

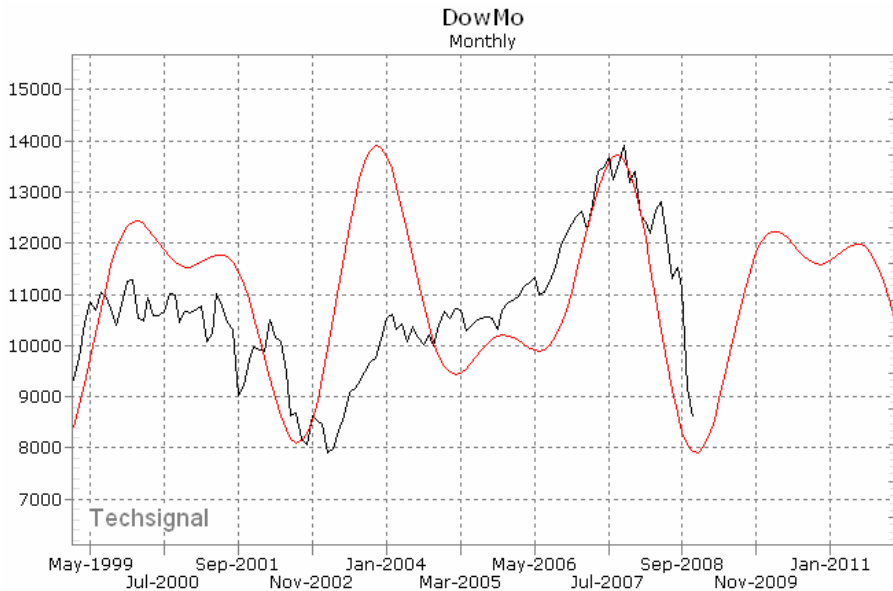
# Cycle Projections

JANUARY 2009

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

## Is this the expected retest?

The rally fizzled a bit early. The major question is whether this is the expected retest or will it come later? In the last 35 years, every significant low such as 1974, 1982, 1987, 2002 has had a price low and a



retest at least a month or two later. 2002 had two retests. The average time between the first low and the retest is just under 3 months and the shortest amount of time was a mere five weeks. Thus from a timing point of view this could well be the retest and on at least one occasion the retest made a lower low. This of course assumes November was indeed the first low. I believe that the low in November was the first low and it is now likely that we are in the midst of the retest. The question is whether the November low

will hold. The accompanying chart shows the 24 and 40-month cycles and this argues for a December low and it is likely we are in a bottoming process; but this does not mean we are now ready for a bull market. The 2002/2003 lows are instructive. In July of 2002 we had the first low and then a retest in October and then finally yet another retest in March of 2003, nearly 8 months later. We favor this scenario. In addition there is a better than even chance that we will again return to a market like the 1970s. **Equities:** We are looking now for a tradable low by month end but do not expect an explosive long lasting rally. We must remain nibble and recommend as much diversity as possible and favor index ETFs. **Bonds:** We believe a top is in and remain bearish We are not enthused about the bond market and continue to believe one must be careful on the short side of treasuries due the economic activity. **Energy:** The dominant 15-week cycle has bottomed and we expect energy to rally but without conviction due to the high inventories. **Metals** Gold is strong and has slightly decoupled from the US dollar but this will not last for too long. It is more a statement about world economic activity. The dominant 15-week cycle is now down but we expect a trading range. If gold is to make another run it must do it in the first quarter or else the high is in. **Foreign Exchange:** The US dollar is again on a tear as the 15-week cycle in up. It is not accidental that the 15-week cycle is so significant in the US dollar, crude and gold. These series move in tandem and even when there are anomalies they always come back. The US dollar is the beneficiary of the rest of the world economies and are worse than the US economy, albeit hard to believe.

