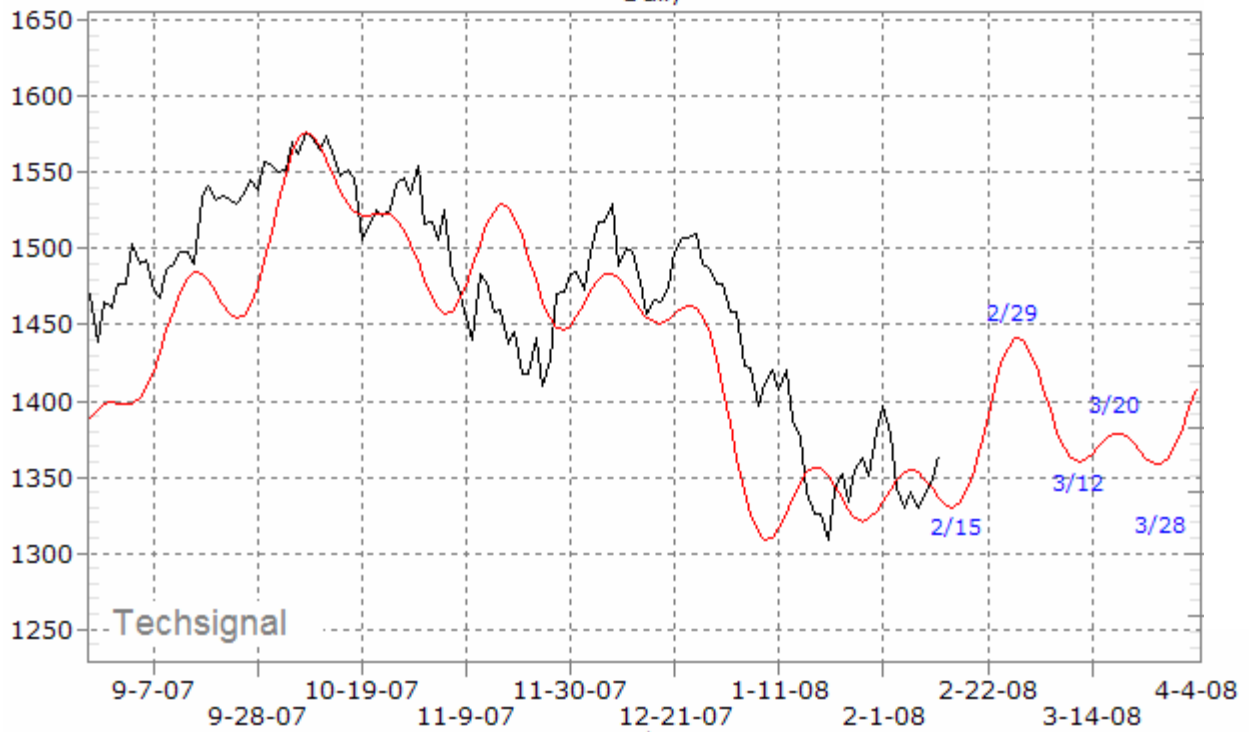
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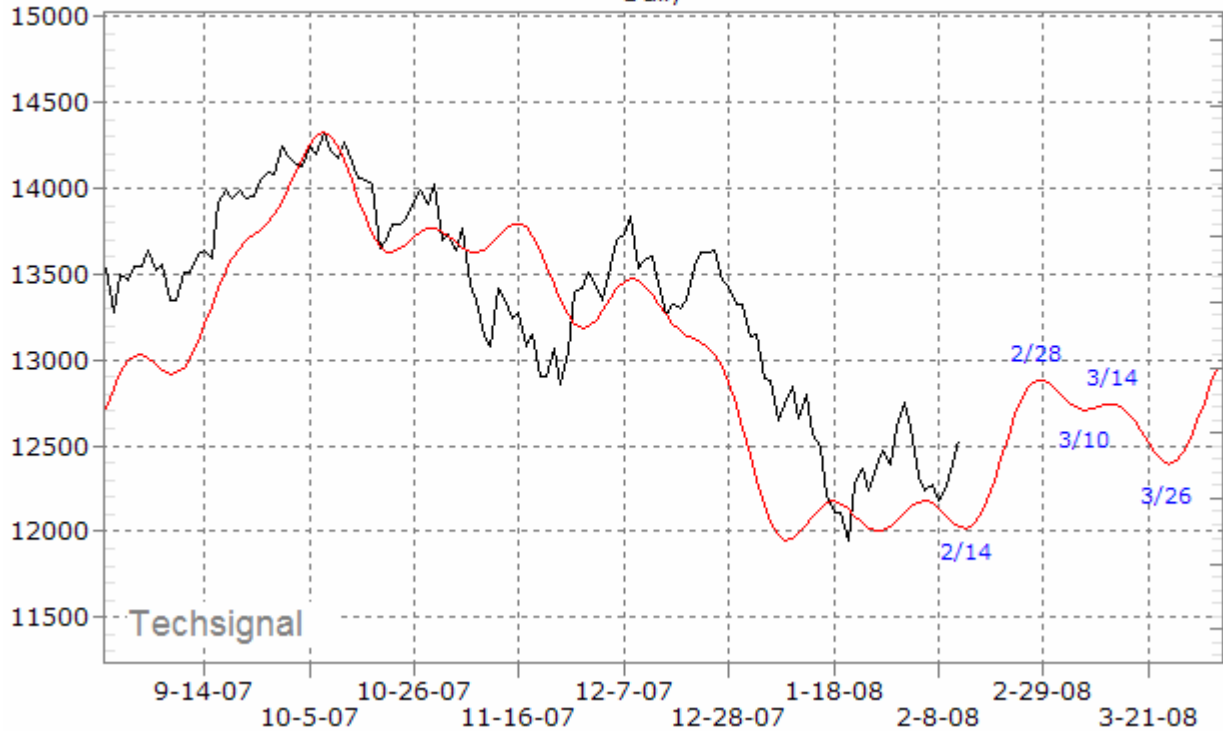
## Daily S&P 500

