

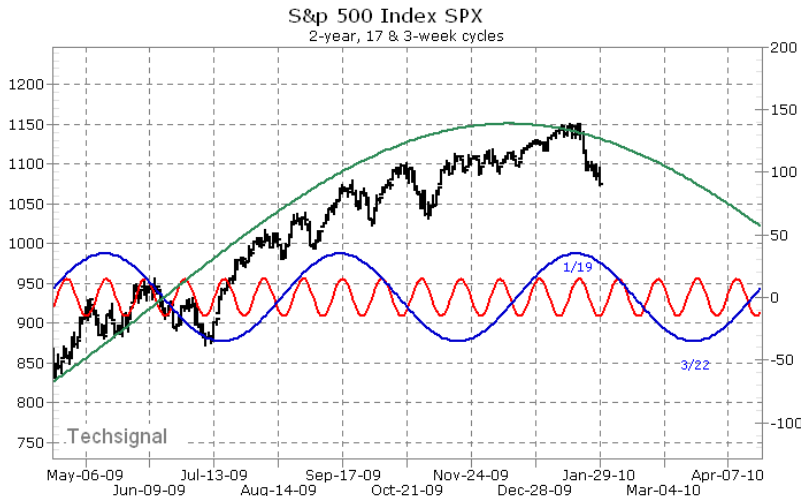
# Cycle Projections Stocks

JANUARY-FEBRUARY 2010

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

## A correction at last - How deep?

After over ten months of rally the stock market has at last began to get a respite. Since the March low in stocks there have been two feeble attempts at a correction, one in July and another in October and November. In June and July of 2009 we had an 8% correction and in October-November of there was a 5% correction. All during this period we were in the bullish phase of the 24-month or two year cycle.



That cycle has now topped, and our estimate is that we should see the S&P correct at least 10%, with a price target low around 1026 to 1010. This decline is also marked by the 17-week cycle, a variant of the short term cycle around 20-weeks made famous by Jim Hurst. In the chart we see that we have three cycles aligned: the above mentioned 24-month and 17-week cycles plus the important but not dominant 3-week cycle. The 3-week cycle does not determine trend but it determines swings within a trend. Currently based upon the longer cycles the trend has changed and is now down. The 3-week cycle has been down until the end of January and is now turning. On a short term basis we should see a bounce and in about four sessions the decline should continue until early March. Since the market has already declined 6.5%, which we consider to be a half way down, and argues for a correction of more than 12% with the above mentioned target in the neighborhood of 1010. This constitutes a 50% correction of the swing from the July low to the January high. The one fly in this ointment is the time. We have corrected for about a week but expect the next significant rally to take place in about 7 weeks. This argues for several counter trend rallies and a sideways movement. We expect that the counter trend rally should not break above 1120 on the S&P cash. Yes, we are bearish and feel that this correction should at least reach 1026. If we go deeper, and we feel this is a strong possibility, then we have begun another significant bear phase. **Domestic Equities:** We now wish to own only large cap dividend paying stocks, or no stocks at all, or short positions, and/or inverse ETFs when the counter trend rally completes itself by the end of the week. **International equities** We now wish to stand aside on international equities until the correction is complete. In the next rally we will want to increase our weighting of international equities. **Bonds:** We continue to be neutral as yields are not likely to fall or rise significantly. **Energy:** We continue neutral to bearish on energy as we continue in a trading range. **Metals:** The short cycles remain bearish short term, but we are entering a price range where accumulation could begin for the next rally, although prices should go a bit lower. **Foreign Exchange:** The US dollar should remain strong for another several weeks.

