

Cycle Projections

APRIL 2008

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

The US dollar and the Stock Market

Ever since the US dollar began to float in the early 1970s there have been significant bull markets in the stock market when the US dollar rallies. In 1982 when the stock market bottomed the dollar was rallying and moved up to a 1985 high as the market broke out into one of the greatest bull markets at the time. As the dollar topped the market continued to rally but then as the dollar fell to major lows and made a major bottom in late 1987 then the stock market crashed on October 19, 1987. In 1995, as the dollar began to bottom and then begin to rally in 1995, the stock market began one of the most significant

bull markets of the last century. In general one can draw a simple conclusion. The stock market will not begin a major bull market until the US dollar begins to rally. This is not expected until at least August of 2008. The chart shows the 15 and 4.3 year cycles that dominate the dollar.



Crude has had no reason to correct. The cycles continue to point to a correction and we continue to look for a short-term correction, albeit the longer cycles are still bullish.

The bond market should continue to roll over as the long end of the yield curve continues to point toward higher yields despite Fed intervention. With commodity prices continuing in a bull market yields should rise as inflation begins to take the focus away from the slowing economy in the next quarter.

Gold continues in a bull market even as the seasonal correction continues. With the dollar rallying some the question is whether gold can move higher if the dollar stops sinking? In general the trend in the US dollar is inverse to the trend in gold which translates to the fact that if the dollar does not keep falling then gold is not likely to keep going higher. However, there is one notable exception and that is when inflation is as high as it was from 1972 to the early 1980s, when the dollar fell and gold rose. This could mean that our projections for gold to \$1200 could still take place despite the dollar not falling in a period of lower dollar.

The overall economy continues to suffer and will put pressure on all economic and financial series with the exception of growing commodities, which we believe will continue to be bullish for at least two more years.

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ISSN 1055-1700

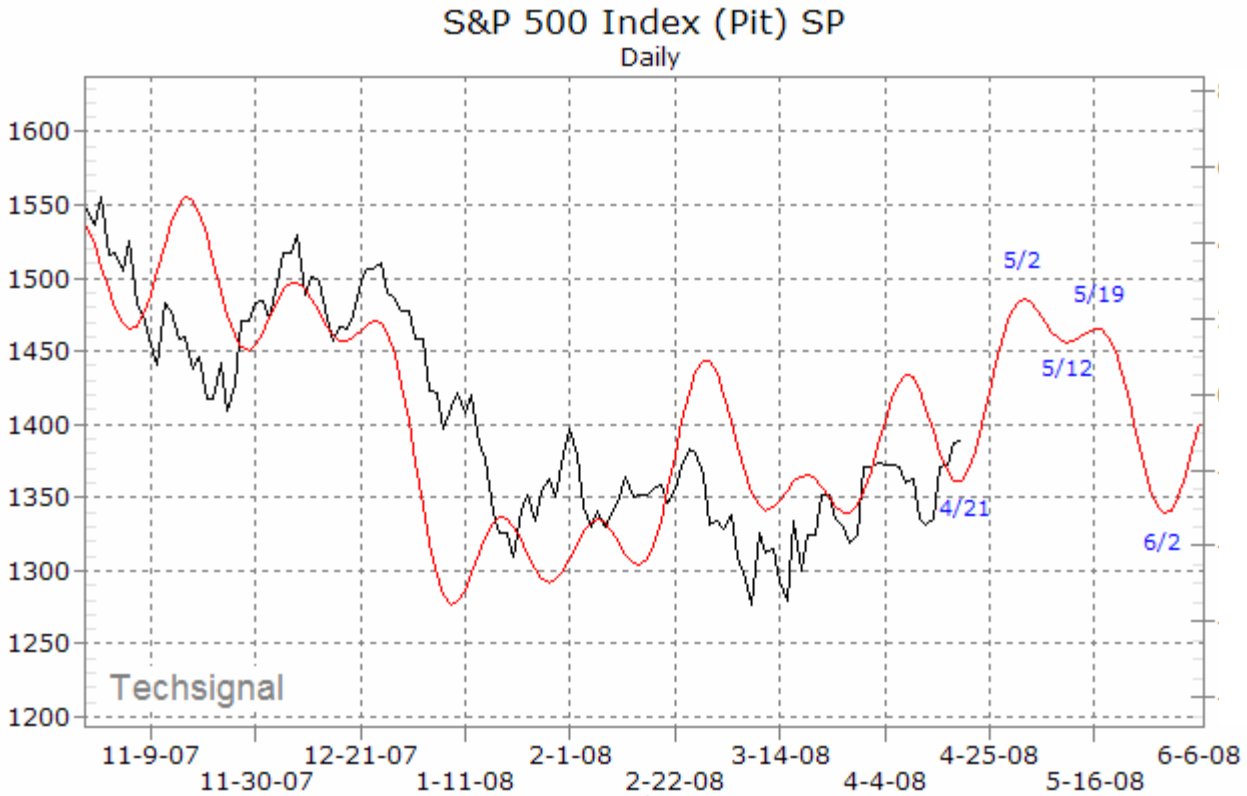
Published Monthly by the Foundation for the Study of Cycles