S&P 500 Index SP  
Daily

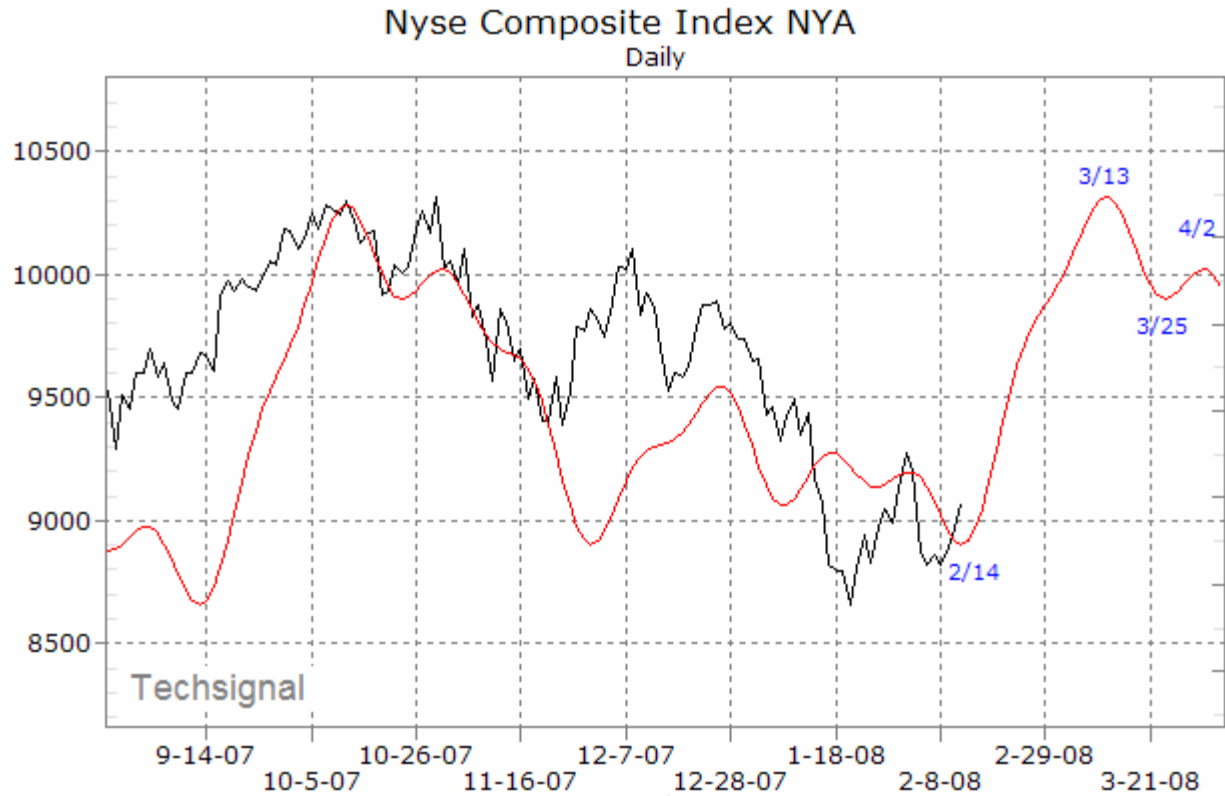


## Daily Dow Jones Industrials

