

Cycle Projections

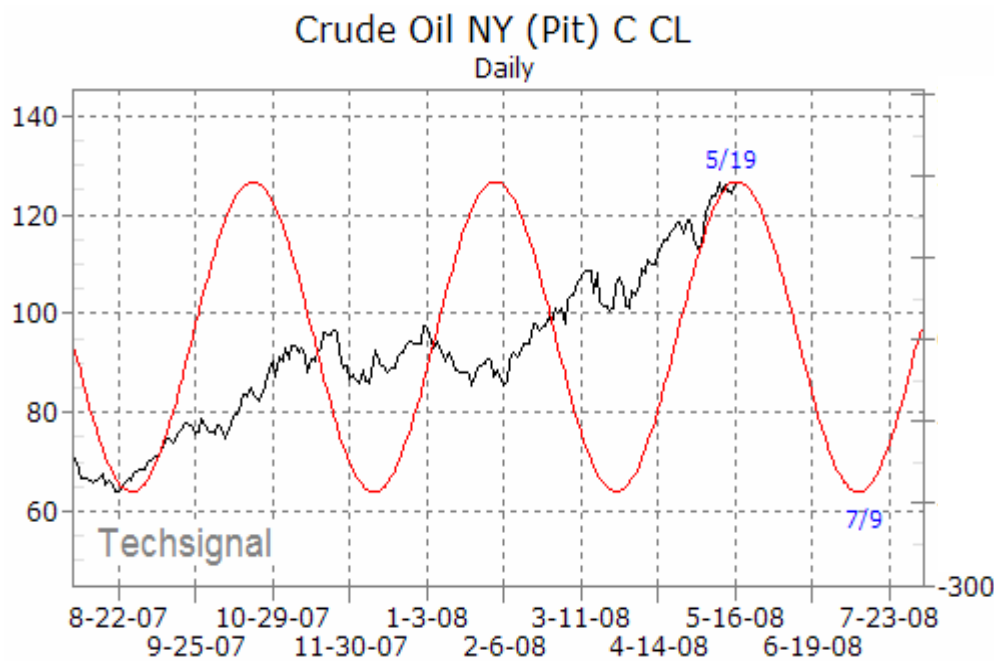
MAY 2008

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

The Price of Crude Oil and the US stock market

More times than not the question of the direction of the stock market is dependent upon the potentials of economic growth in the near future. This year is no different although the questions seem to be exaggerated and a bit different. It is different because the US economy is now part of a larger whole, the world economy. The market has corrected almost 20% and the economy has faced some serious problems. US real estate is in a tail spin, the credit markets staggering, the dollar is on its heels and now energy prices skyrocketing to ever higher levels. So what does the US stock market do? It rallies of course, but our question is what kind of a rally and now long can it keep it up?

Equities: Typically equities try to find reasons to go up but it has been difficult this year. The prevailing reasoning is that the worst is over and hence stocks should rise. The problem is that the cycles don't agree and with the economic data not yet reflecting a serious recession it puts the equity market in a bind. Our view is simple. There is a 60% chance the equity markets have bottomed and an 80% chance no significant rally will occur prior to November.



Bonds: Bonds have simply not paid any attention to commodity prices as the Fed has eased and eased and eased. Typically higher commodity prices become inflationary but in the global economy the old rules are more complex, but not invalidated. We expect bond prices will rise and inflation will become a factor.

Energy: When the rise in crude oil prices will stop is like the wheel of fortune. When it stops is a mystery, although we anticipate a correction in the next week. This should not be deep but it should be at least \$15 a barrel. This is based upon the 15 week cycle which is topping.

Foreign Exchange: In our view the US dollar is in a trading range and is not likely to go much lower than the recent lows. The top of the range is about 76 on the Finex index. No major rally is due until after August when the 15-year cycle makes its ideal bottom.