Written 1/22/09

*Cycle Projections*

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## Daily S&P 500

S&P 500 Index (Pit) SP  
Daily



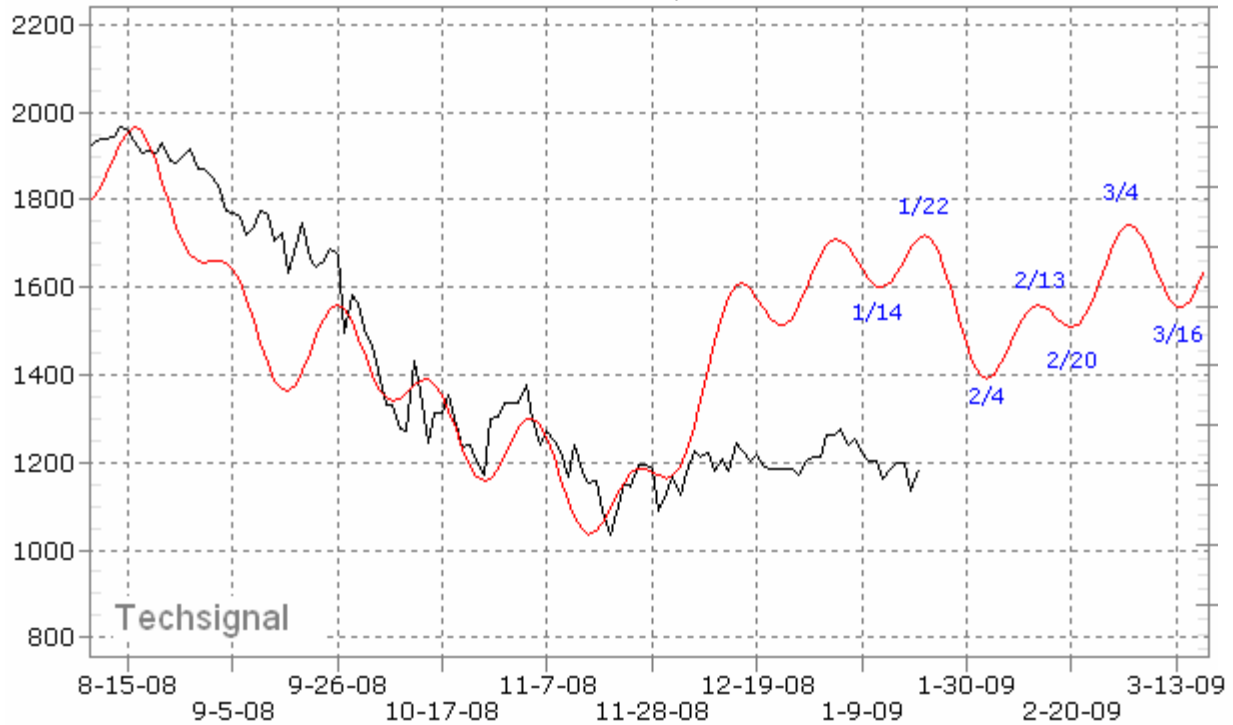