Written 1/30/09

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All data used in *Cycle Projections* provided by Genesis Financial Technologies, Inc.  
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**Cycle Projections**

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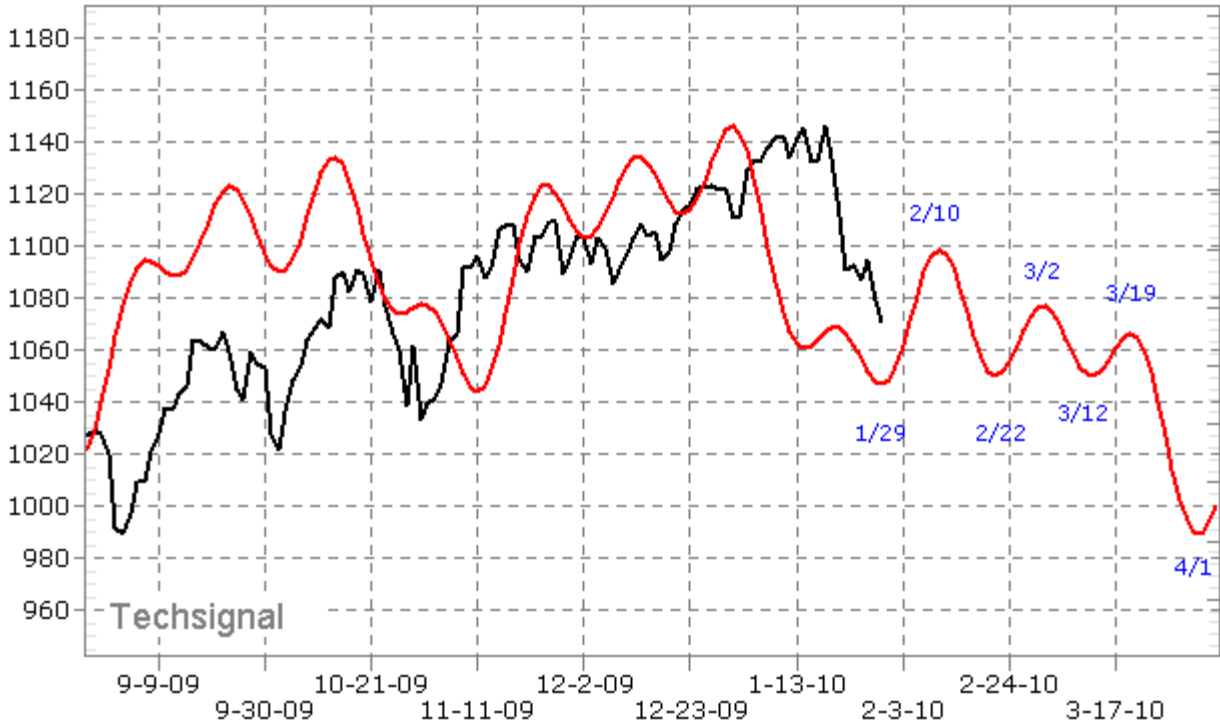
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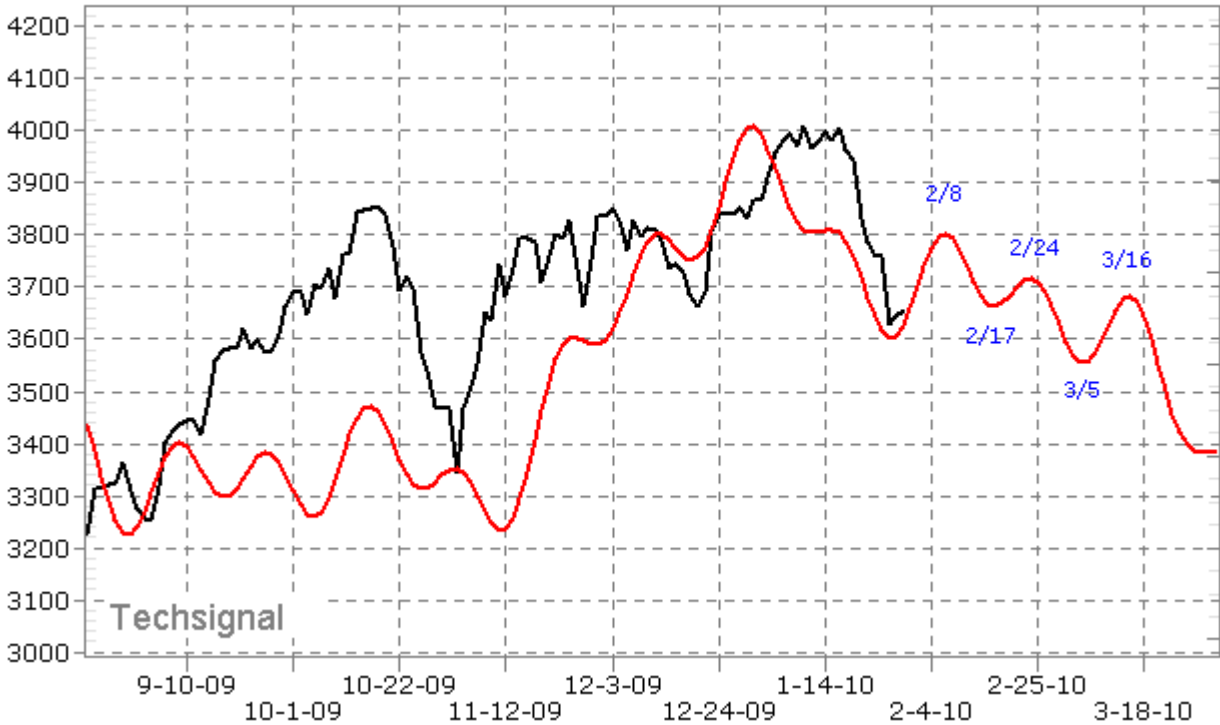
## Daily S&P 500

