

Cycle Projections

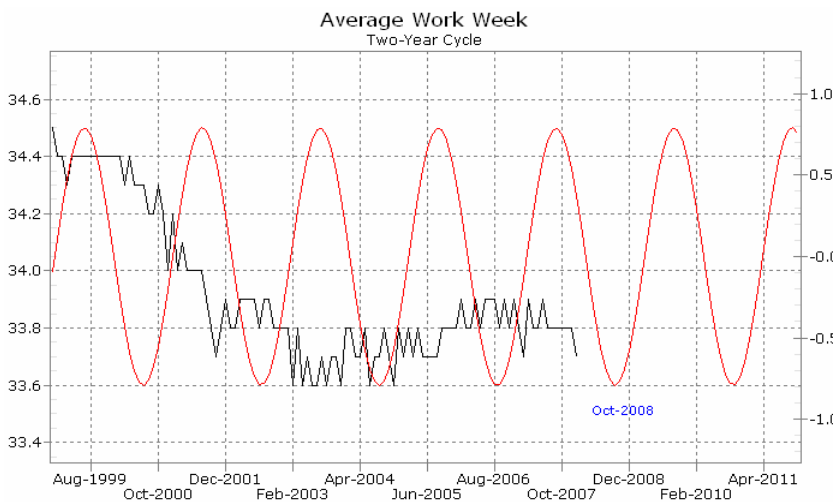
MARCH 2008

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

Have Stocks Bottomed?

There are several issues that are at work in the economy which will determine the near-term. Credit remains an issue as does real estate and the slowing economy. How the slowing economy affects the consumer will be important. The chart below shows the average workweek. This shows the average number of hours that are worked by employees and it is easy to see that since 2000 employees have lost an hour of labor. This gives another picture of employment that is not shown in the employment rate.

Yes, people are working, but are working less. This reflects two realities; one we have lost production in the US and two we have not had a robust economy despite the higher stock prices of the last couple of years. And the question is; have we hit bottom in stocks and the economy? First, stock prices



are a leading indicator and turn up prior to the economy. The Average Workweek is months away from a bottom and is likely to continue to upset consumers along with faltering real estate prices. The answer to whether the bottom is in is complex. Clearly the economy is months from a bottom but the stock market could well have seen a low. I would give it a 40% chance that the low is in. The main contra indicator is the election year pattern which argues for lower prices in May. But this pattern is made up of 36 elections and there are differences. If this is a

bottom, however, don't expect necessarily a major rally. It is more likely to see a trading range and a broad base develop. It could take until at least May until we move significantly higher.

The next issue is commodity and gold prices. Is the rally over? Or is it a seasonal correction? In March and April commodity prices, including crude and gold, usually correct. The correction has been significant but will the bull market continue. I believe it will continue and we will rally into the summer with gold reaching \$1200 an ounce and crude above \$100 a barrel. Crude has limitations due to demand that gold does not. Growing commodities should continue to rally unless we are hit by a worldwide depression, which is not likely at the moment.

If the credit markets calm down, which they should, and real estate stabilizes, we should avoid deep problems. The time frame would be by October of 2008 to see some improvement. You need to feel sorry for the next President of the US because there are many other problems yet to be dealt with.

