

Cycle Projections ETFs

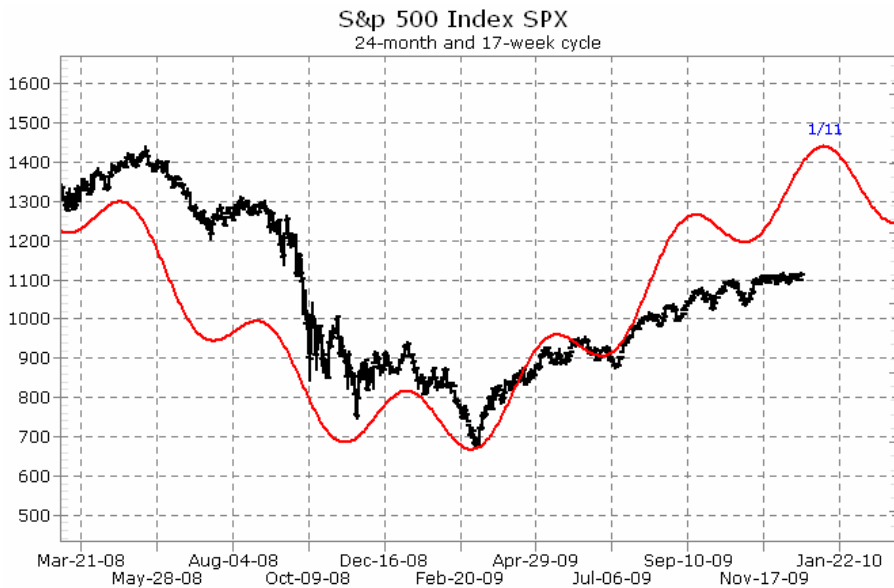
DECEMBER 2009-JANUARY 2010

ETF'S - A Diversified Selection of Major Exchange Traded Funds

How high and how long can the rally go?

We are in the last throes not of a decline but of our rally. The markets have now gone more than 9 months without a significant intermediate term correction as measured by the 17 to 20-week cycle. Historically this has happened both before and again at the end of 9 month periods. but it doesn't look like we are getting one now.

Typically there are two 17 to 20-week cycles in a 9 month period. We have had only one correction greater than 6% and that was only 8%. All of this is happening in a market that went sideways 5 of the last 9 months. And that tells the story of the rally since March. The 60% gains from that low were made in two rallies: one a month long and the other two months long with the rest, as stated above, moving sideways or only mildly corrective.



Now we have to consider which will win out: (1.) the need for the market to correct and build a base for the next move up or (2.) more higher prices based upon the strong seasonal pattern from 12/15 to 1/6. This pattern has been reported most recently by William Sarubbi of Vienna, Austria. Sarubbi points out that over the last 89 years the market has been positive 79.8% of the time. It is one of the strongest seasonal patterns of the year. In addition to this seasonal pattern

the 24-month cycle continues to be positive, and it is one of the strongest monthly cycles. But again, this cycle is due to correct in mid-January to early February. The chart above shows the combination of the 24-month and 17-week cycles. This expected correction should be significant and will likely show that this economy needs a lot more healing before the next extended bull market begins.

Domestic Equities: We are interested in long double beta index etfs at this point, but no dollar sensitive etfs. **International Stocks:** We continue to believe that emerging markets will outperform, but be cautious, we are nearing a short-term correction. **Energy:** We are neutral to bearish on energy, but do not want to buy any inverse energy funds due to the trading range we find in this complex. **Gold and Precious Metals:** We look for the metals to correct and we view it as an accumulation phase for the next rally near mid-year in gold. **Commodities/Agriculturals:** The US dollar should rally short-term and commodities should not rally. Agriculturals will be bullish closer to spring, but not now. **Natural Resources:** Neutral now but long-term bullish. We need better economic activity for a rally.