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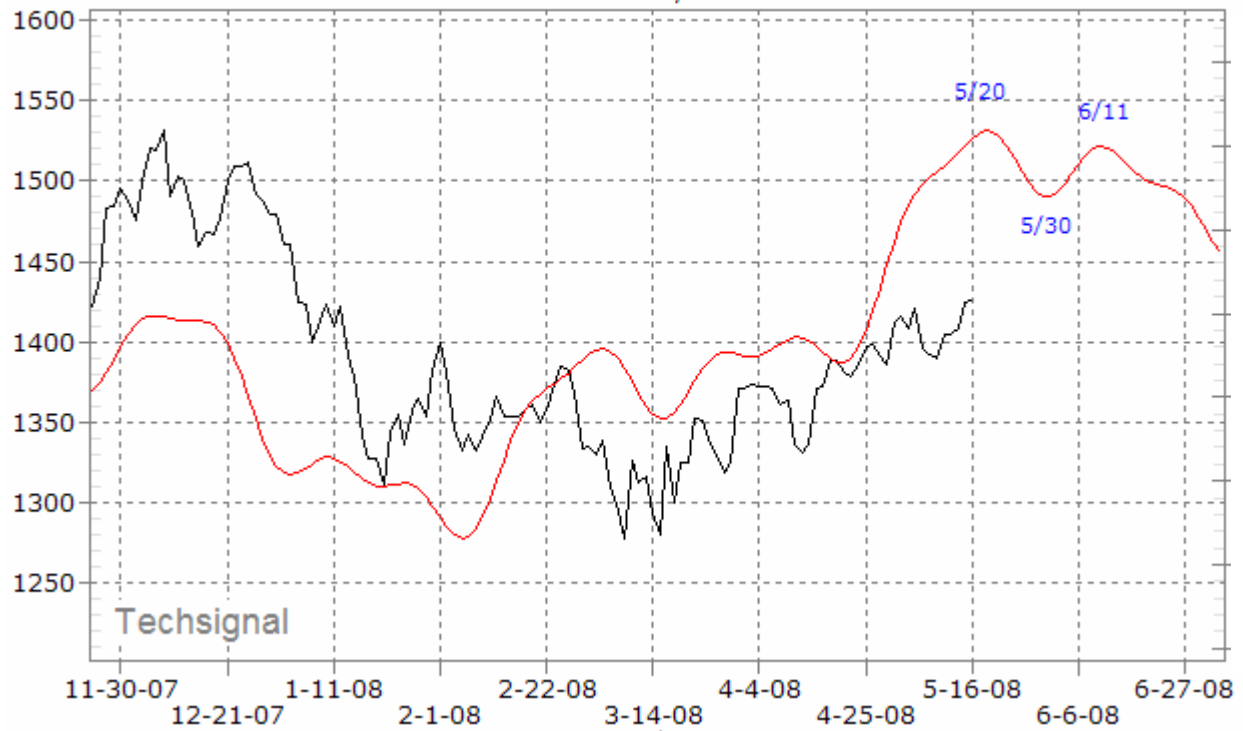
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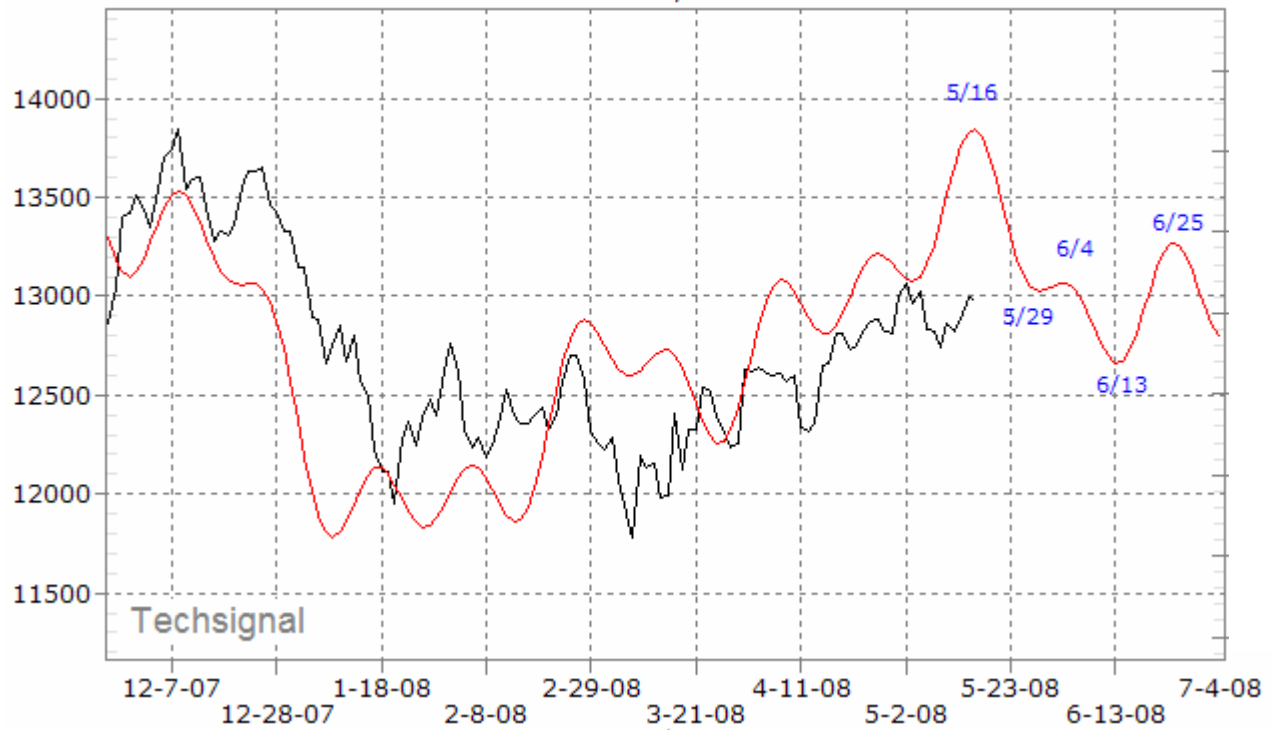
Daily S&P 500

