

Cycle Projections

NOVEMBER-DECEMBER 2008

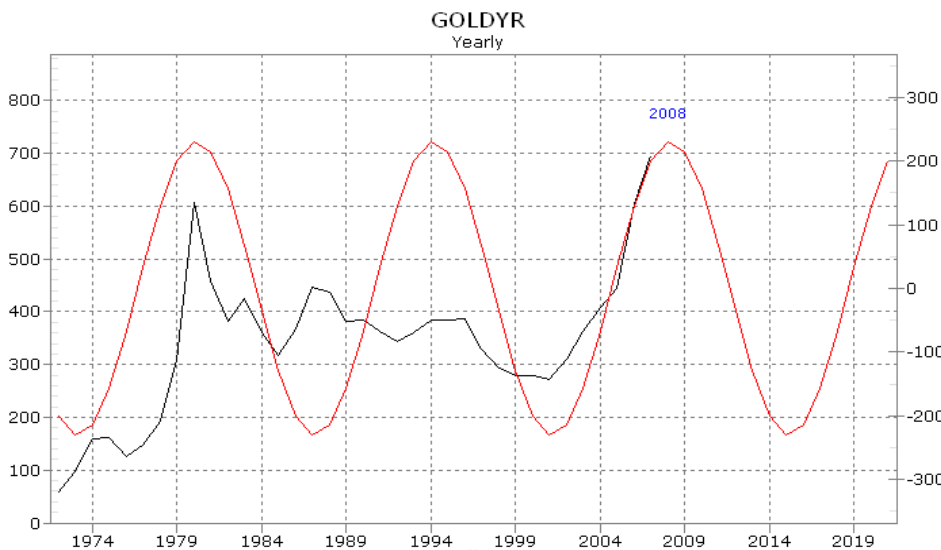
STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

Is this rally the beginning of a bull market in stocks?

In the last issue we wondered about whether we were going to have a bull market. We said not likely. Now we have to wonder if we are going to have a bottom. We have now tested October 10th low in the S&P 500 cash at least four times and the latest test was a failure closing slightly below the October 10th low. The problem with these tests is that they are significantly compacted in time. Typically major lows have retests. In the last 35 years the major bottoms of 1974, 1982, 1987, and 2002 all had retests at

least three months later and some five months later. If we are building the first bottom we would then expect a tradable rally and then a retest before we have the next bull market rally. How high it can go will be entirely dependent upon economic health. There is no reason that we couldn't revisit a market like the 1970s.

Equities: We anticipate a tradable rally by Thanksgiving but no bull market. We favor index ETFs over individual stocks at the beginning of the rally. At



this point we are underweighted in equities and favor cash and cash equivalents and less than 35% of our portfolio in stocks.

Bonds: We continue to be neutral to bearish on bond prices. Even with rallies we don't believe there is much upside. We favor cash over bonds at this point. Eventually interest rates will rise but it could take more than a year.

Energy: The cycles got obliterated during the rally to \$148. They are now being obliterated on the downside. The dominant 15-week cycle is currently bottoming. We now believe the long term cycles have topped.

Metals We now believe gold has topped. Until this summer we could not rule out a high in 2009, but now this is very unlikely. The chart on the cover shows the ten year cycle in gold with a 2008 top. The only way for gold to rally to new highs is for the US dollar to collapse and that is highly unlikely given international conditions.

Foreign Exchange: The US dollar seems unable to correct and the dominant 15-week cycle should turn the US dollar down short term, but with world wide conditions so bad it is hard to believe it could go back to the lows at this point. We still think we are in a significant trading range and will continue in that range next year. We are near the top of the range. We do not consider this a bull market in the US dollar.