Written 12/22/09

All data used in *Cycle Projections* provided by Genesis Financial Technologies, Inc.
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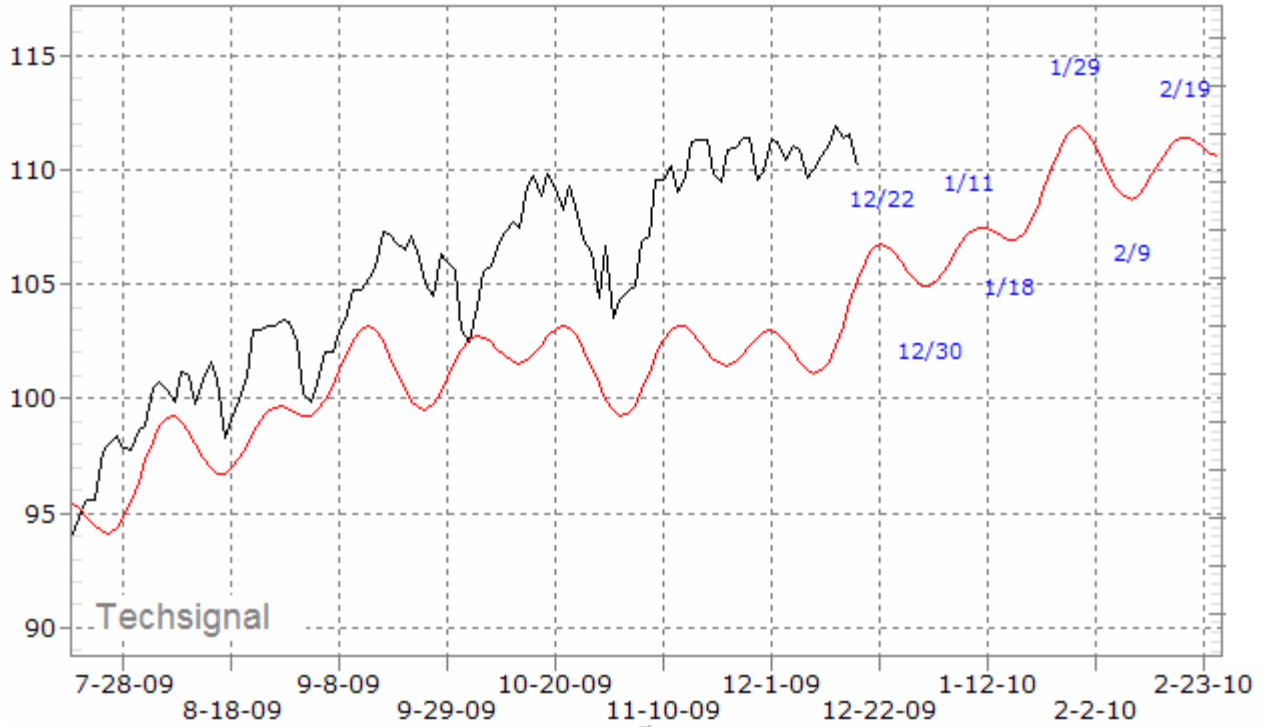
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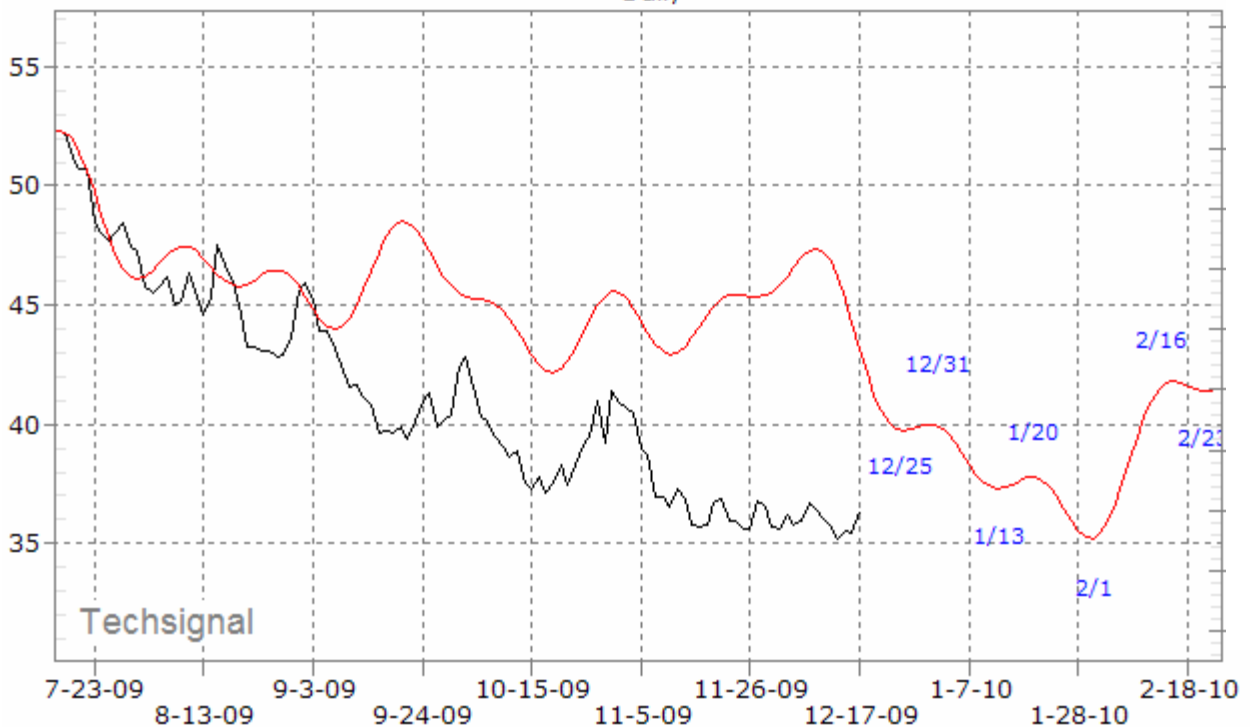
SPY S&P 500