S&P 500 Index (Pit) SP
Daily



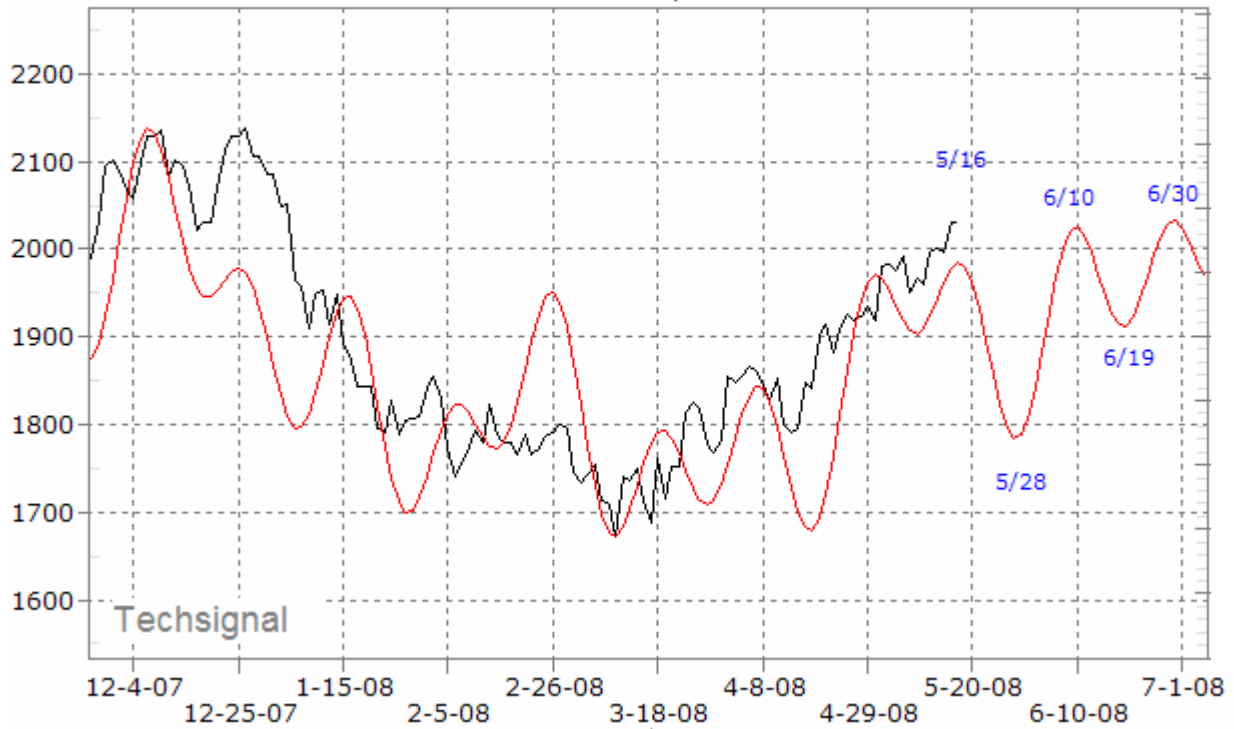
Daily Dow Jones Industrials

DJIA Index (Pit) Cad DJ
