

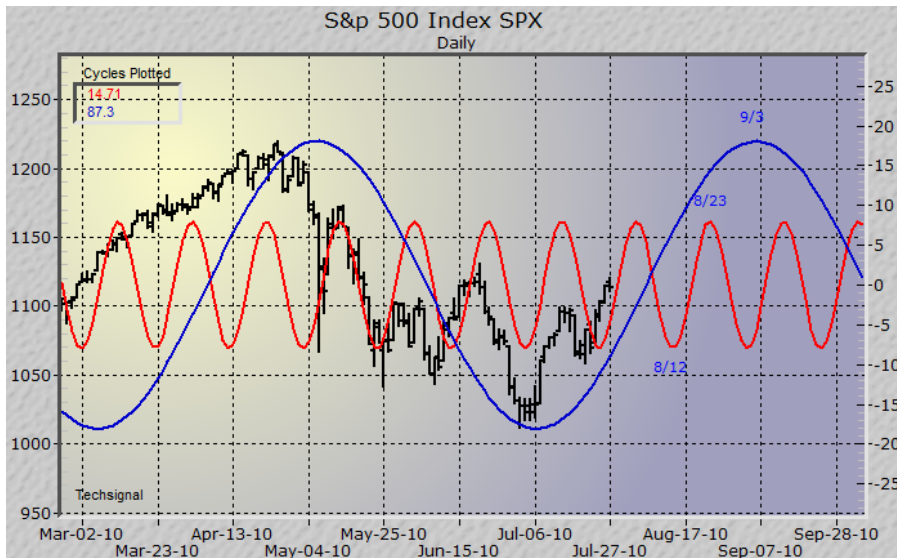
Cycle Projections Stocks

VOLUME III, ISSUE 7

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

How high can the counter trend rally go?

The cycles have pointed to a simple fact; we are in a bear market. Of course many will argue that this is not a bear market since the market fell only about 17%. And that may not fit what some call a bear market; namely a 20% decline. But this definition would have said that the decline from the October 2007 high to the April 2008 low was not a bear market either since it was only a 18% decline. Our rule is simple: as long as we make lower lows and lower highs we are in a bear market. And that would have made the 2008 decline part of a bear market and would make the current correction the first leg of a bear market. It also means that the market should not rally above the April 26 highs near 1220, and preferably below 1175. But at this writing, with the market around 1120, we do not have much room on the upside.



Furthermore, with the 87-day cycle due to top near the beginning of September, that leaves too much time for such small price move up. So what kind of a market do we need to preserve our rule of lower highs and lower lows? The market should be mostly sideways with lots of corrections. Look for the 3-week (14.71-day) cycle to mark many of these corrections between now and the top of the 87-day cycle. Also expect a possible early top for the 87-day cycle. I think we are in a similar pattern to the 87-

day cycle from the early November lows to the mid January highs that took over 55 days to make its highs with a rally of about 10%. We have already rallied above 10%. Other cycle lows have produced strong rallies only to fail during bear markets; so be looking for a significant test coming in the next few weeks. Our assumption is that the market will be punctuated by at least two more corrections in the 25 plus market days left of the cycle; and with the market being overbought, now is a good time for one of them to start. **Domestic Equities:** We are now recommending long single beta index ETFs or selected stocks on pullbacks for the next month. You must be watchful. **International equities:** We are neutral on international equities... **Bonds:** We are neutral to bearish on bonds. All longer term interest rate vehicles remain vulnerable. **Energy:** We are now bearish on energy; but we are in a trading range. **Metals:** We want to accumulate long positions in gold for the rally expected in the fall. Buy a bit lower than current prices, but do get long... **Foreign Exchange:** The US dollar is now bearish, but remains in a range. Pressure is now down. It is hard to trade.