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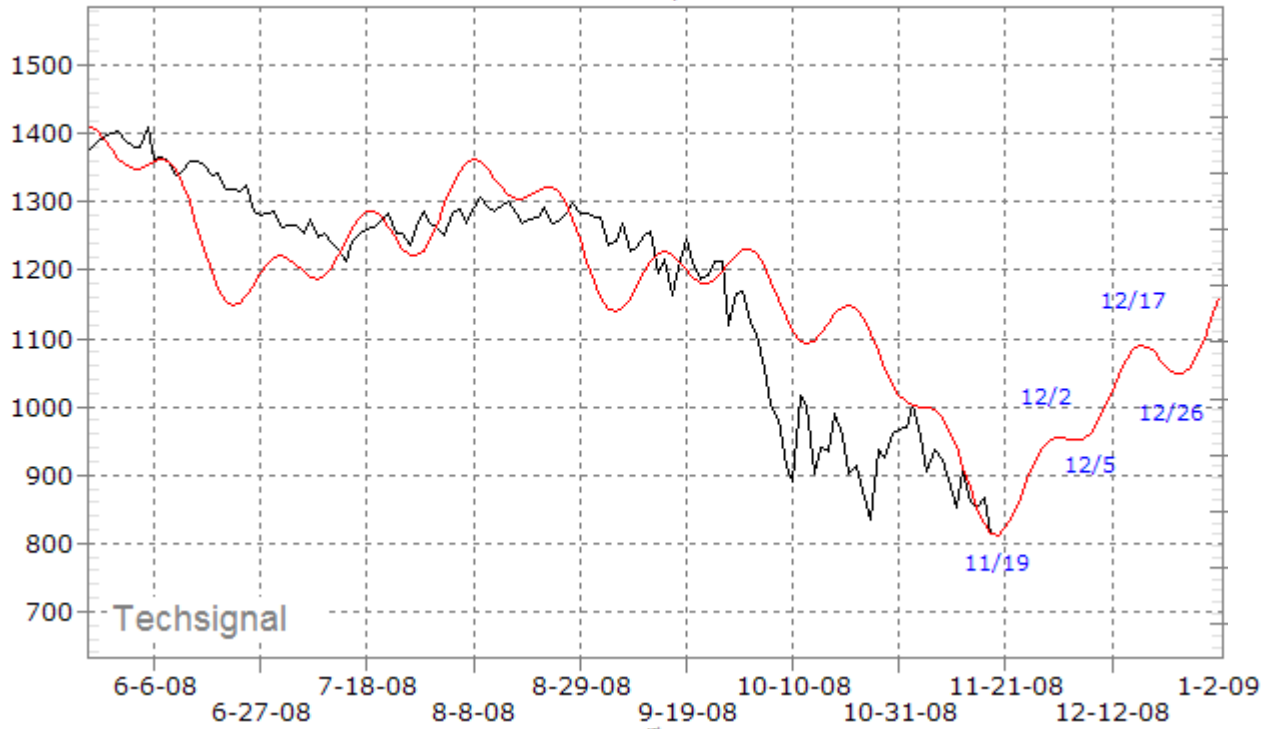
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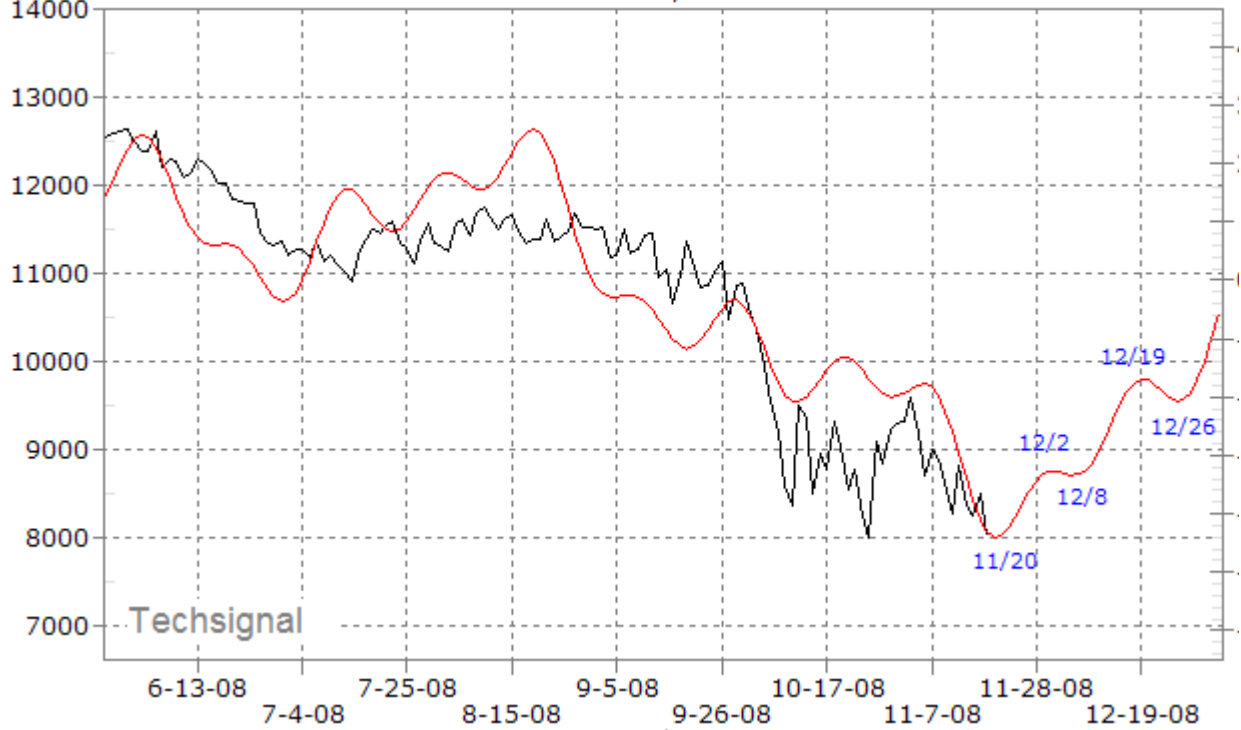
Daily S&P 500