## Daily Dow Jones Industrials

Dow Jones Industrial DJIA  
Daily



## Daily Nasdaq 100

Nasdaq 100 (Pit) Cas ND  
Daily



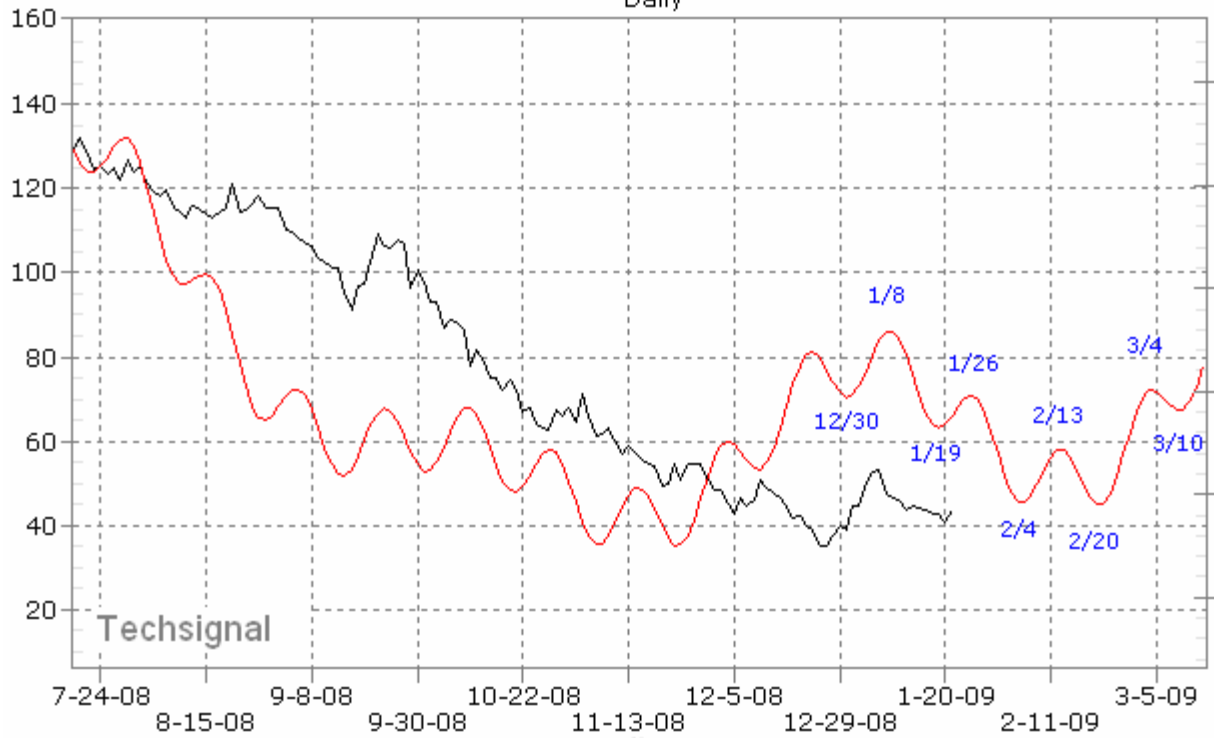
## Daily Dow Jones Utilities

Dow Jones Utilities DJUA  