Written 7/28/10

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Cycle Projections

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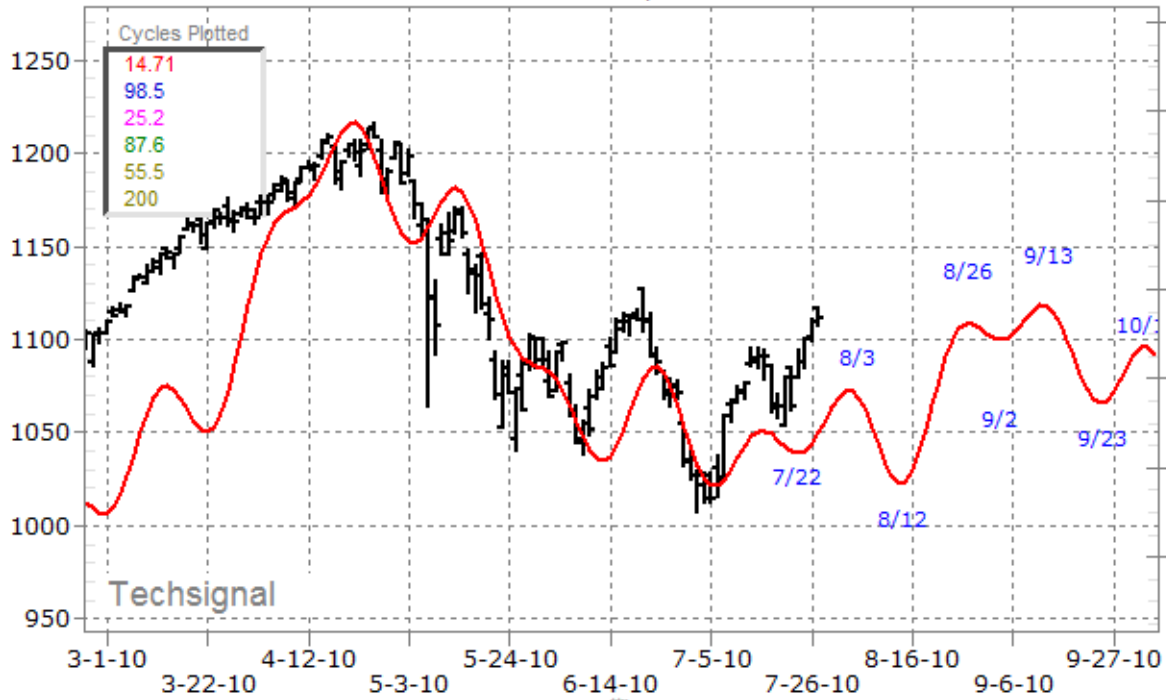
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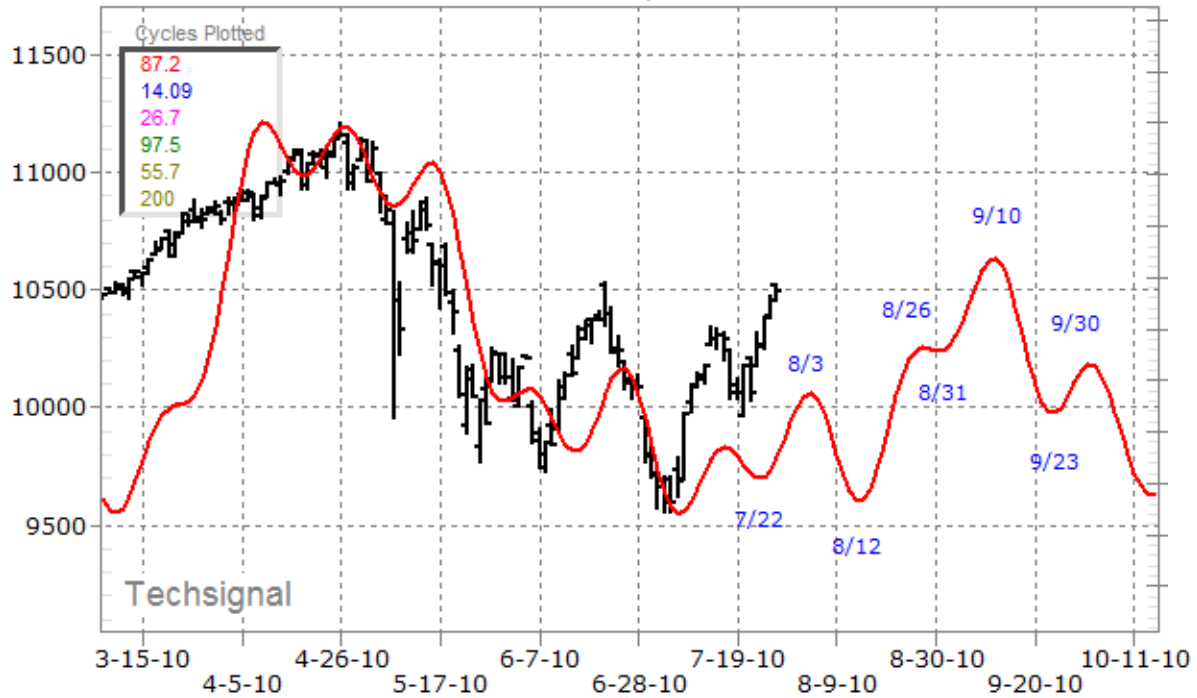
Daily S&P 500