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Daily S&P 500

S&P 500 Index (Pit) SP
Daily

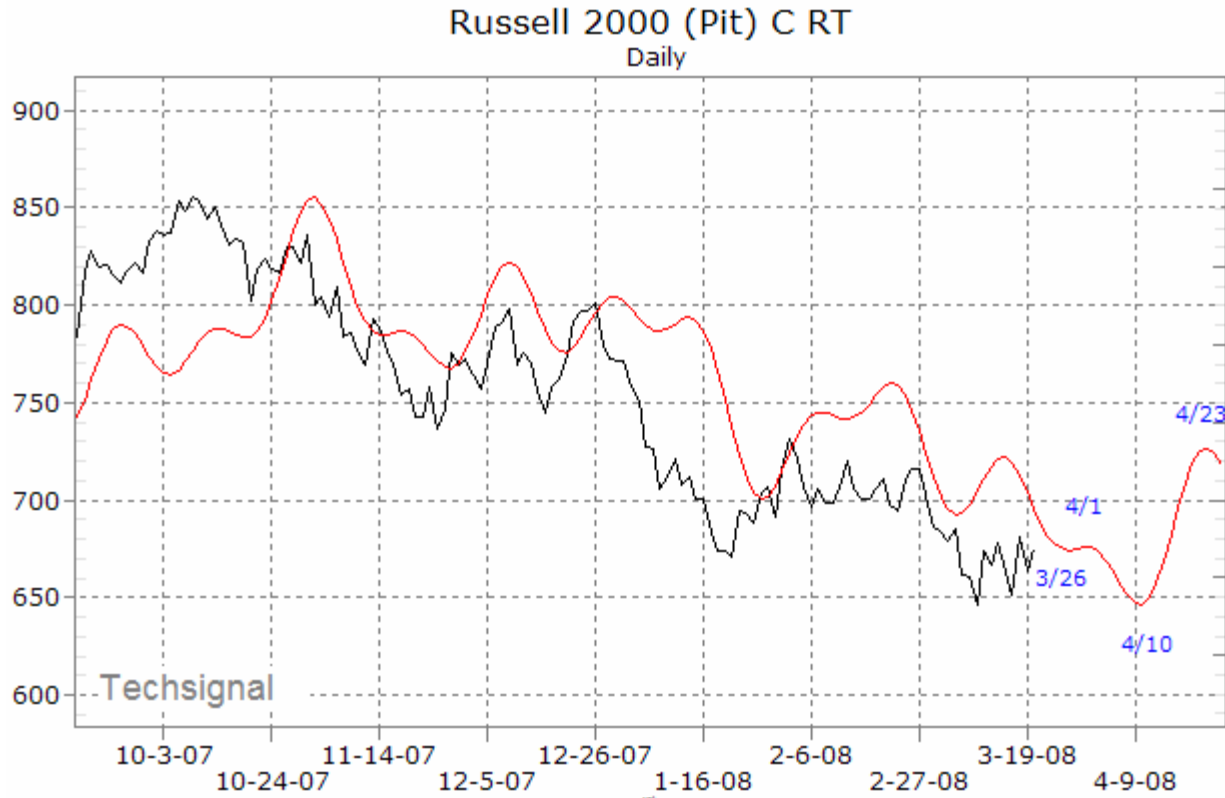