S&P 500 Index (Pit) SP
Daily

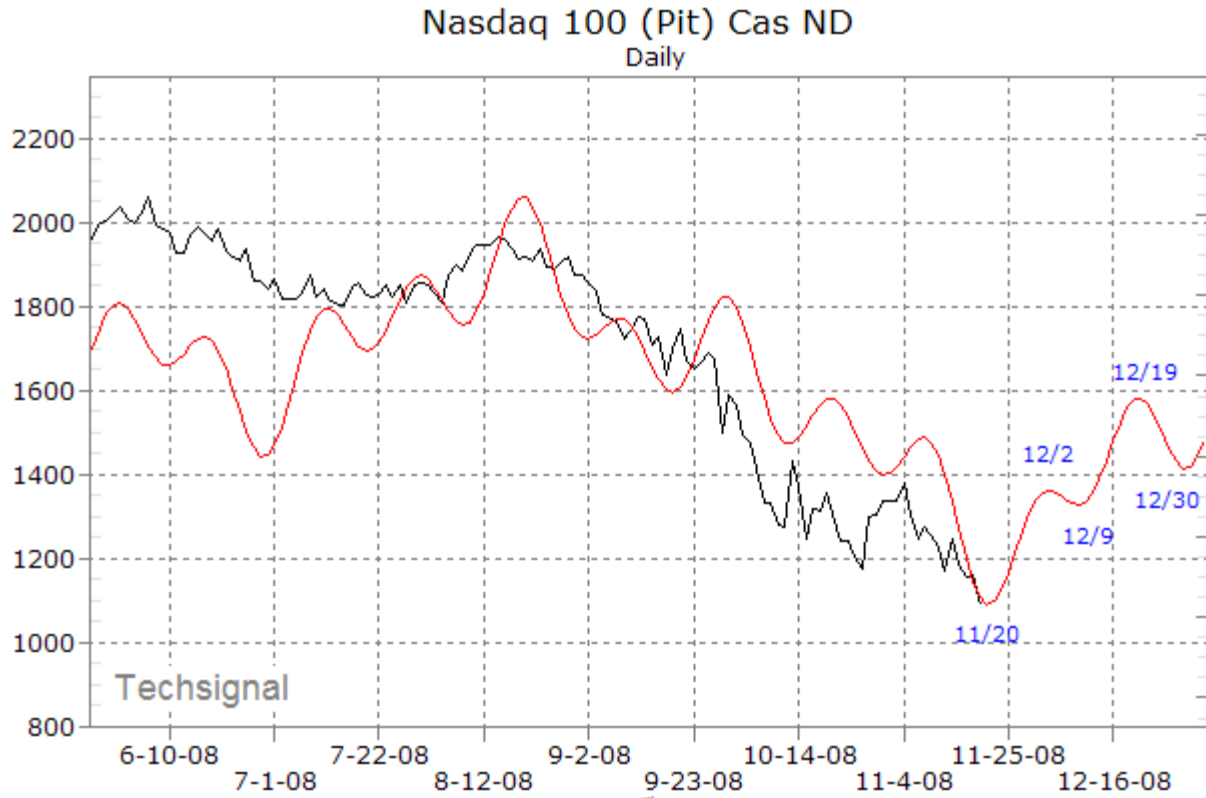


Daily Dow Jones Industrials