S&P 500 Index (Pit) SP
Daily



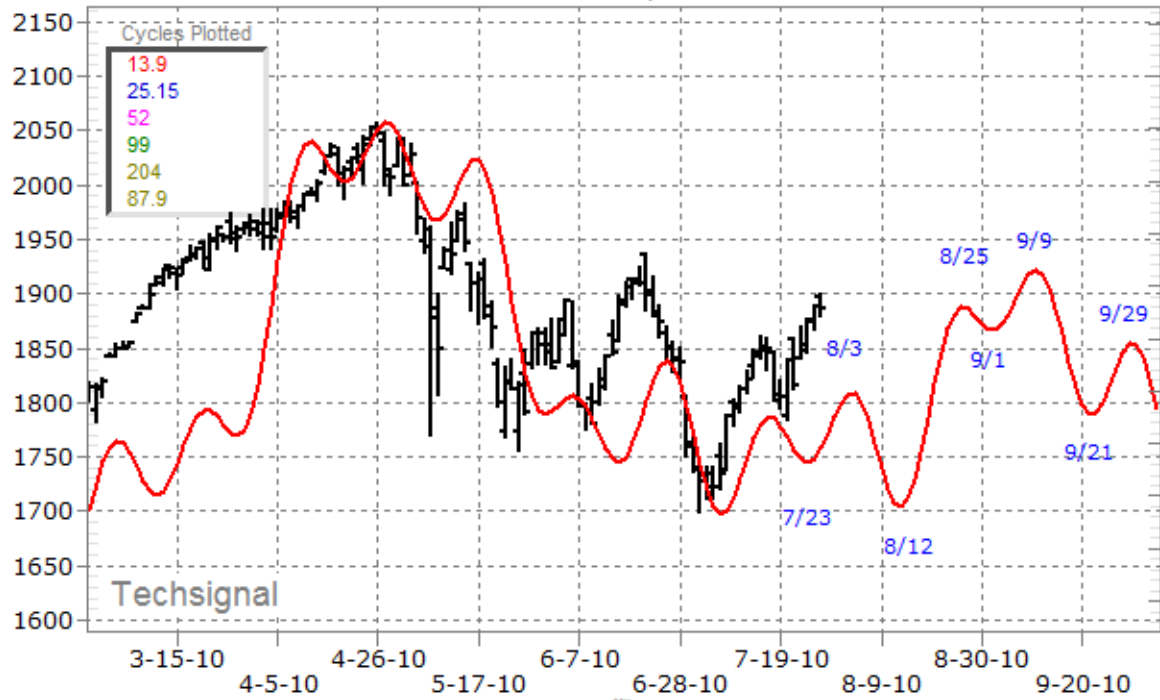
Daily Dow Jones Industrials

DJIA Index (Pit) Con DJ
Daily