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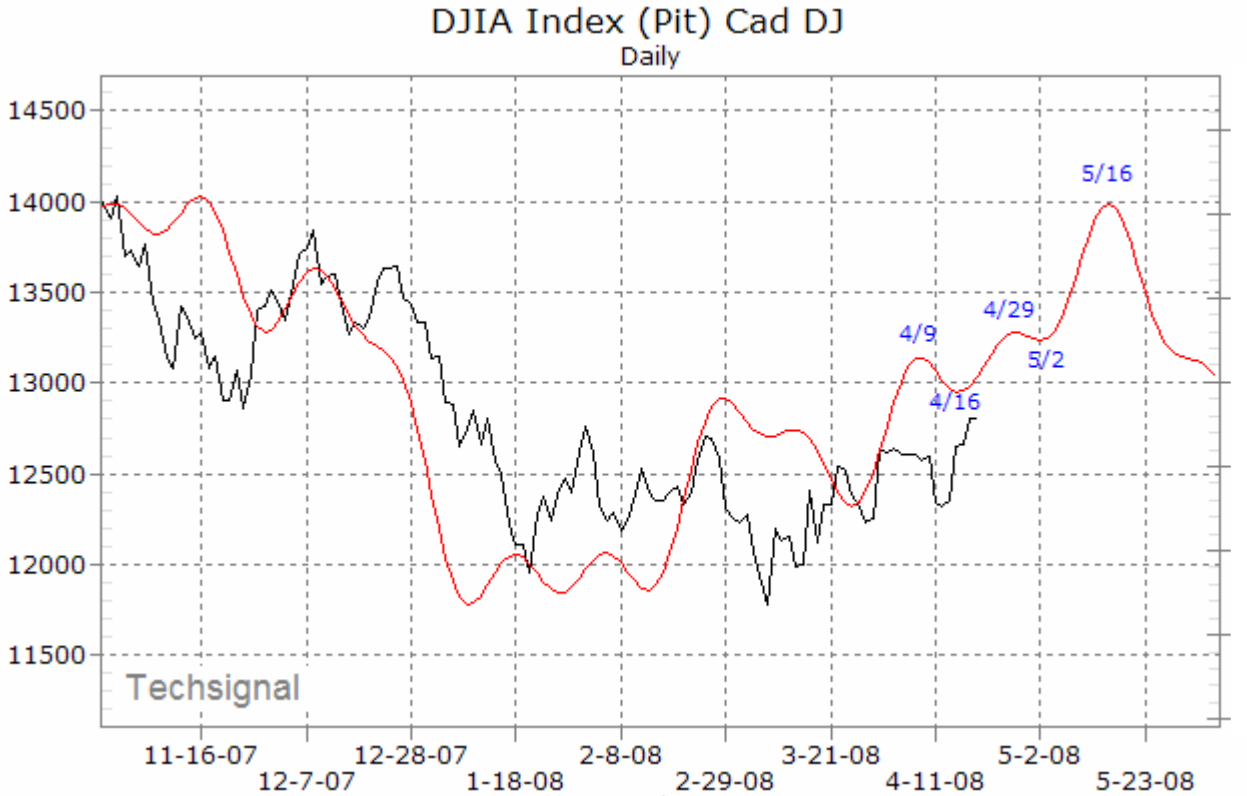
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