S&P 500 Index (Pit) SP  
Daily



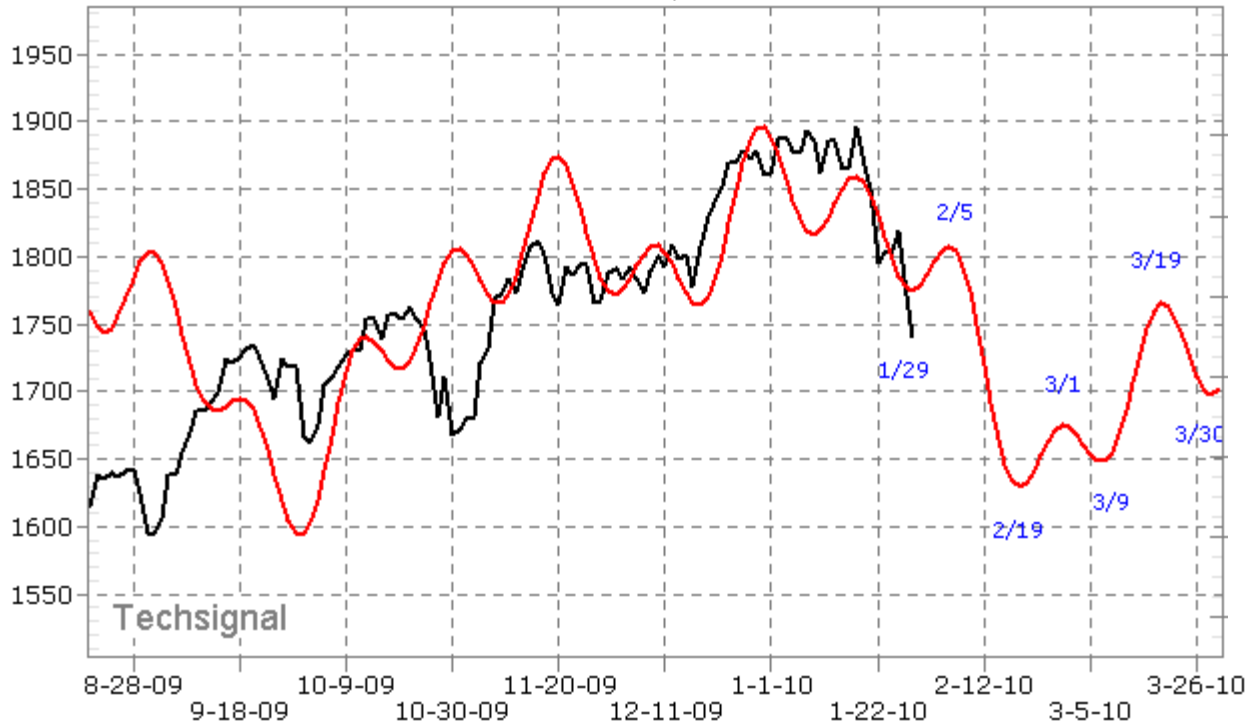
## Daily Dow Jones Industrials

Dow Jones Industrial DJIA  
Daily