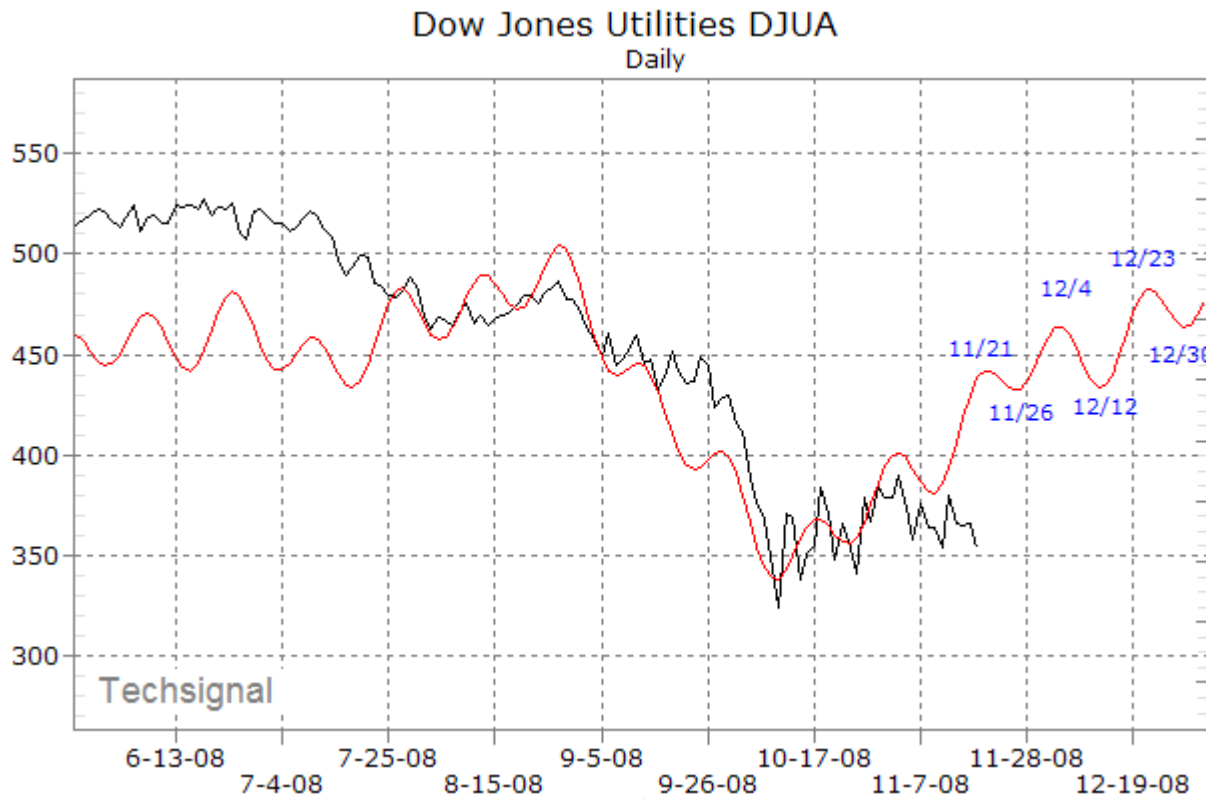
DJIA Index (Pit) Cad DJ
Daily



Daily Nasdaq 100