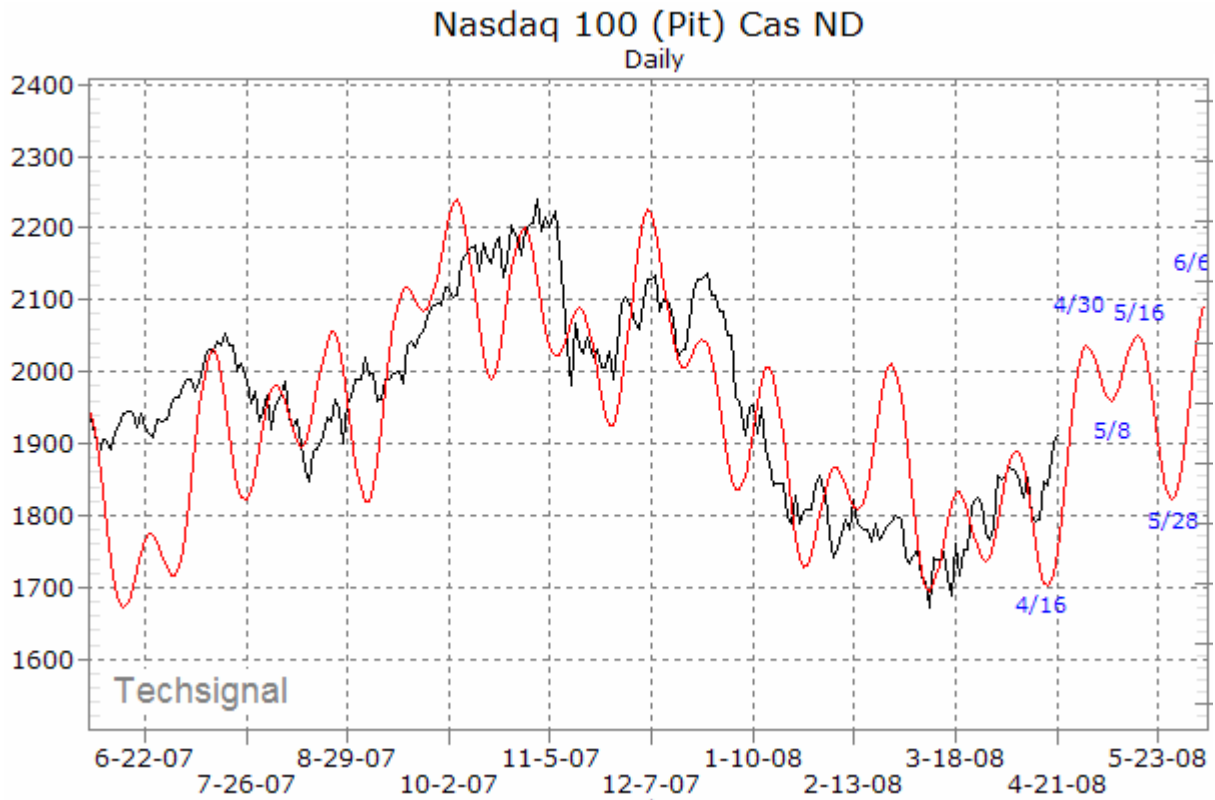
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