Daily



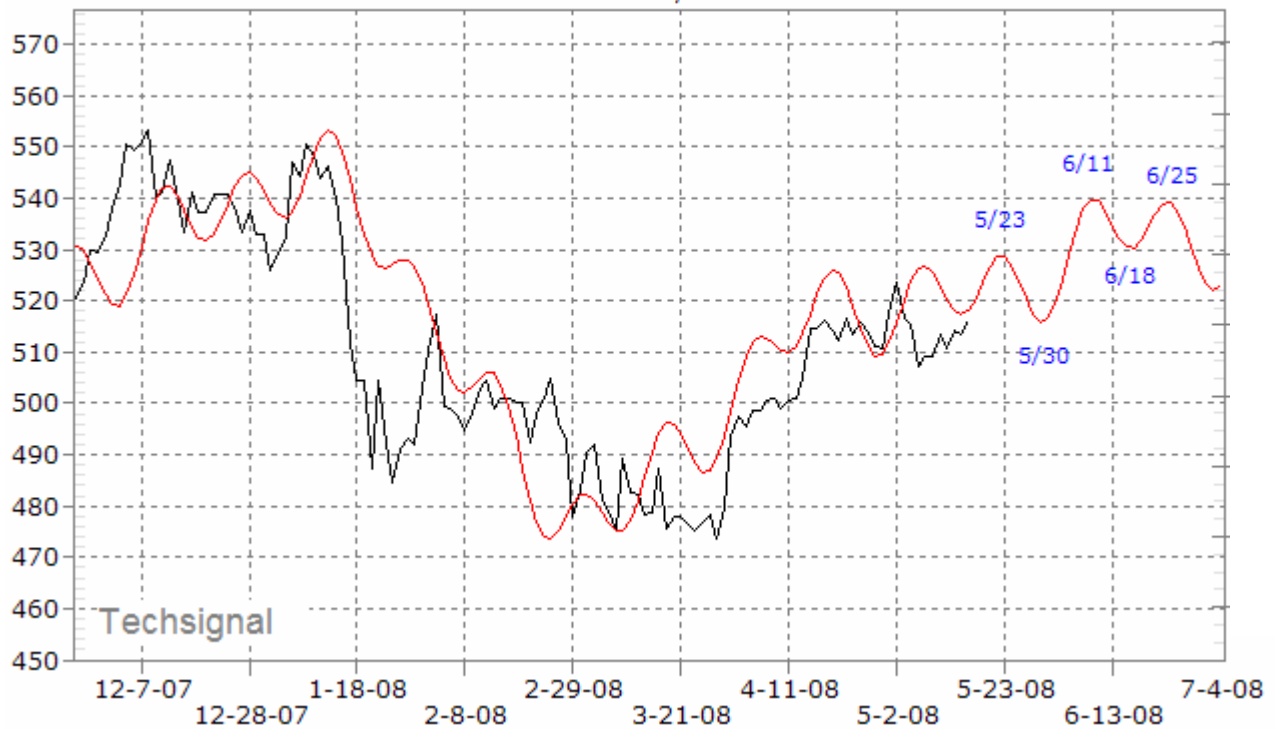
Daily Nasdaq 100

Nasdaq 100 (Pit) Cas ND
Daily