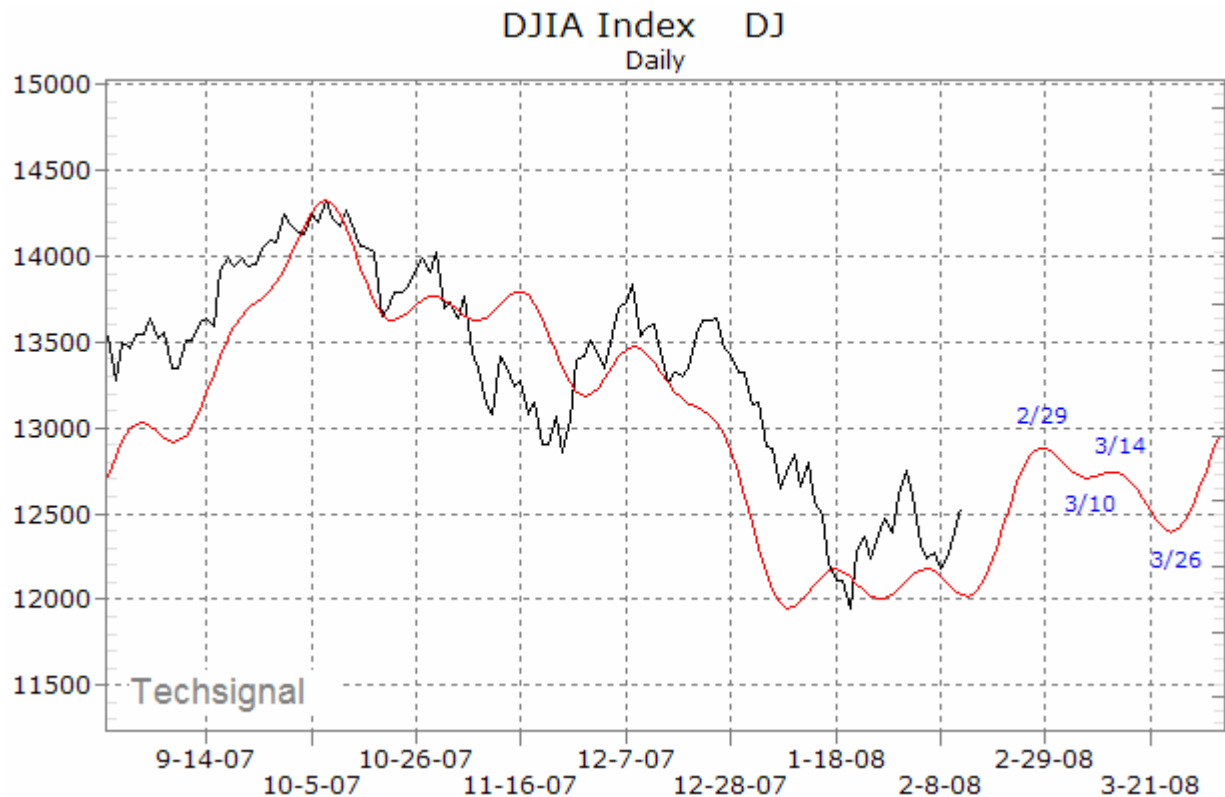
DJIA Index DJ  
Daily



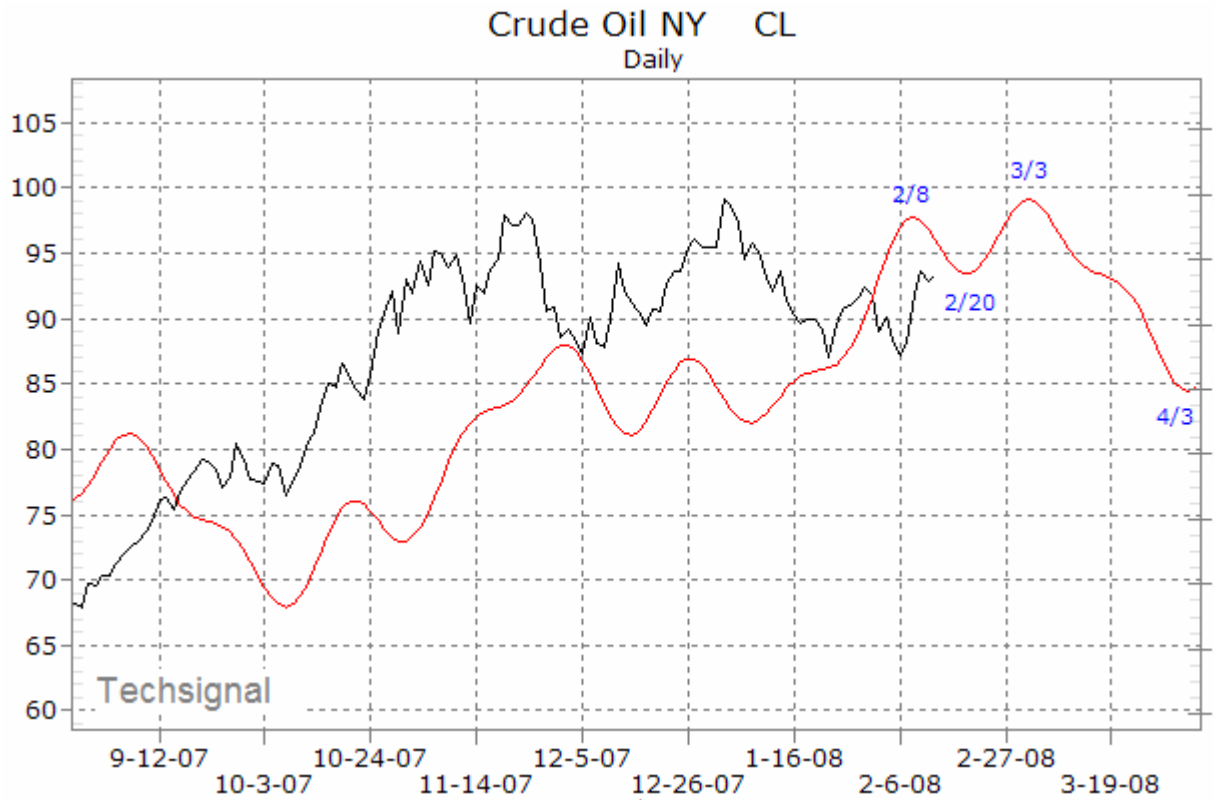
## Daily NYSE