Daily Dow Jones Industrials

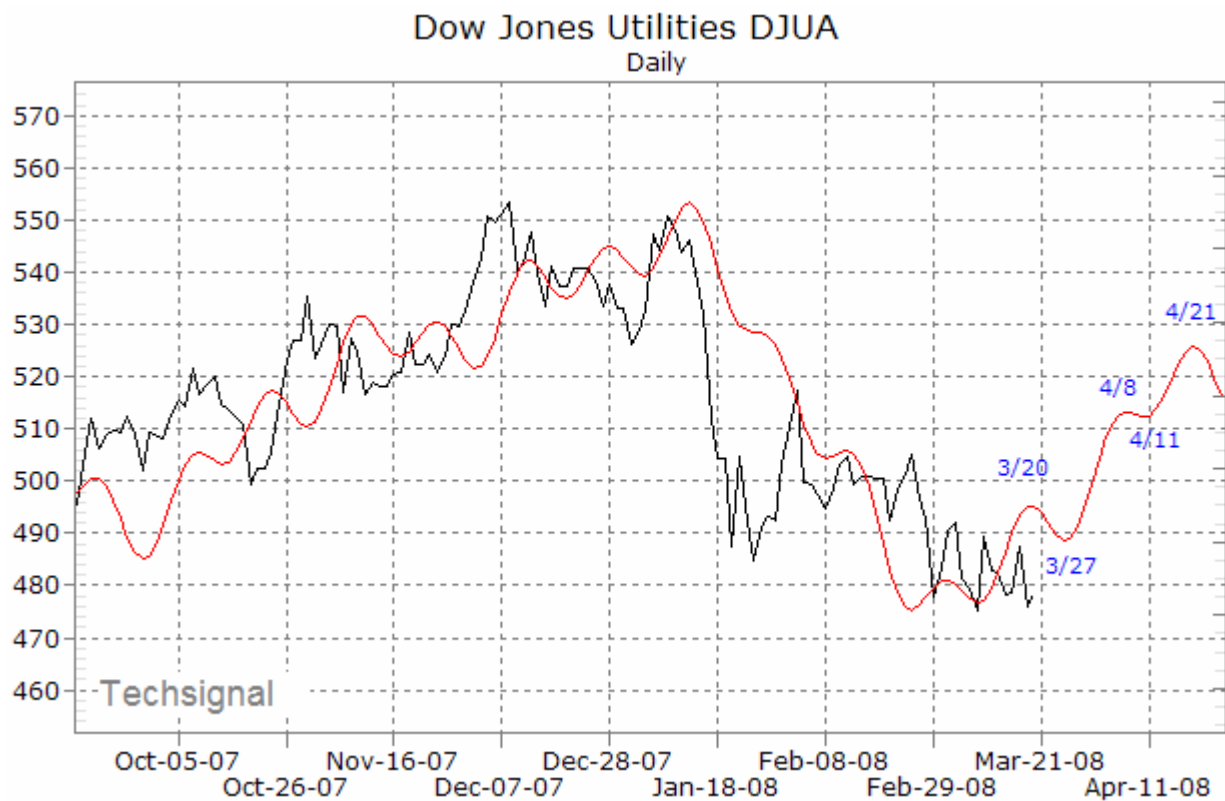
DJIA Index (Pit) Cad DJ
Daily



Daily Russell 2000

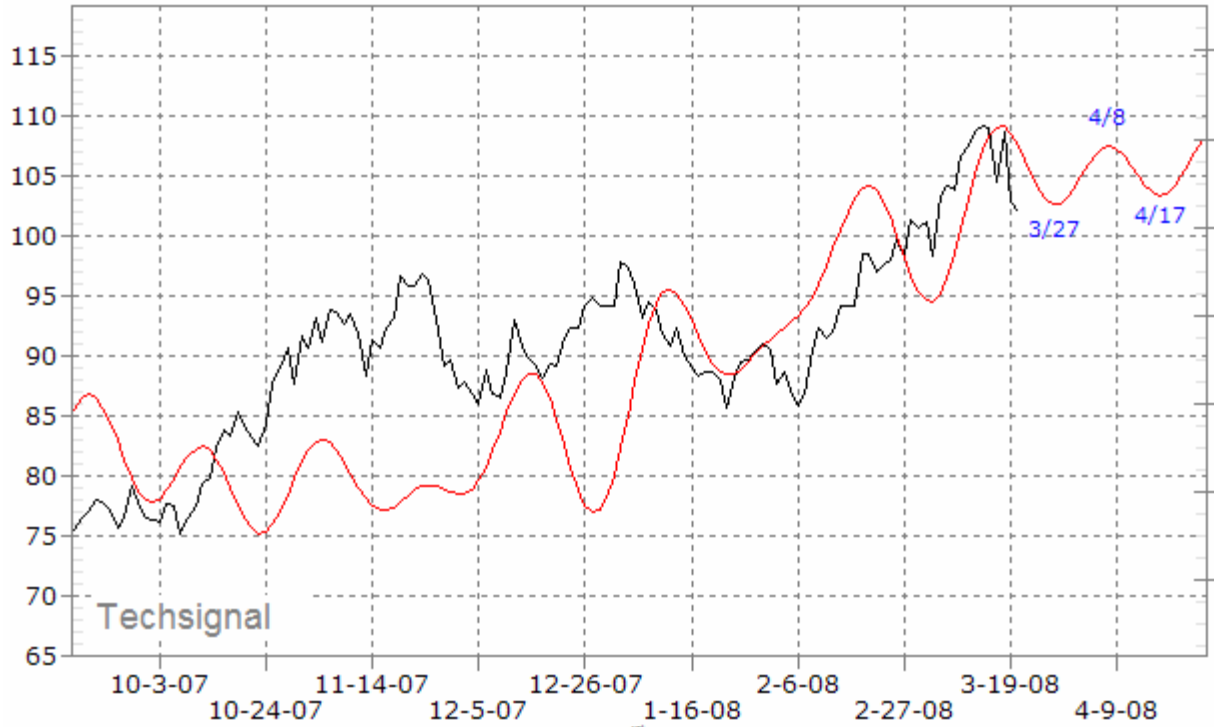