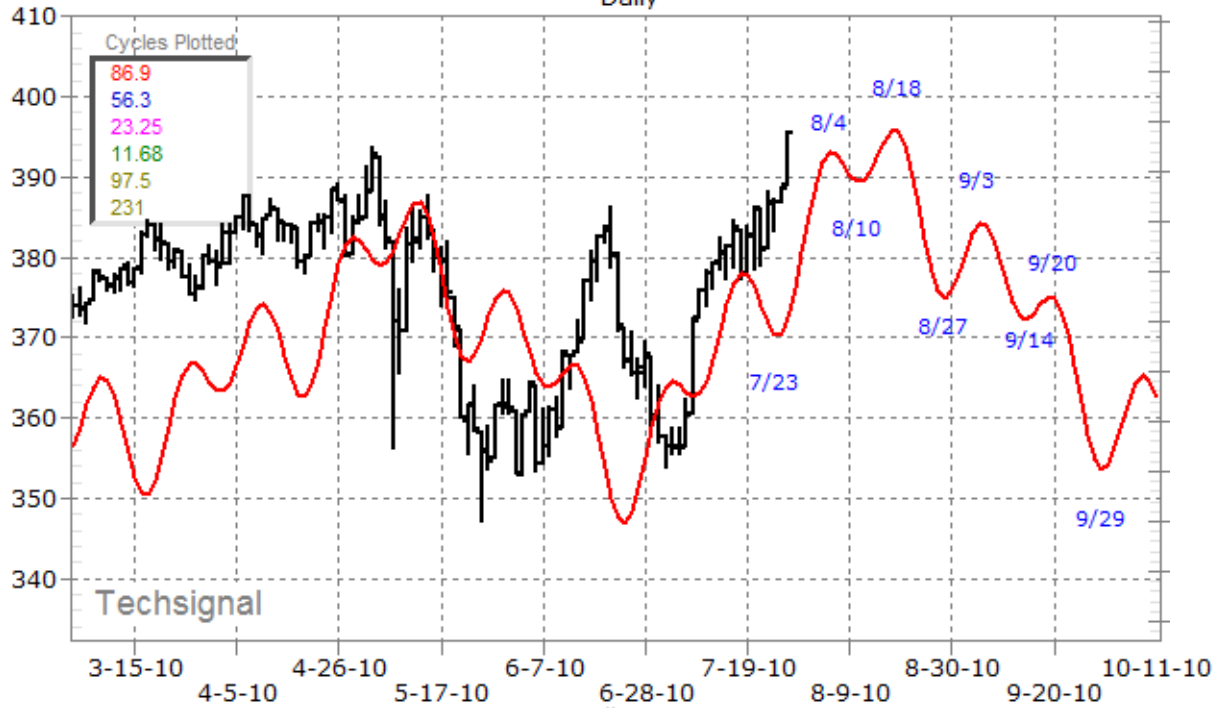
Daily Nasdaq 100

Nasdaq 100 (Pit) Con ND
Daily

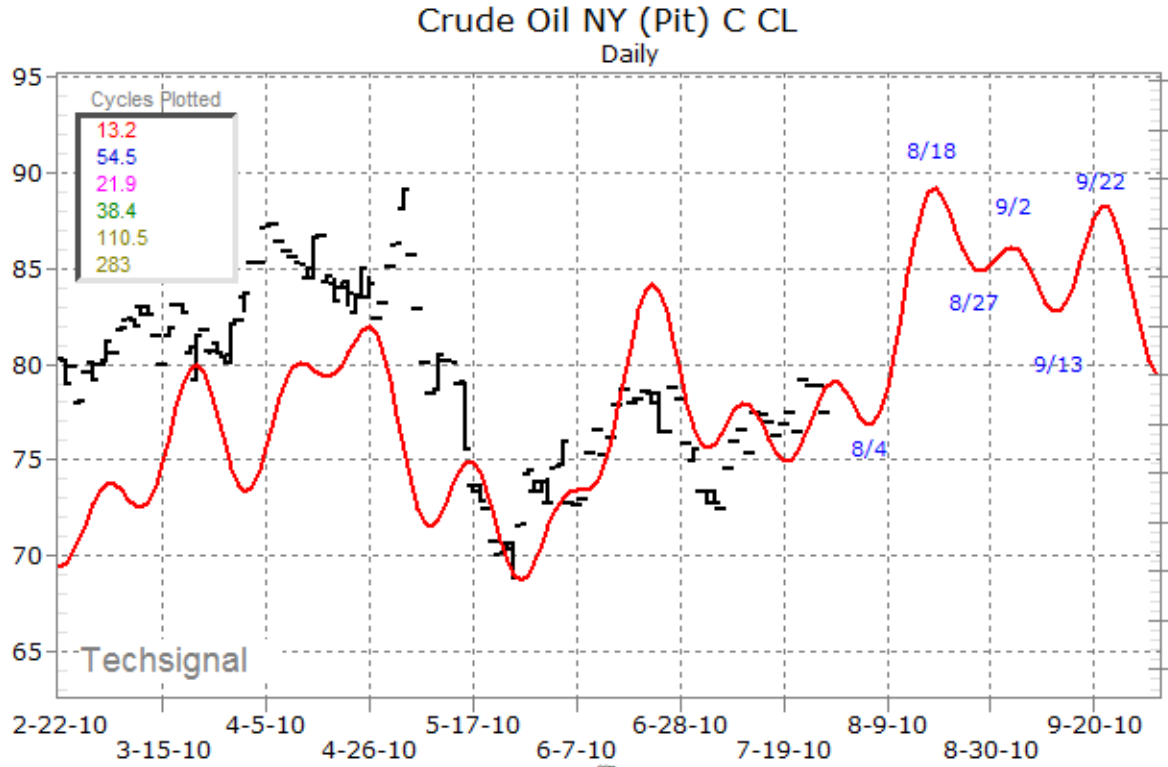


Daily Dow Jones Utilities