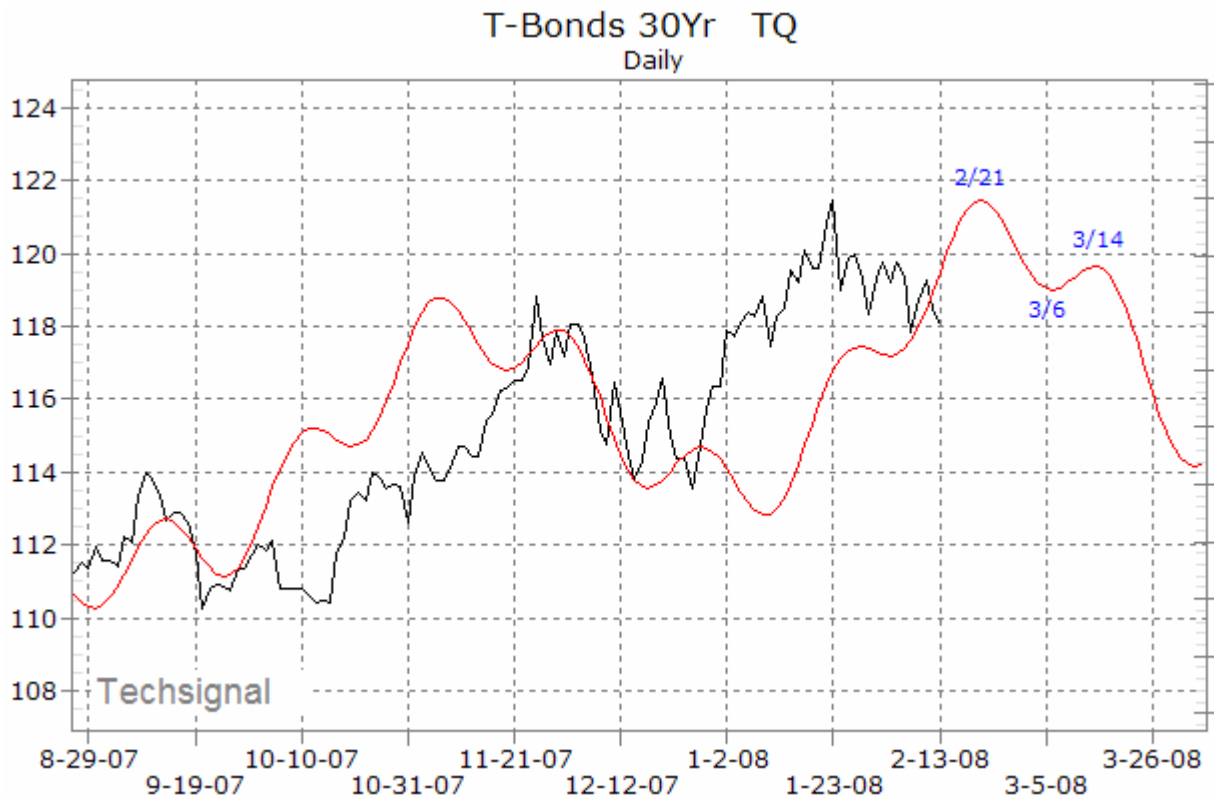
## Daily Dow Jones Utilities



## Daily Crude Oil

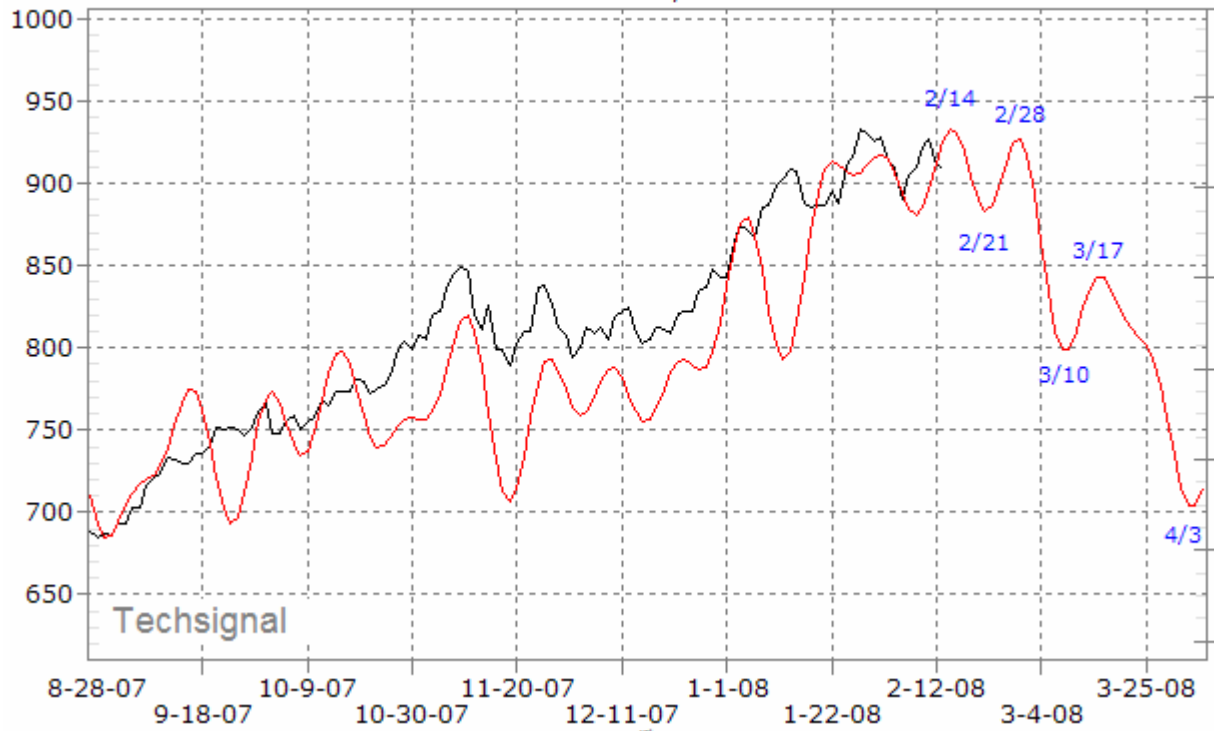