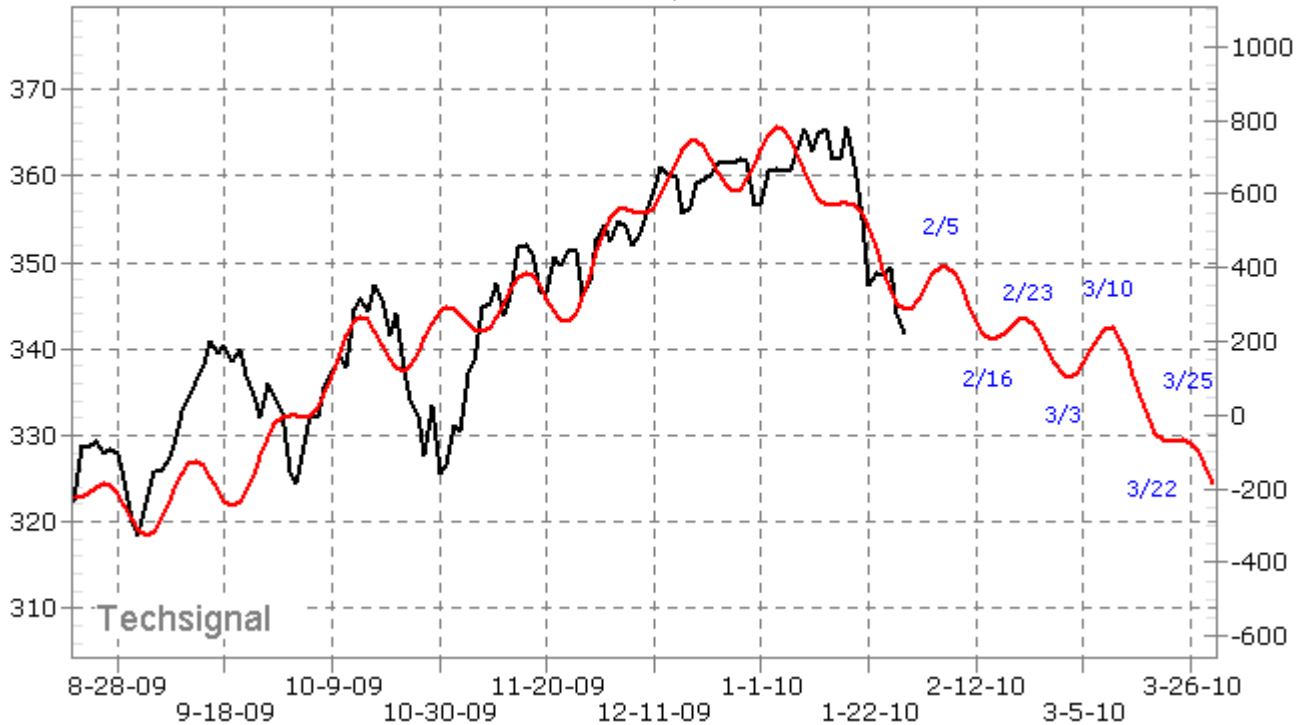
## Daily Nasdaq 100

Nasdaq 100 (Pit) Cas ND  
Daily



## Daily Dow Jones Utilities

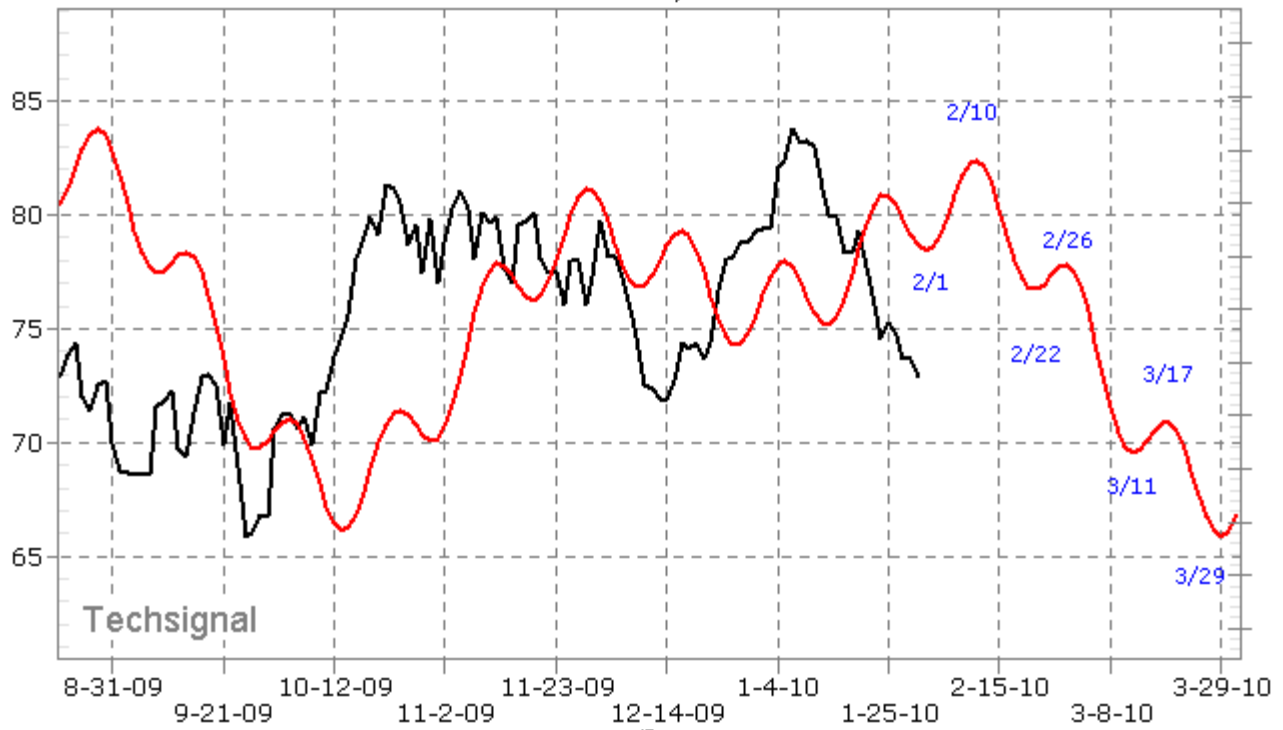