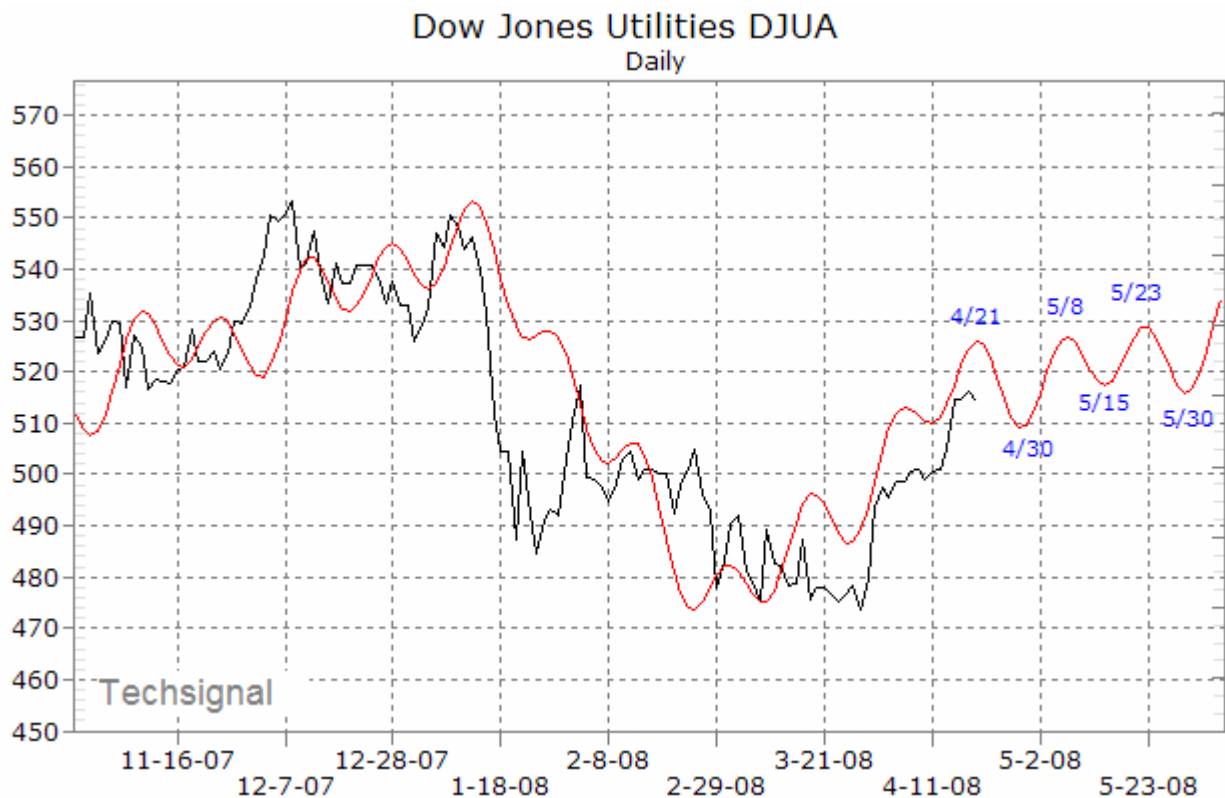
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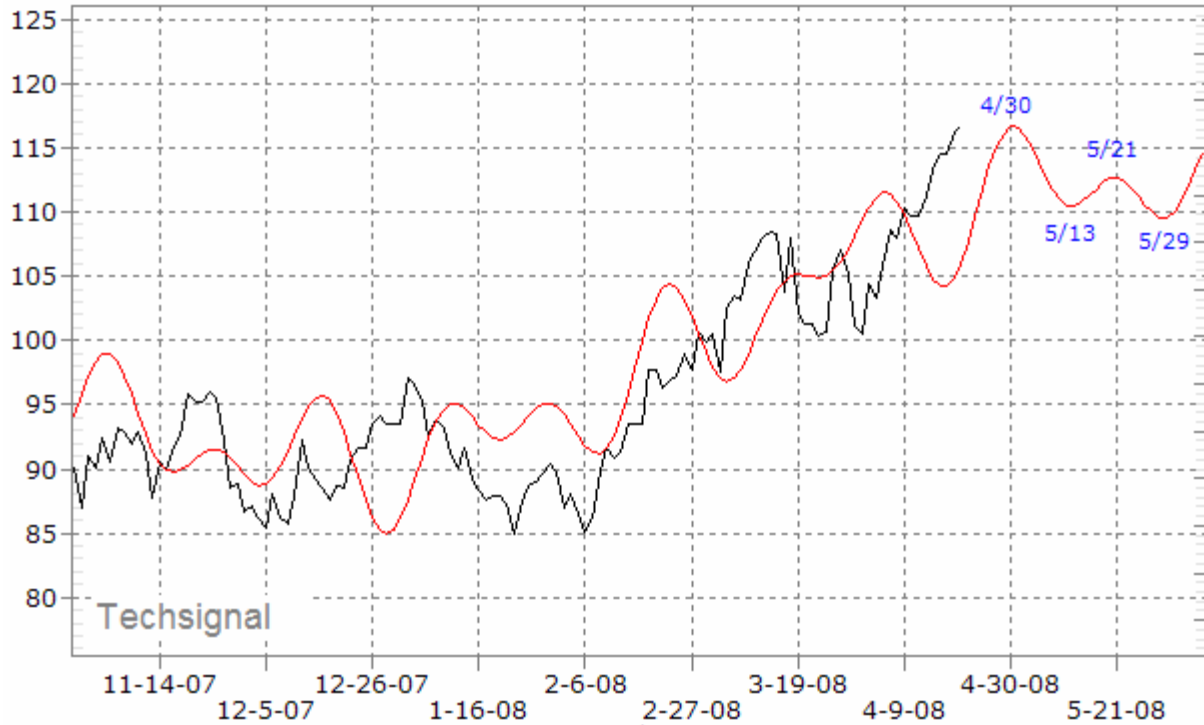