## Daily T-Bonds 30 Yr.



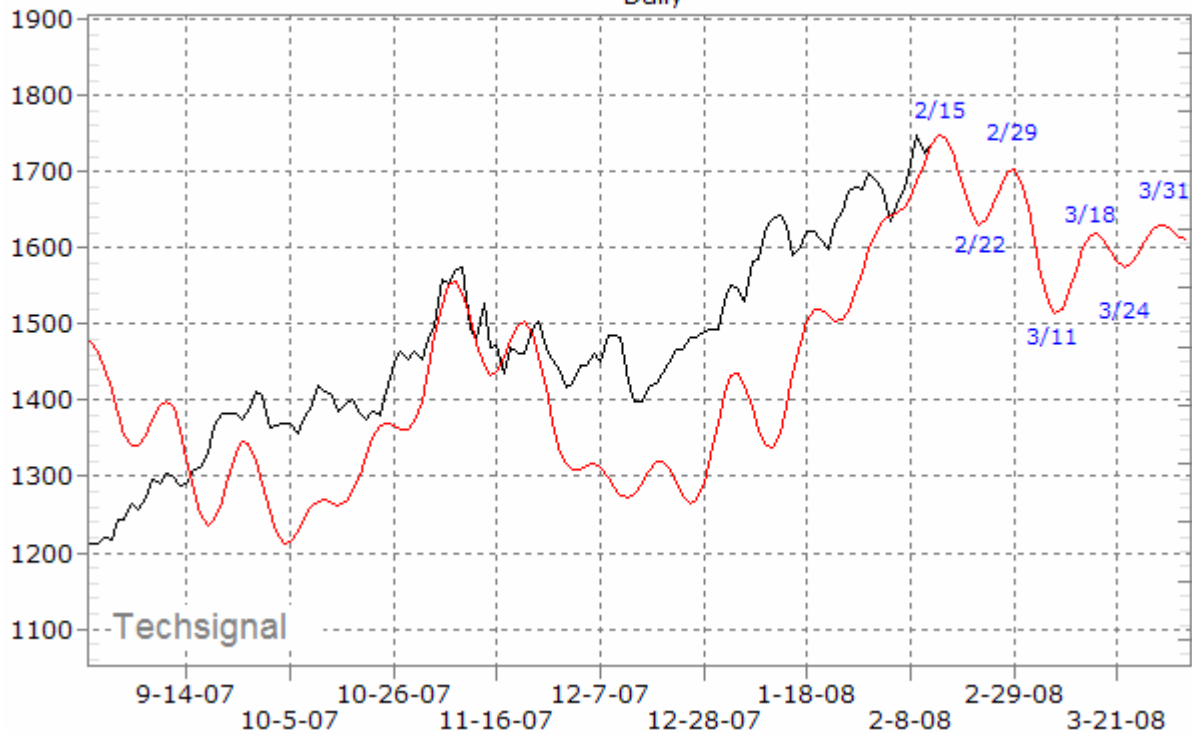
## Daily Gold

Gold Comex GC  
Daily



## Daily Silver

Silver Comex SI  
Daily



## Daily US Dollar

US Dollar Index DX  
Daily



## Daily Euro

Euro FX EU  
Daily