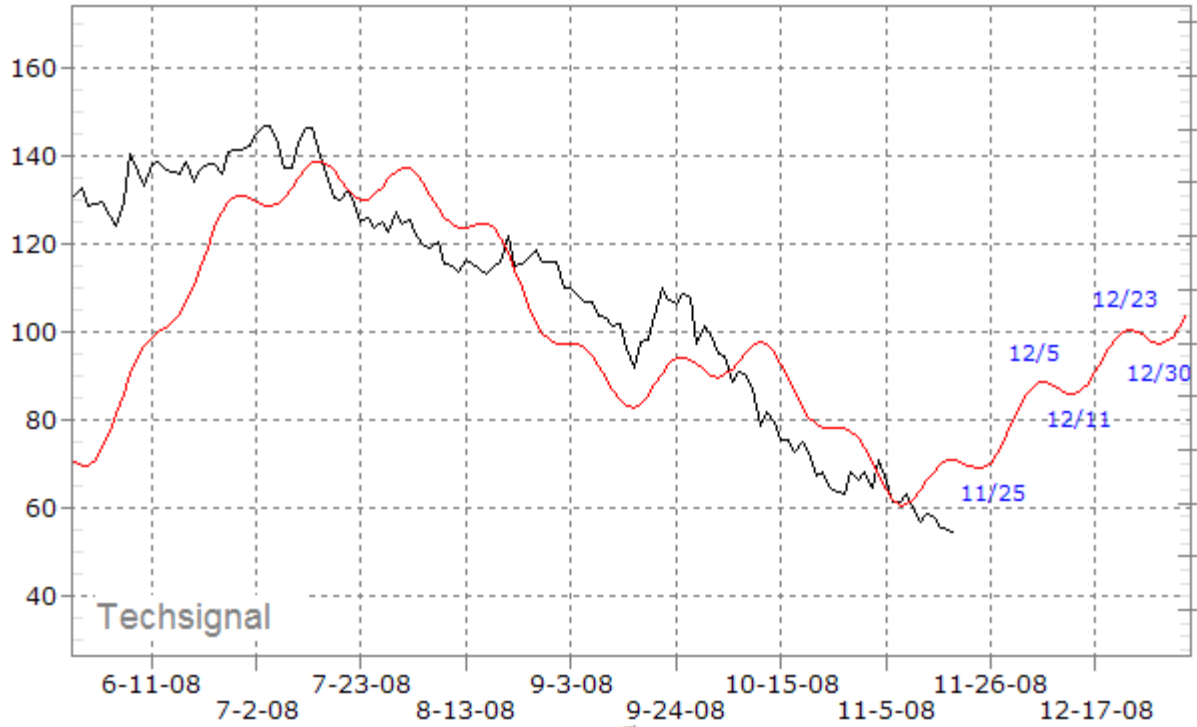


Daily Dow Jones Utilities



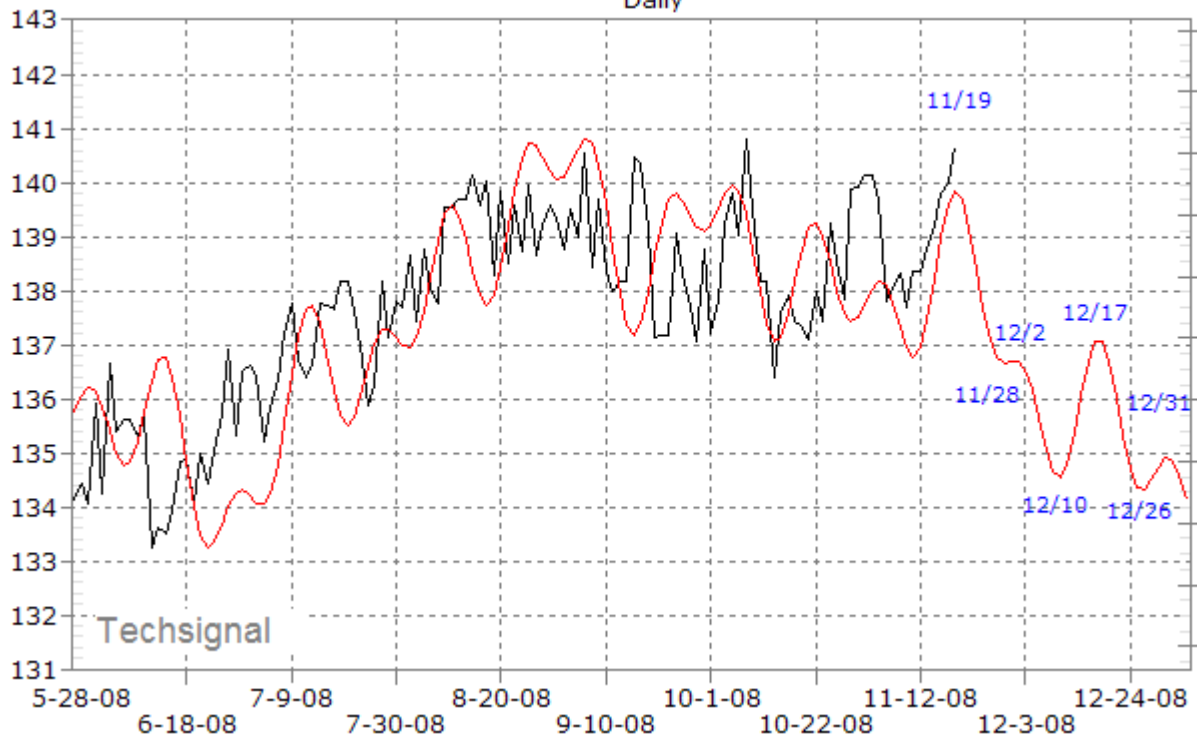
Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



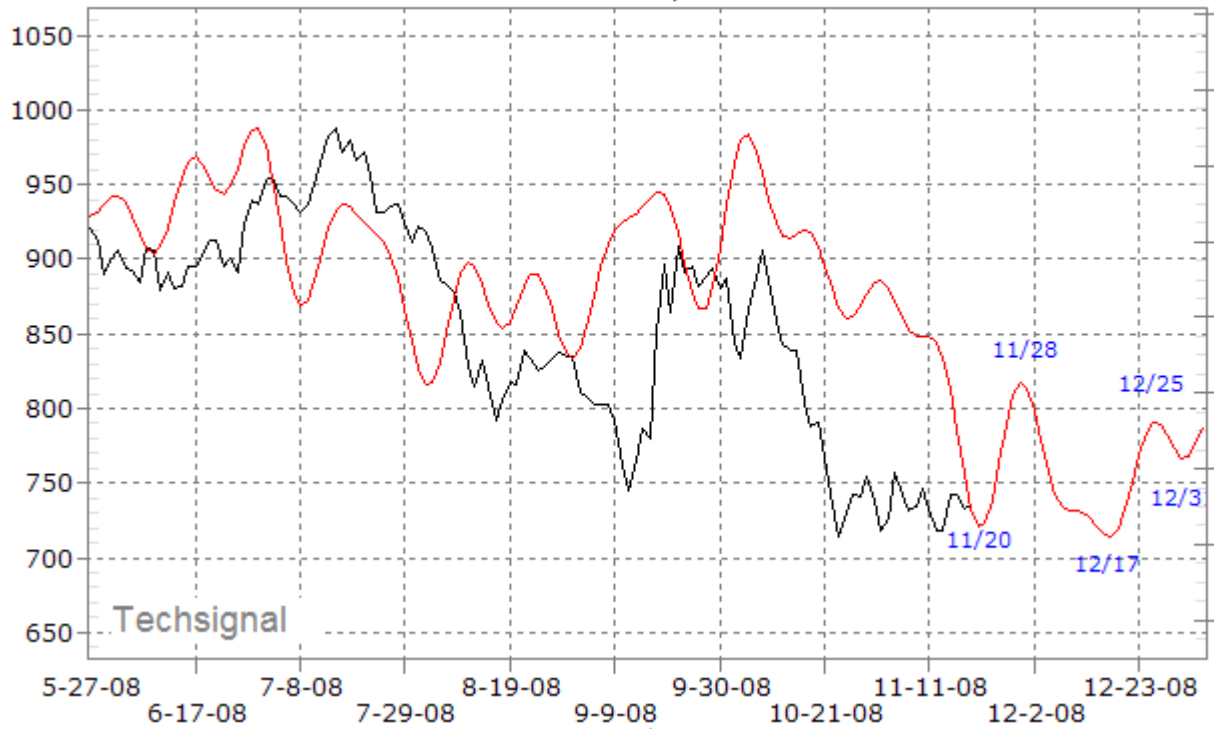
Daily T-Bonds 10 Yr.