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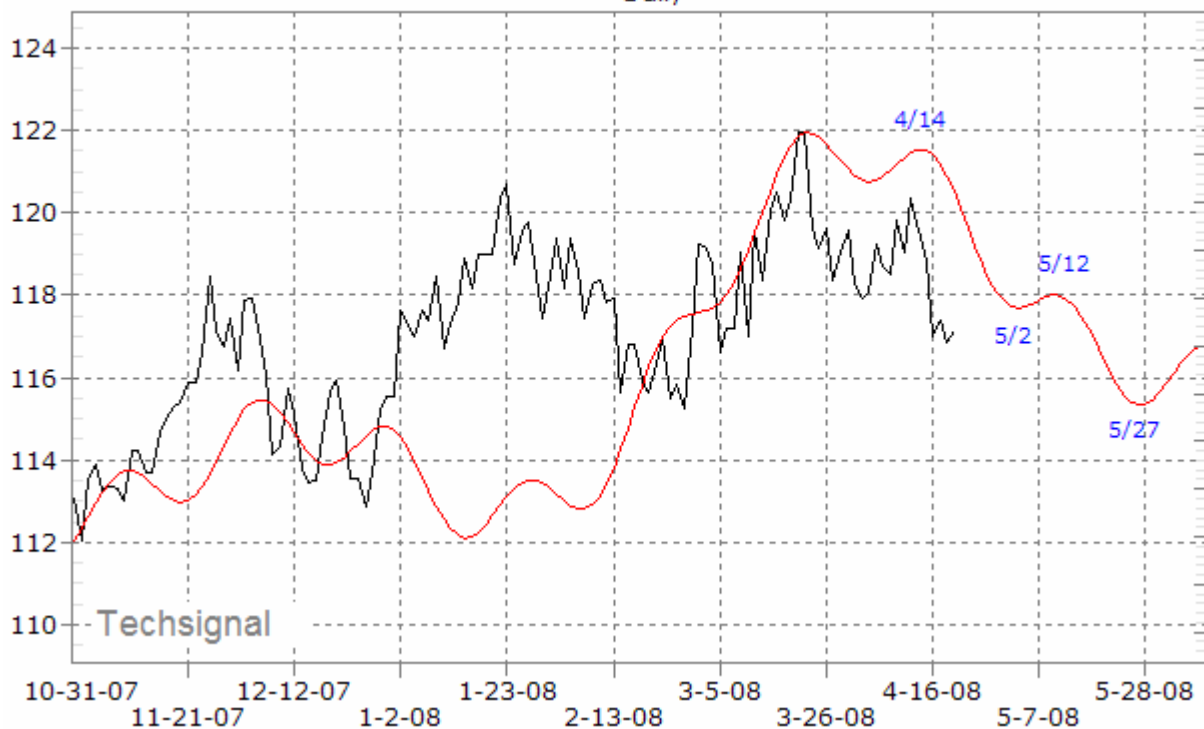
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Crude Oil NY (Pit) C CL
Daily