Dow Jones Utilities DJUA  
Daily



## Daily Crude Oil

Crude Oil NY (Pit) C

Daily



## Daily T-Bonds 30 Yr.

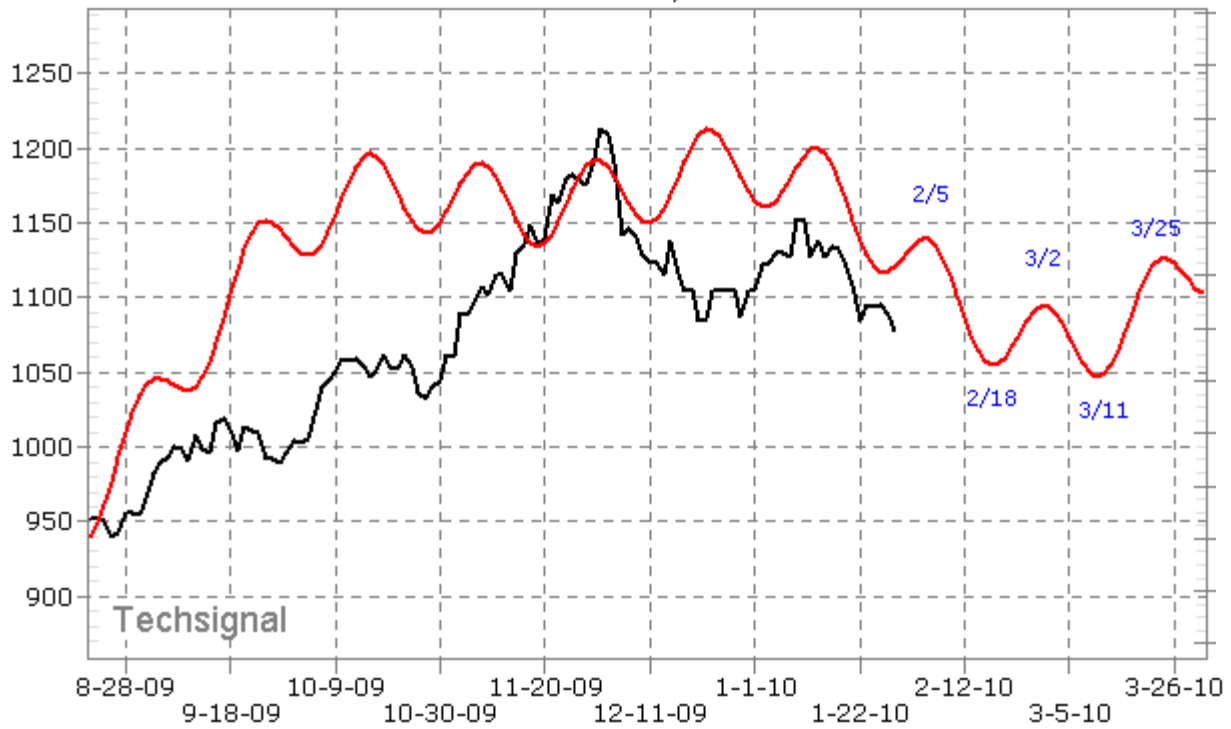
T-Bonds 30Yr CBT Pit TQ