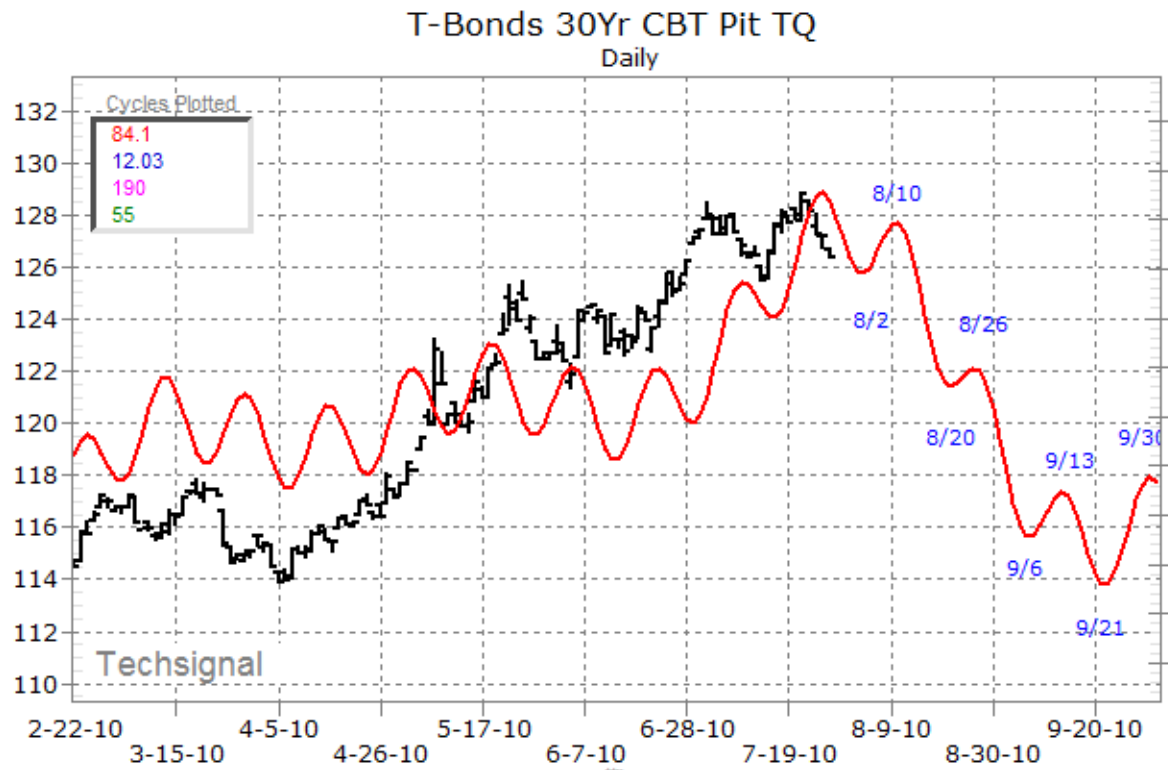
Dow Jones Utilities DJUA
Daily



Daily Crude Oil

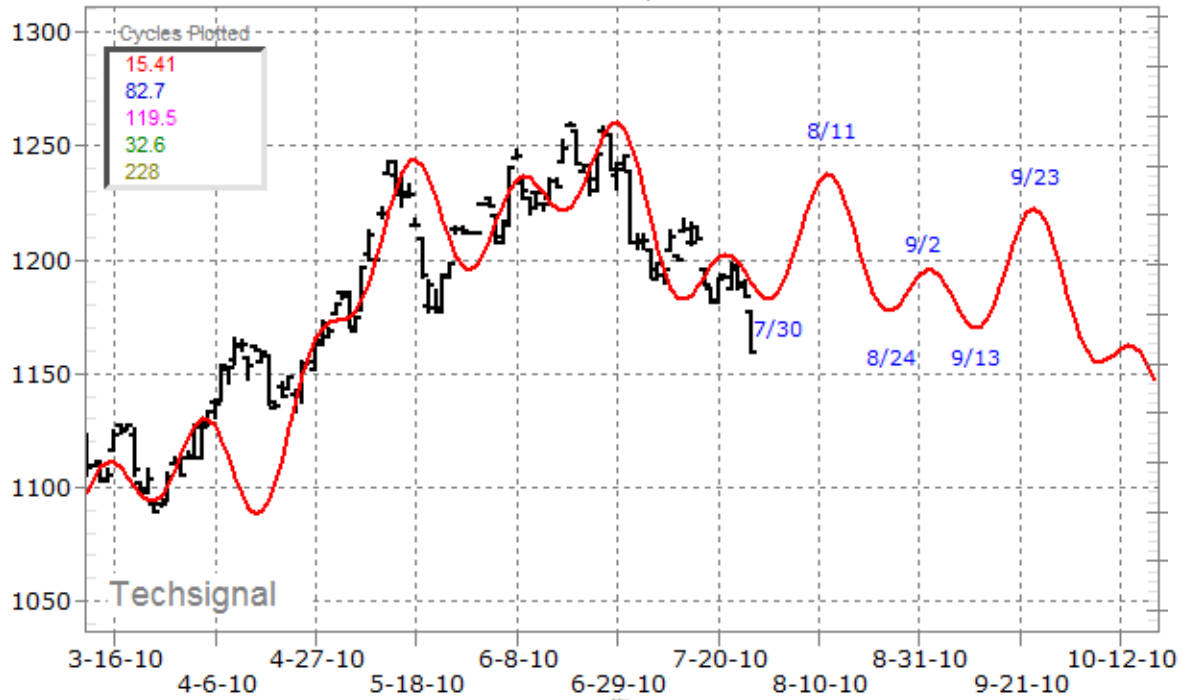


Daily T-Bonds 30 Yr.