T-Bonds 10Yr CBT Pit TQ
Daily



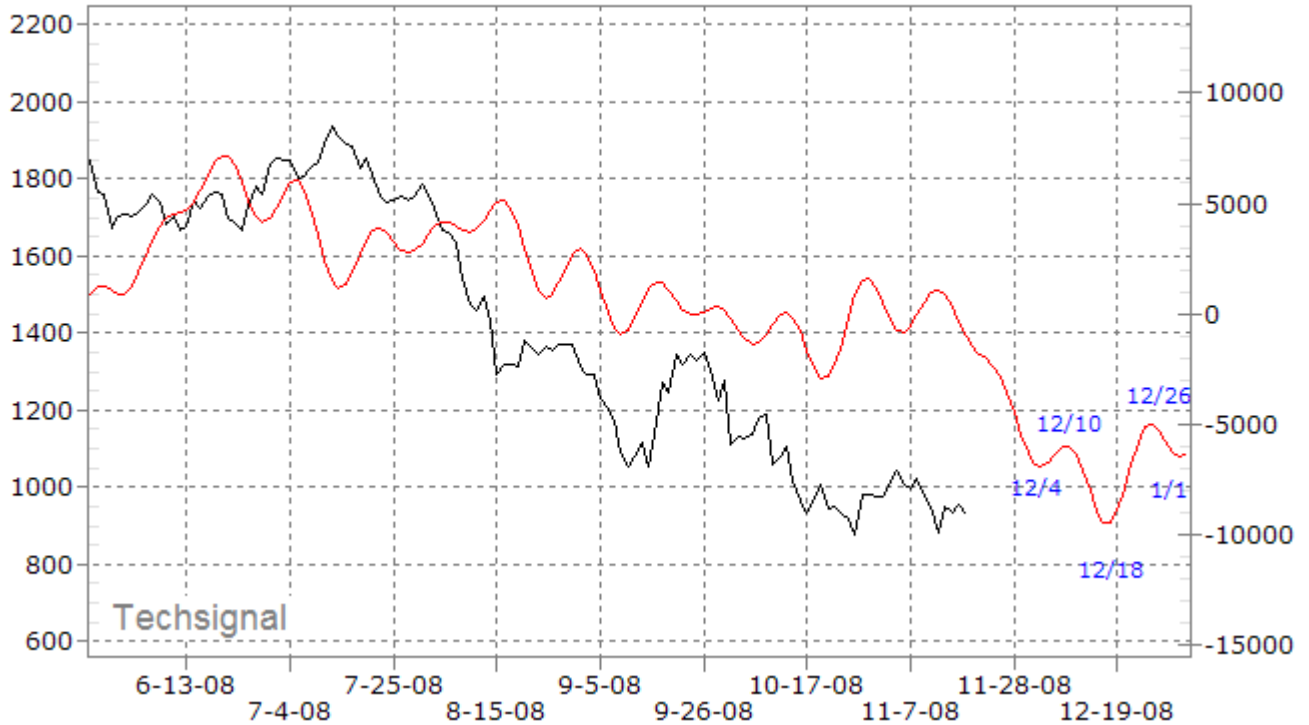
Daily Gold

Gold Comex (Pit) Cad GC
Daily