Daily Dow Jones Utilities



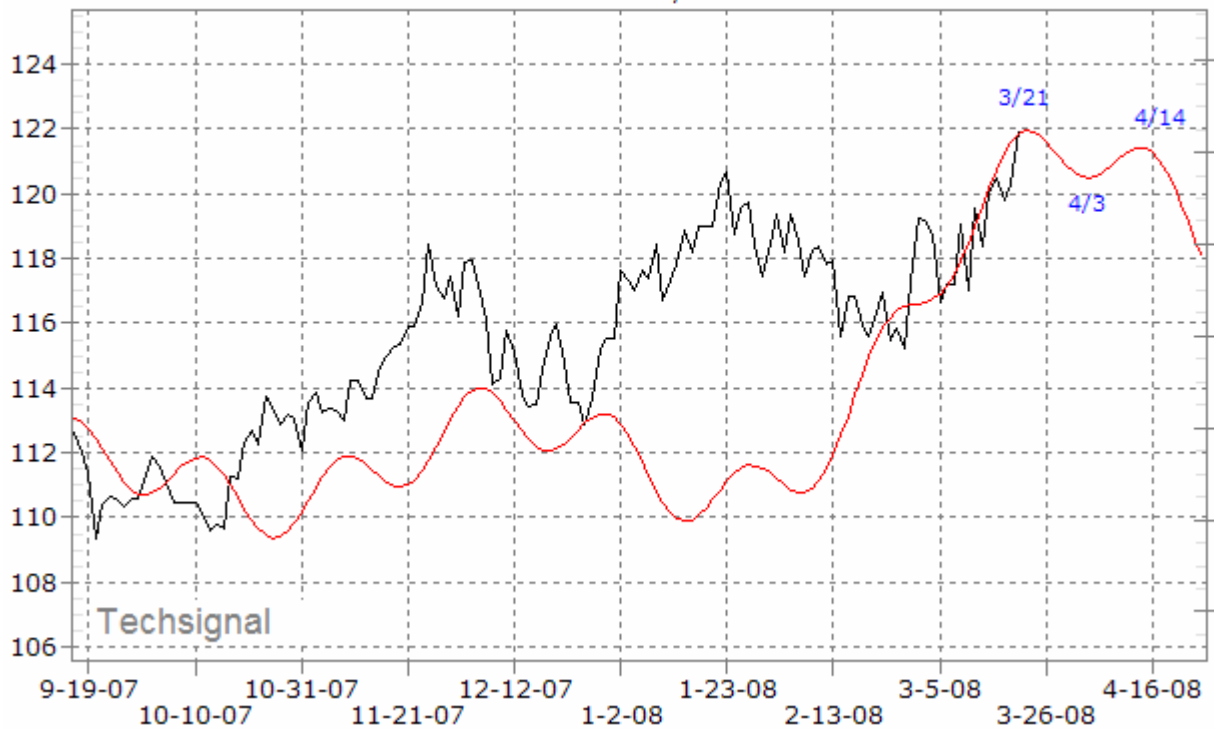
Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