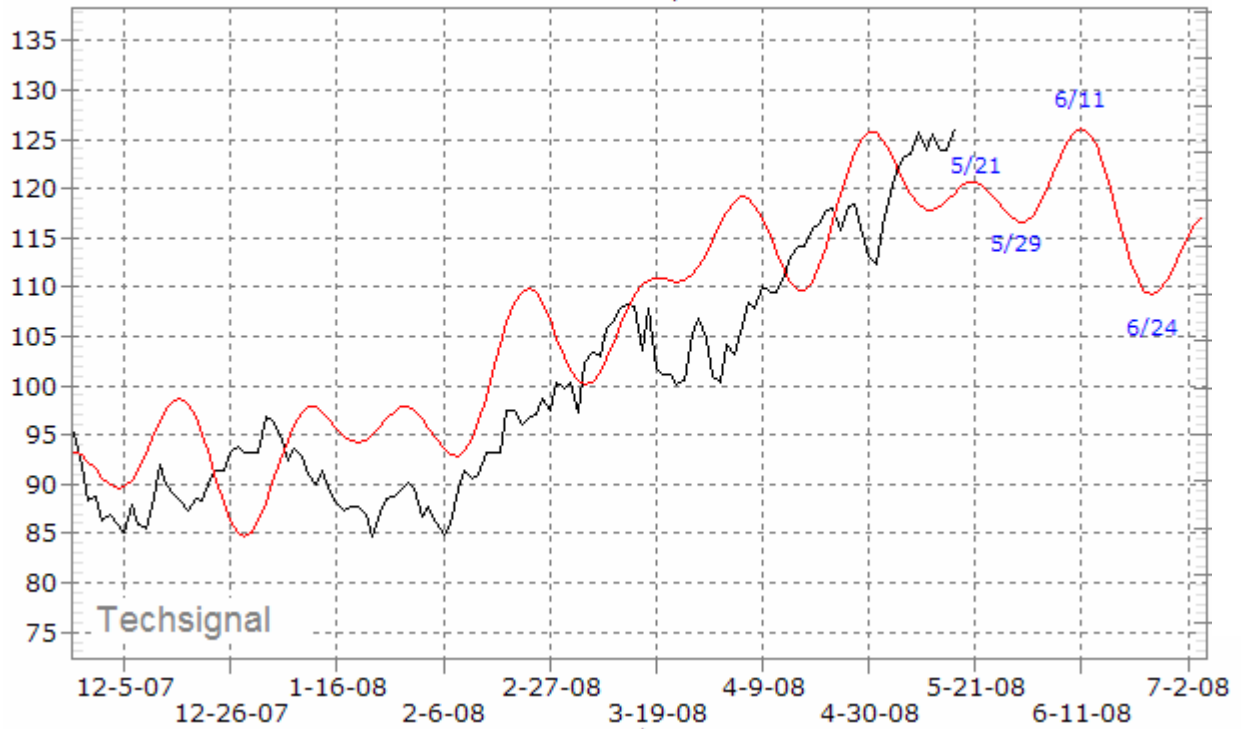
Daily Dow Jones Utilities

Dow Jones Utilities DJUA
Daily



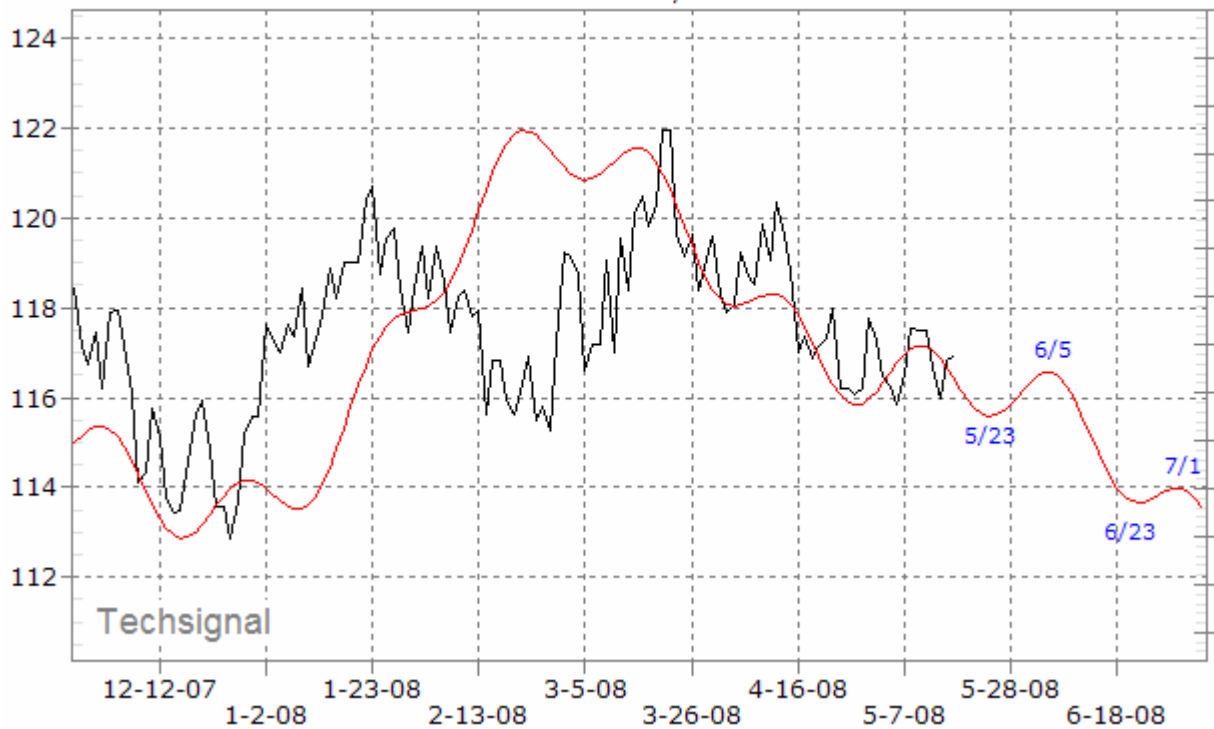
Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



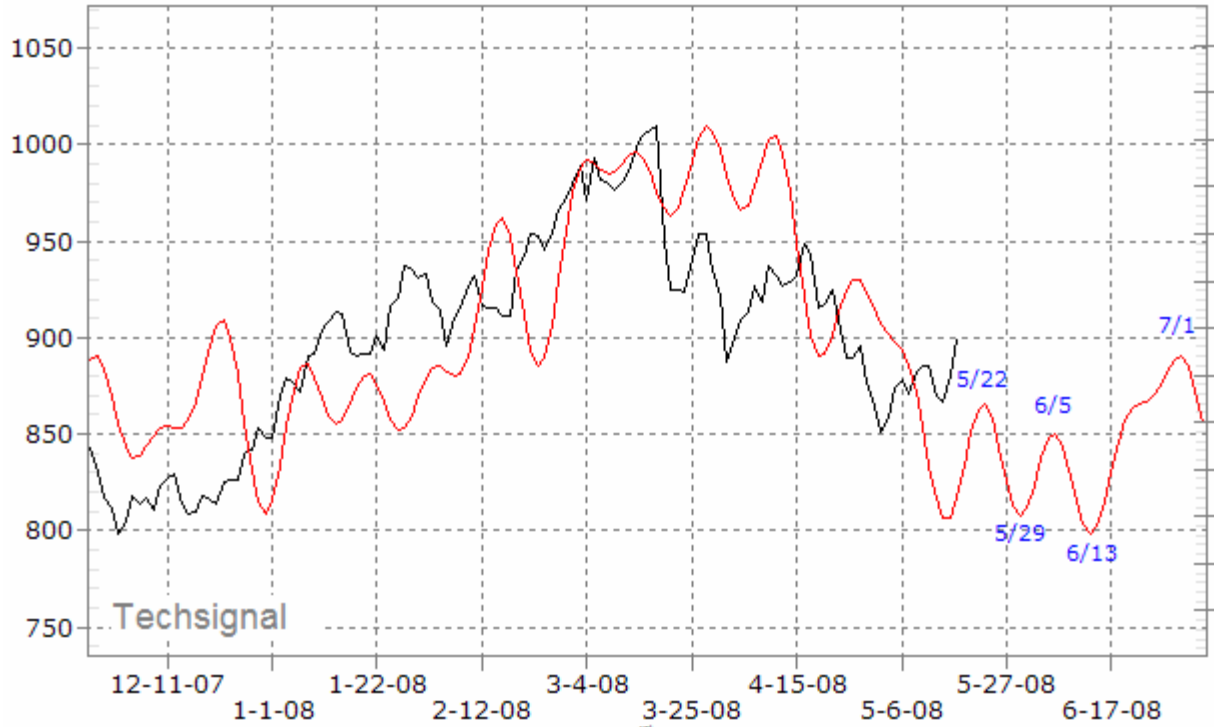
Daily T-Bonds 30 Yr.