SPDRs S&P 500 Trust Series ETF SPY
Daily



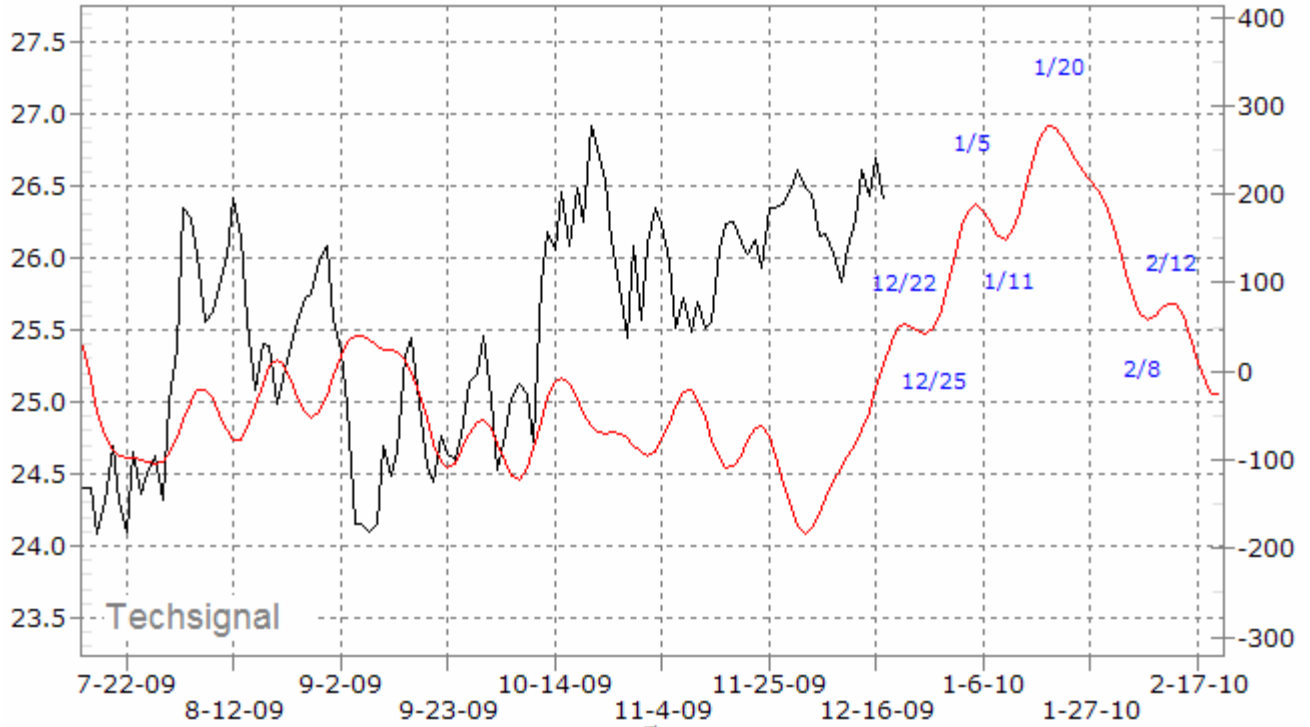
SDS (-2X) Double Beta Inverse

ProShares UltraShort S&P500 SDS
Daily



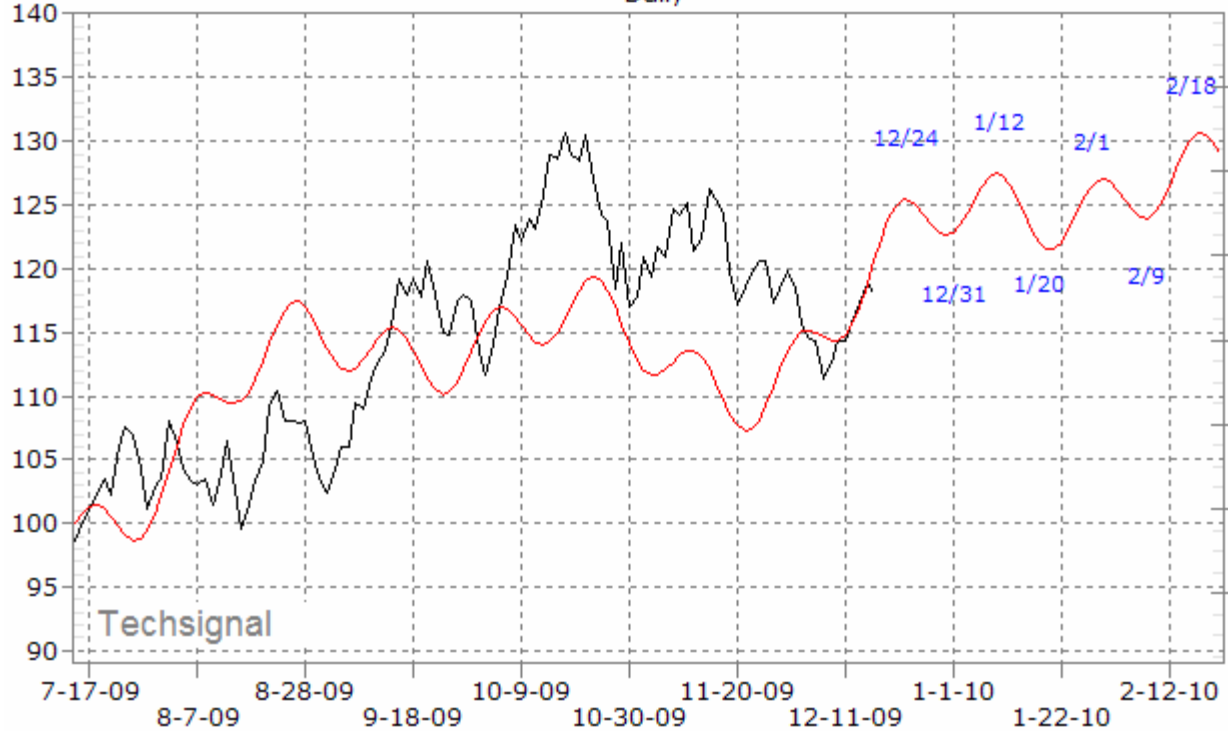