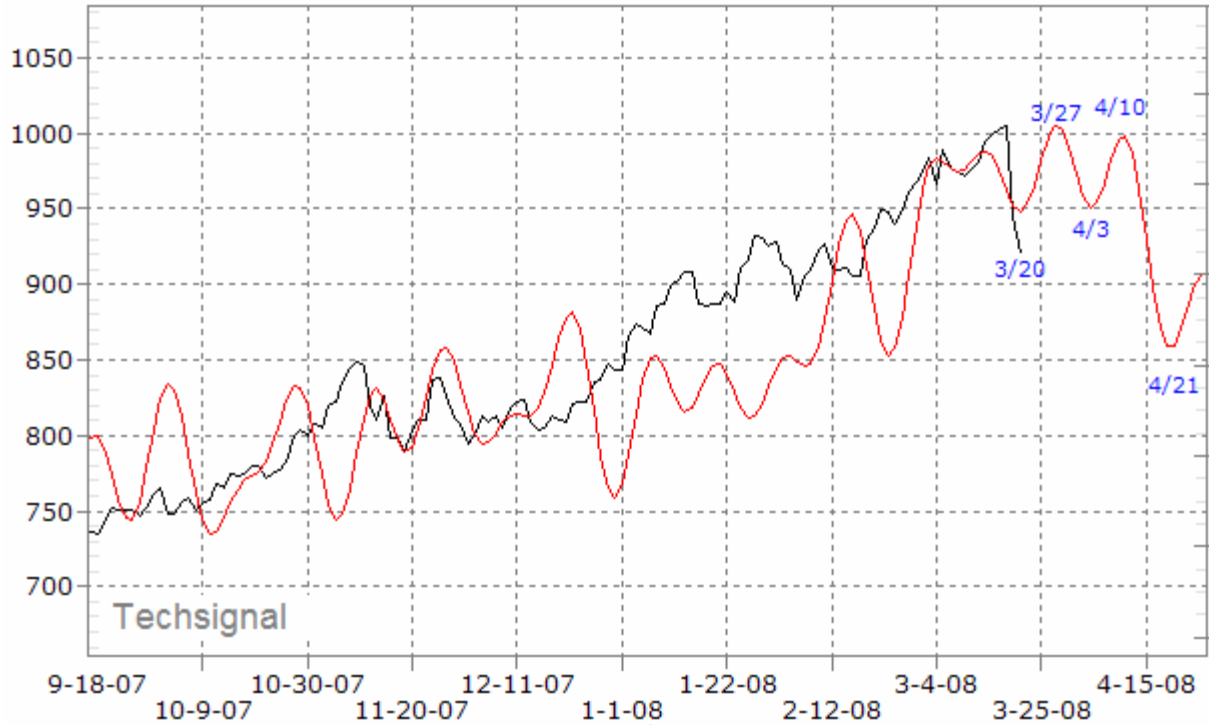
Daily T-Bonds 30 Yr.