Daily



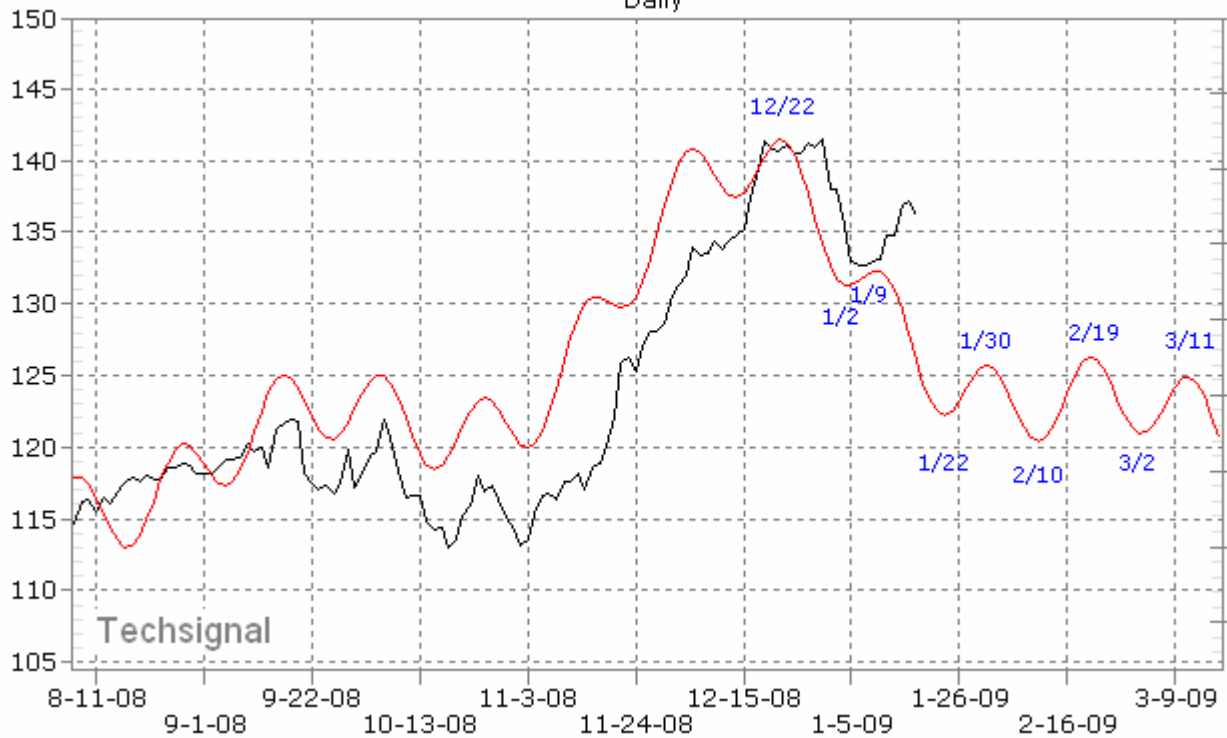
# Daily Crude Oil

Crude Oil NY (Pit) C CL  
Daily



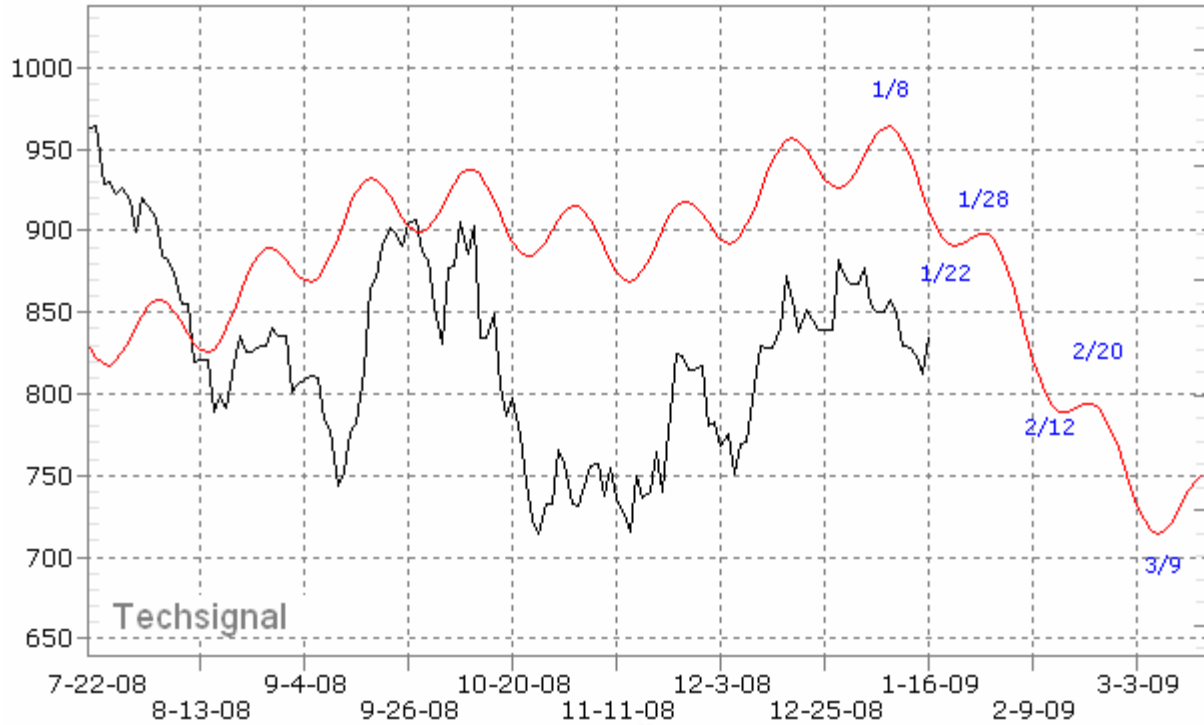
# Daily T-Bonds 30 Yr.