T-Bonds 30Yr CBT Pit TQ
Daily



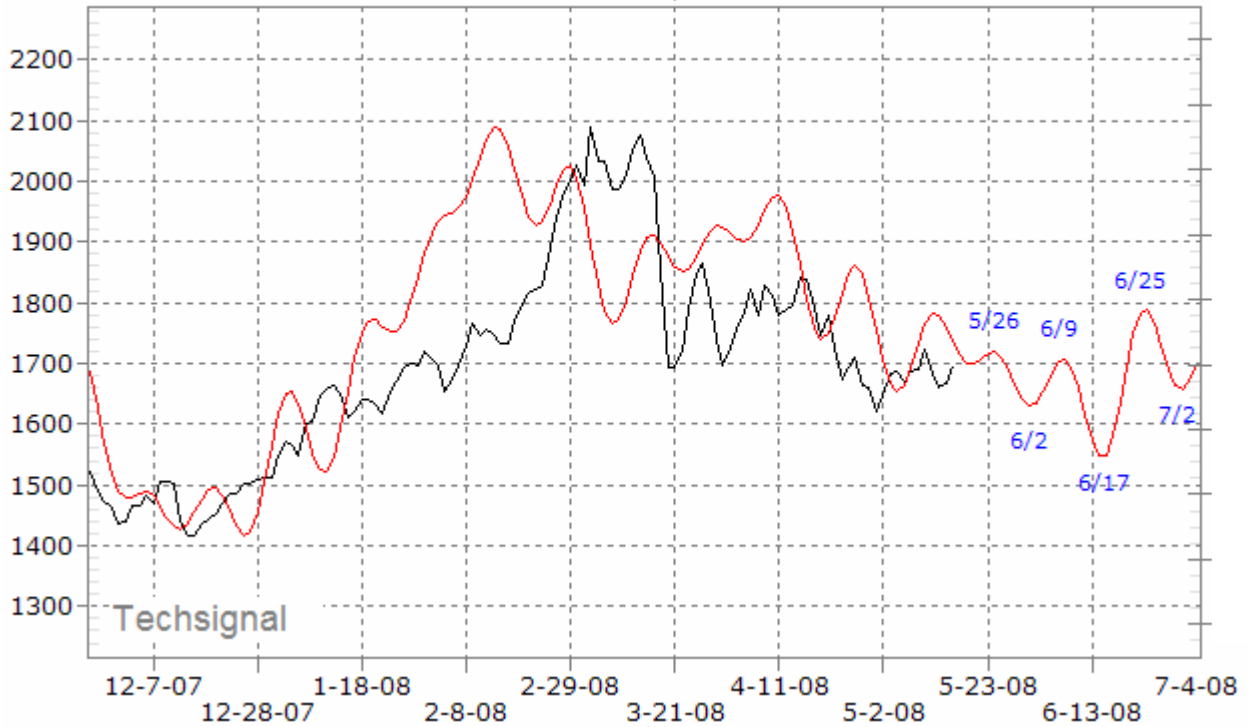
Daily Gold

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