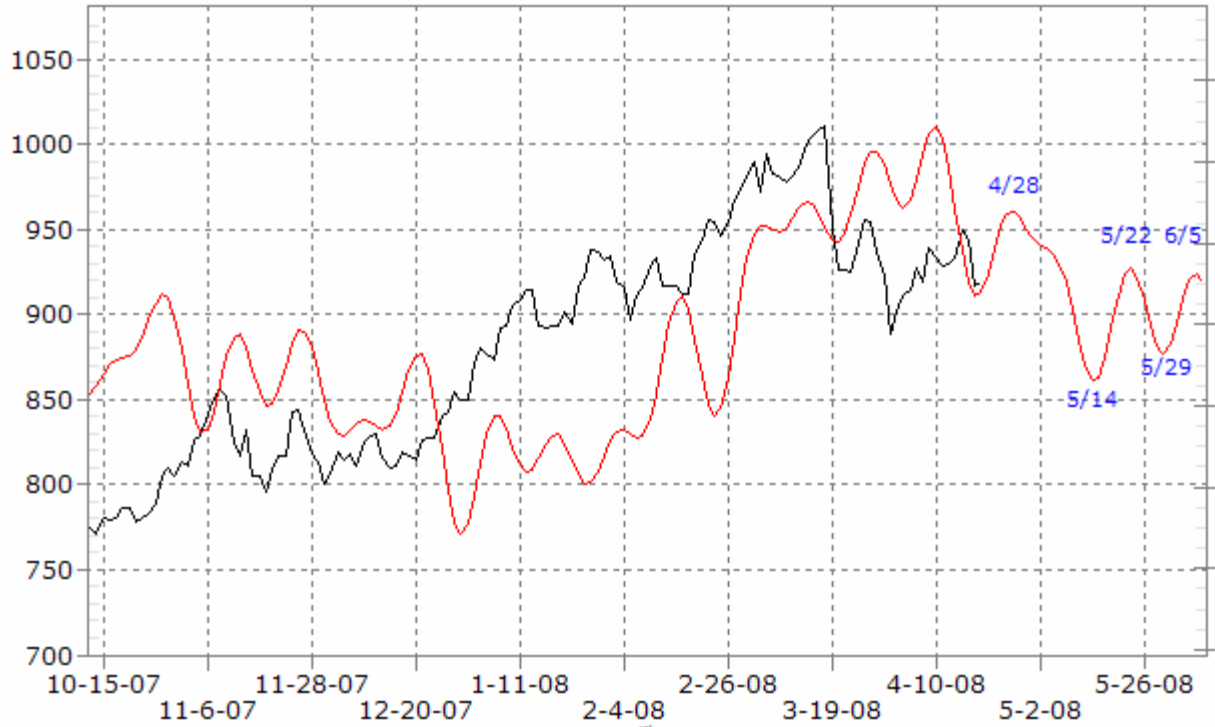
Daily T-Bonds 30 Yr.