T-Bonds 30Yr CBT Pit TQ  
Daily



## Daily Gold

Gold Comex (Pit) Cas GC  
Daily



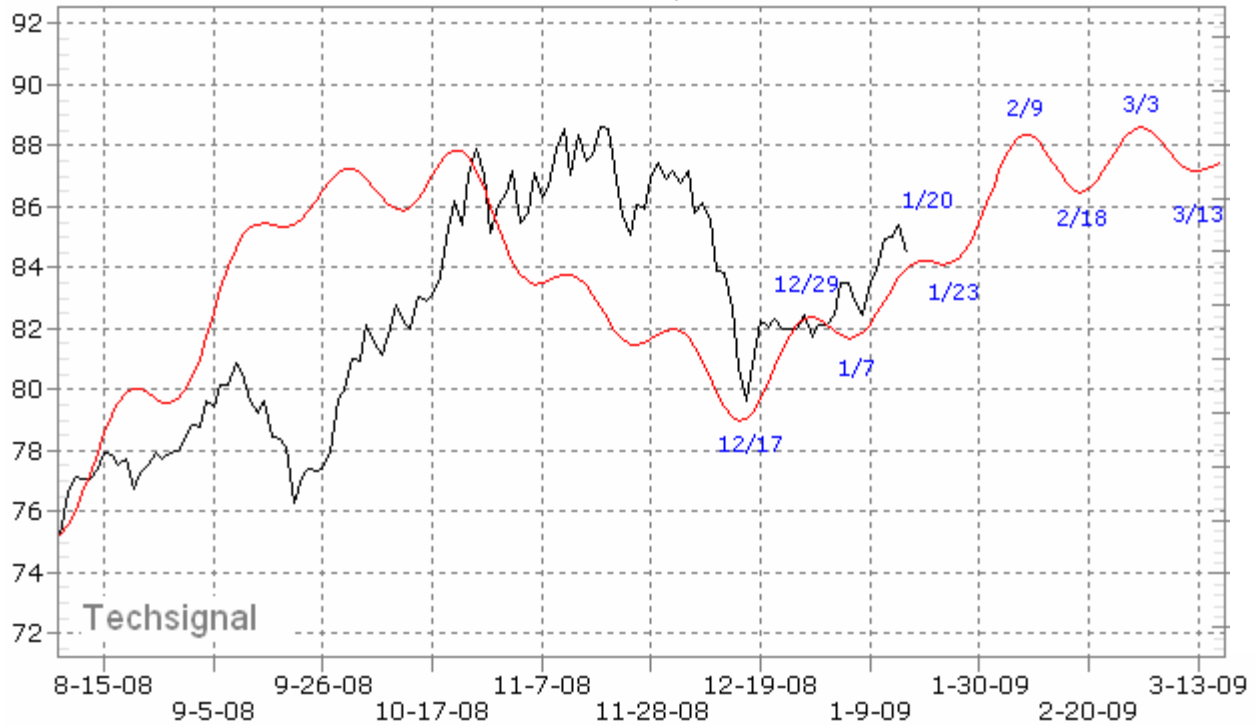
## Daily Copper

Copper HG NYMX (Pit) HG  
Daily



## Daily US Dollar

US Dollar Index DX  
Daily



## Daily Euro EU

Euro FX (Pit) Cadj L EU  
Daily