Daily



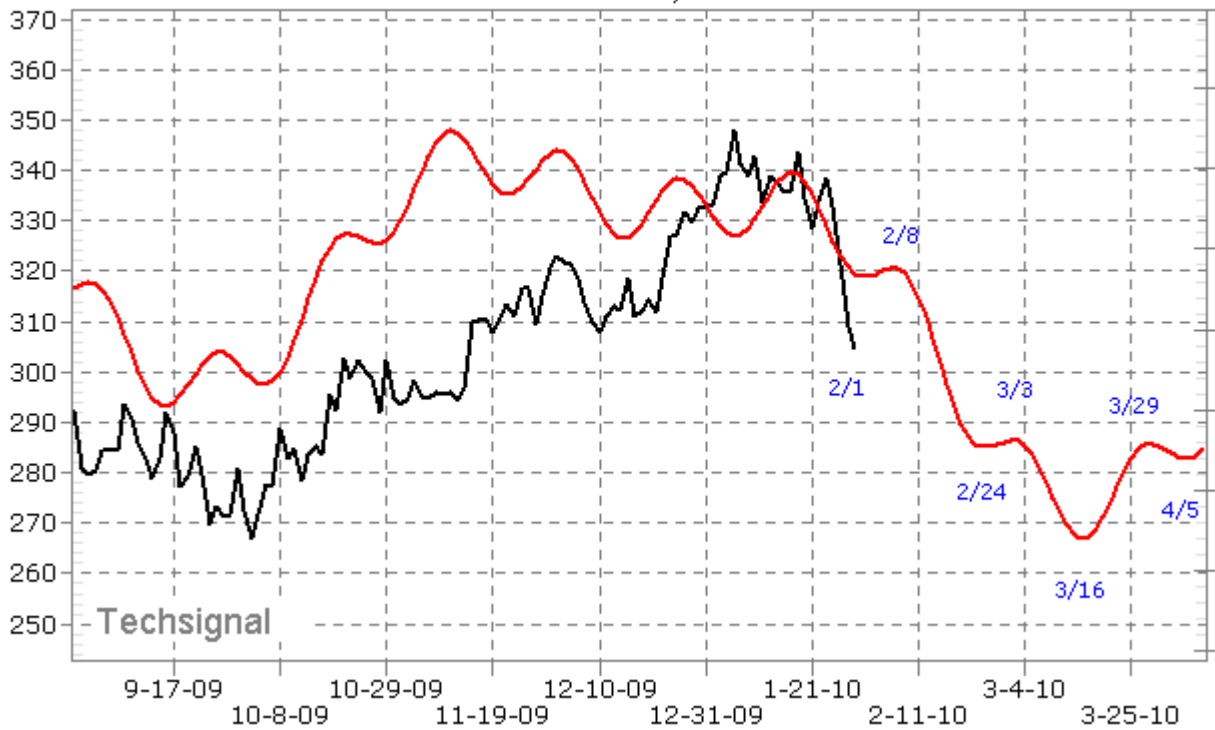
## Daily Gold

Gold Comex (Pit) Cas GC  
Daily



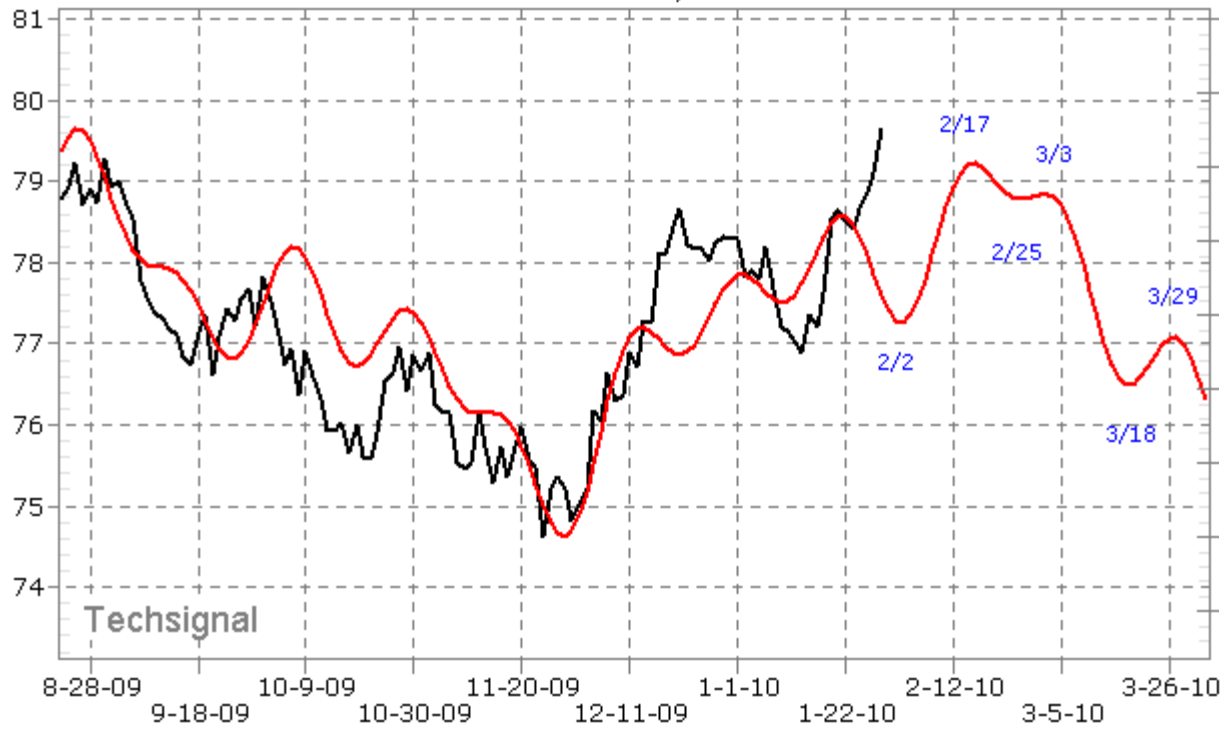
## Daily Copper

Copper HG NYMX (Pit) HG  
Daily



## Daily US Dollar

US Dollar Index (ETH DX)  
Daily



## Daily Japanese Yen JY

Japanese Yen (Pit) C JY  
Daily