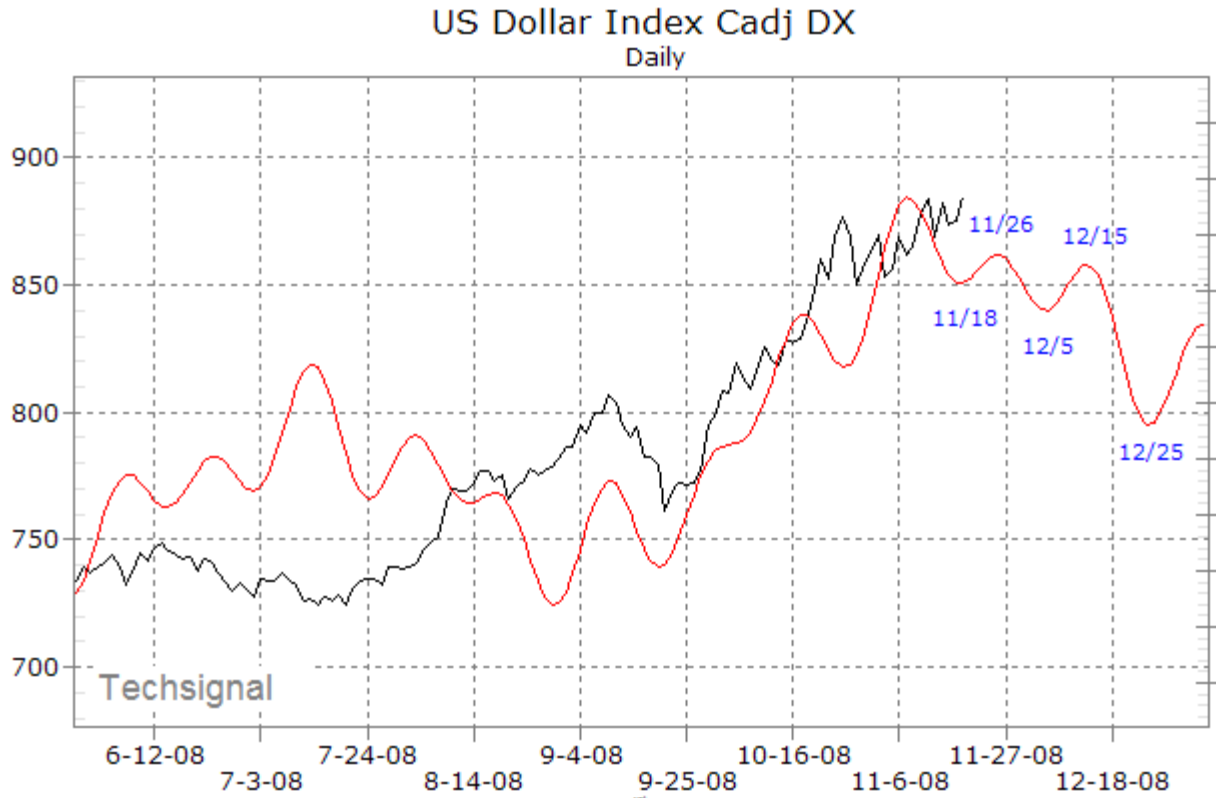


Daily Silver

Silver Comex (Pit) C SI
Daily



Daily US Dollar



Daily Euro EU