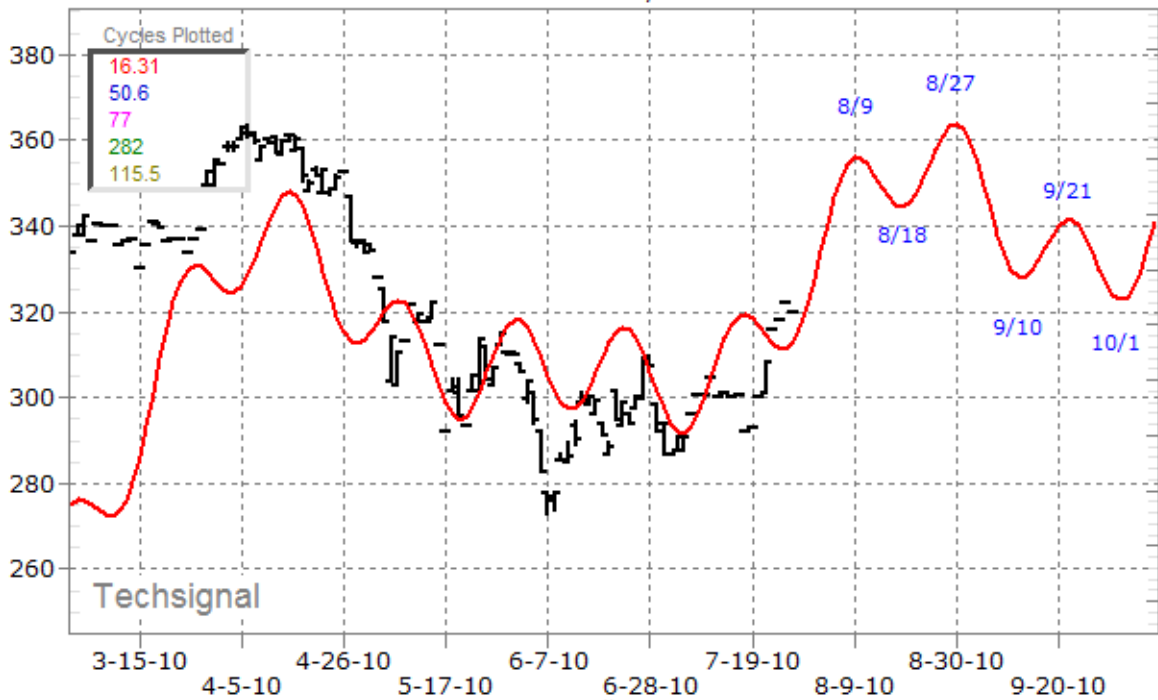
Daily Gold

Gold Comex (Pit) Con GC
Daily



Daily Copper

Copper HG NYMX (Pit) HG
Daily



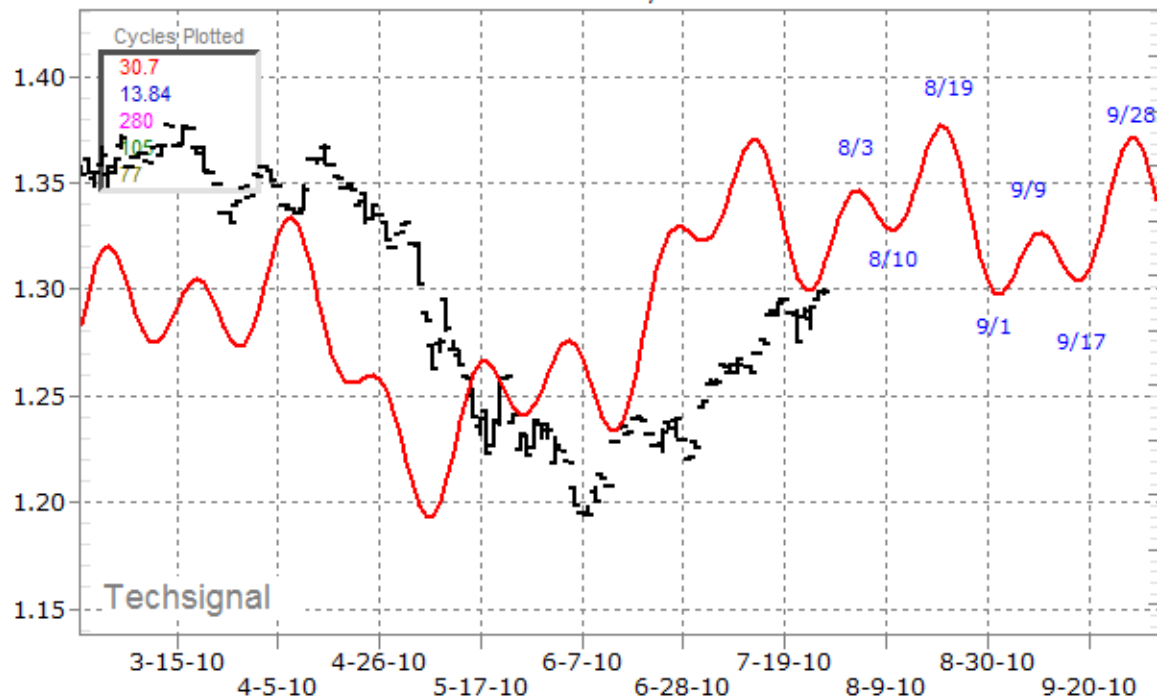
Daily US Dollar

US Dollar Index (ETH DX)
Daily



Daily Euro FX EU

Euro FX (Pit) Cadj L EU
Daily



Notice to Subscribers

Starting with this issue, we have created a new analyses for individual market covered. Then in each following issue we will be adding a feature called “How It Came Out”, which will show how each projection turned out compared to the market itself for the most recent months. In the future when either time or market conditions warrant a new analysis we will not include a “How It Came Out” section until the following month. We will also let you know that it is a new analysis. Our goal is to create a way of tracking how well the analysis used performs through time. We now include the cycles used in our synthesis as well as presenting prices in the high, low close format..