T-Bonds 30Yr CBT Pit TQ
Daily



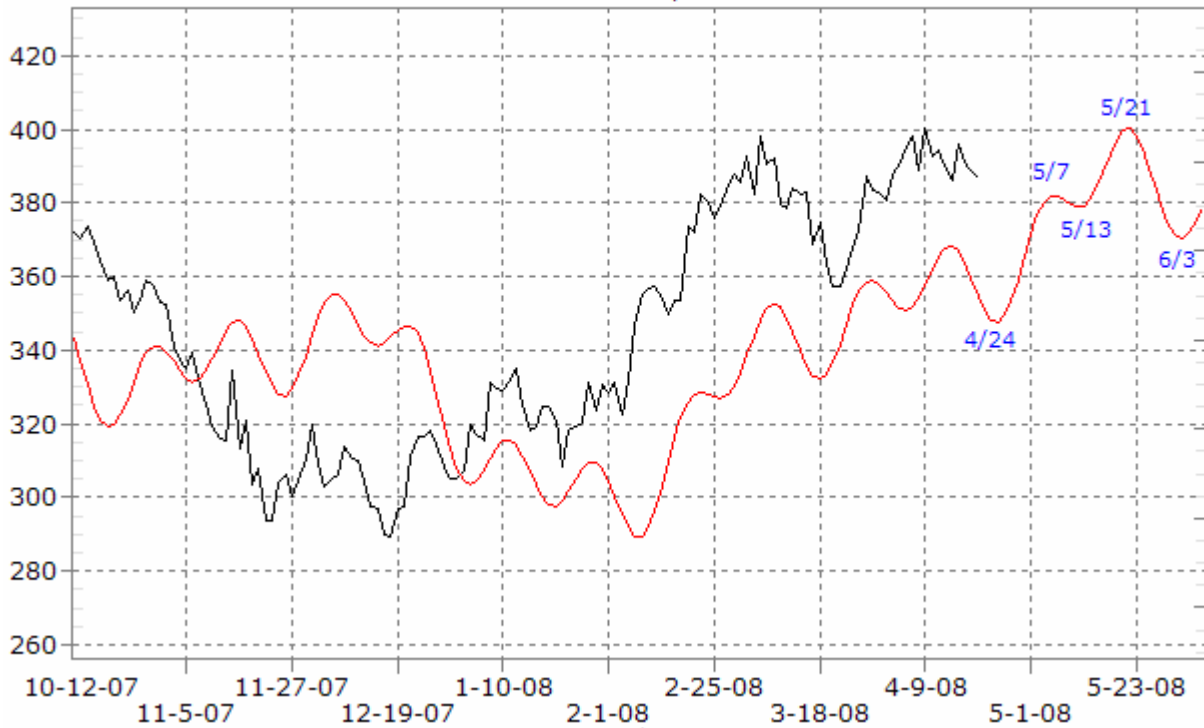
Daily Gold

Gold Comex (Pit) Cad GC
Daily



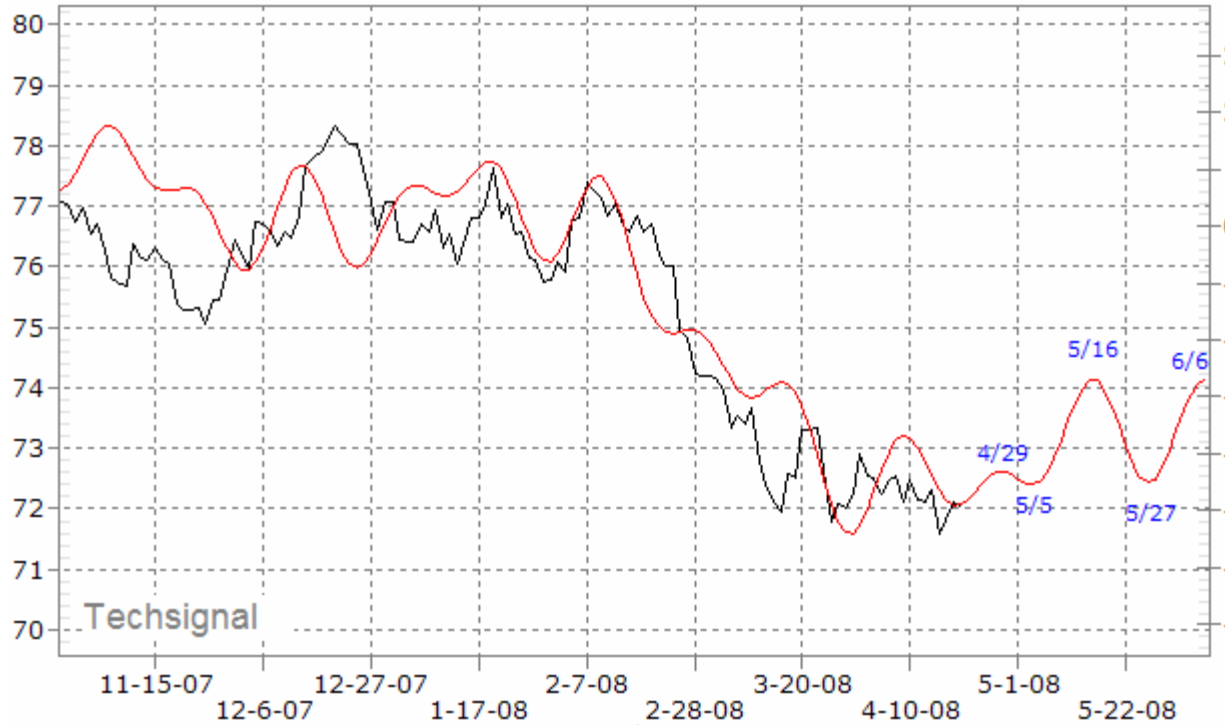
Daily Copper

Copper HG NYMX (Pit) HG
Daily



Daily US Dollar

US Dollar Index Cadj DX
Daily



Daily Euro

Euro FX (Pit) Cadj L EU
Daily