T-Bonds 30Yr CBT Pit TQ
Daily



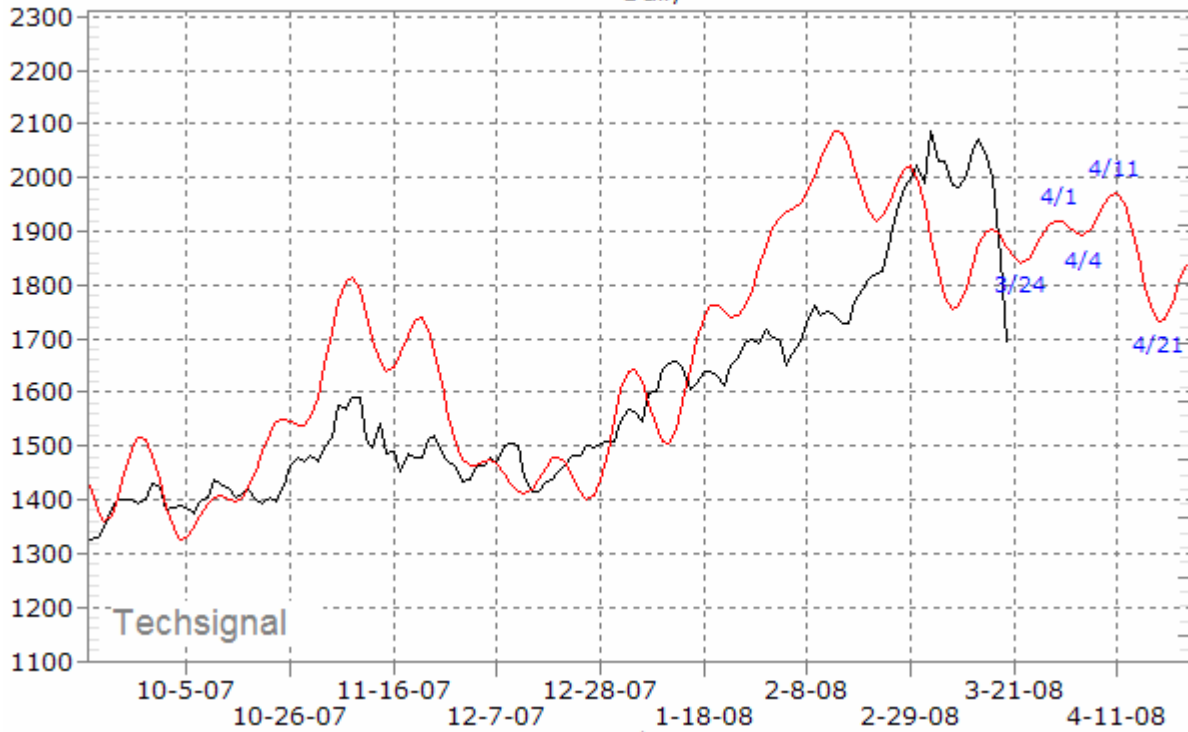
Daily Gold

Gold Comex (Pit) Cad GC
Daily



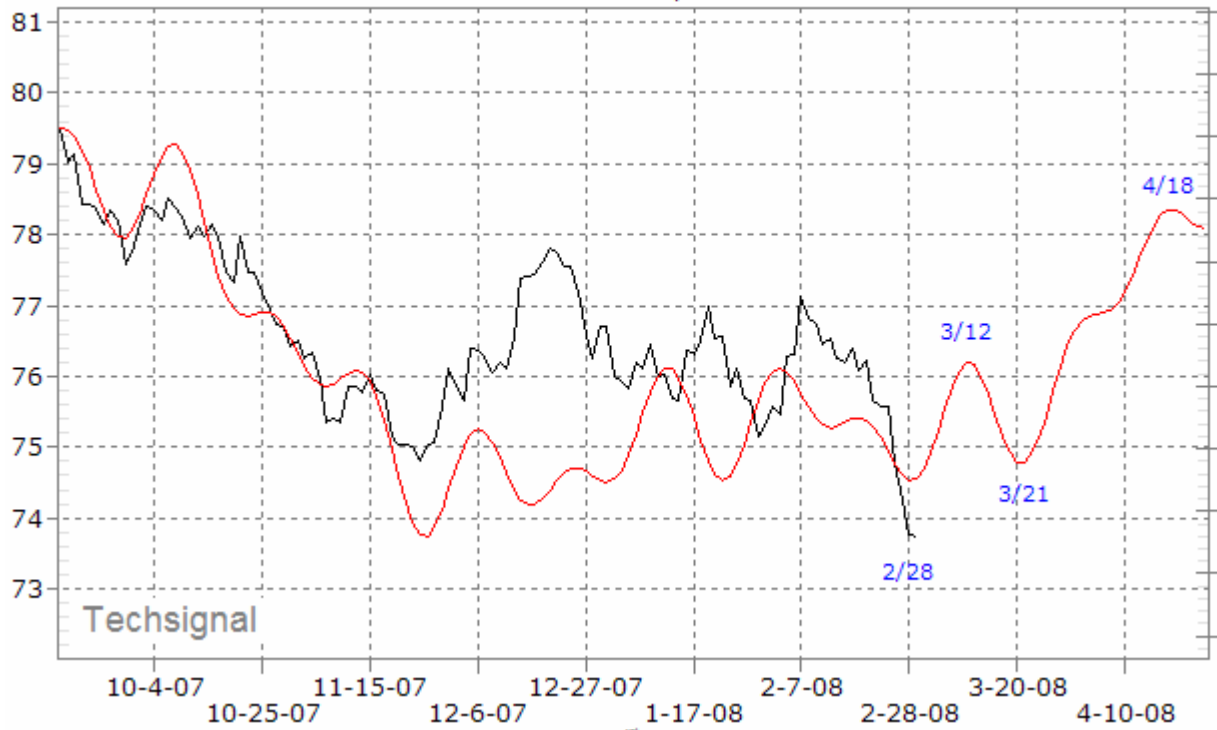
Daily Silver

Silver Comex (Pit) C SI
Daily



Daily US Dollar

US Dollar Index Cadj DX
Daily



Daily Japanese Yen

Japanese Yen (Pit) C JY
Daily