DBA Agriculture

PowerShares DB Agriculture Fund ETF DBA
Daily



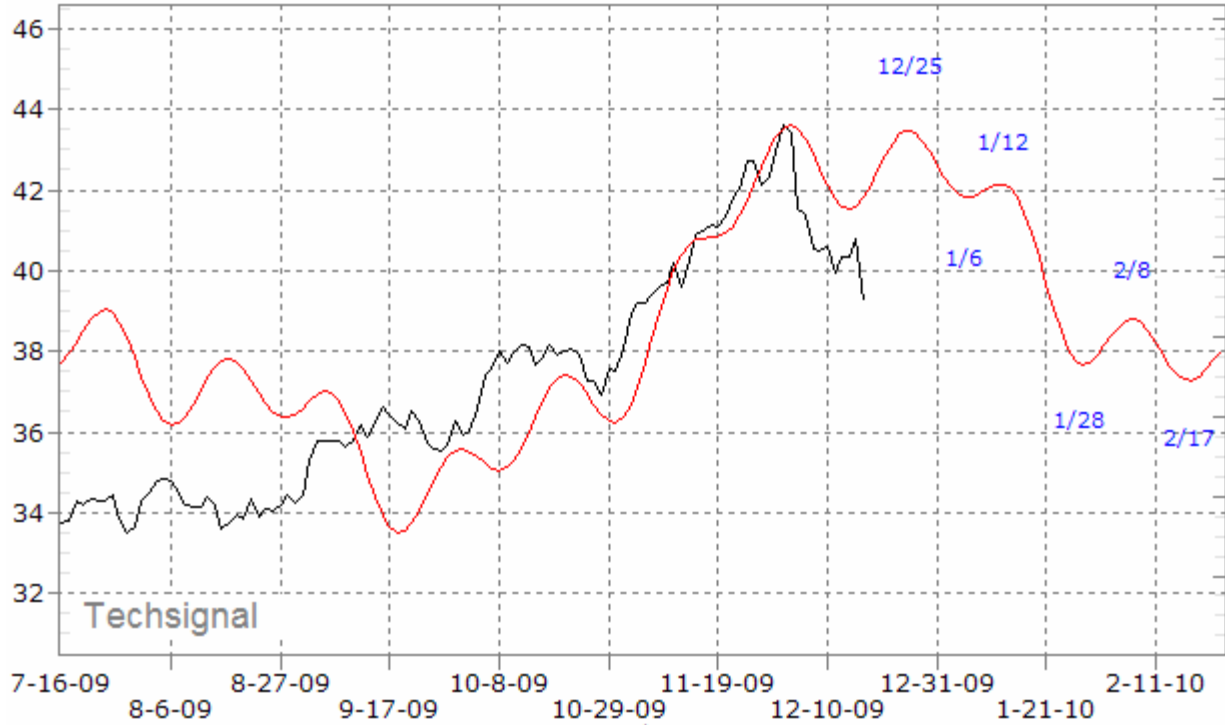
OIH Oil Service

HOLDERS Oil Service ETF OIH
Daily



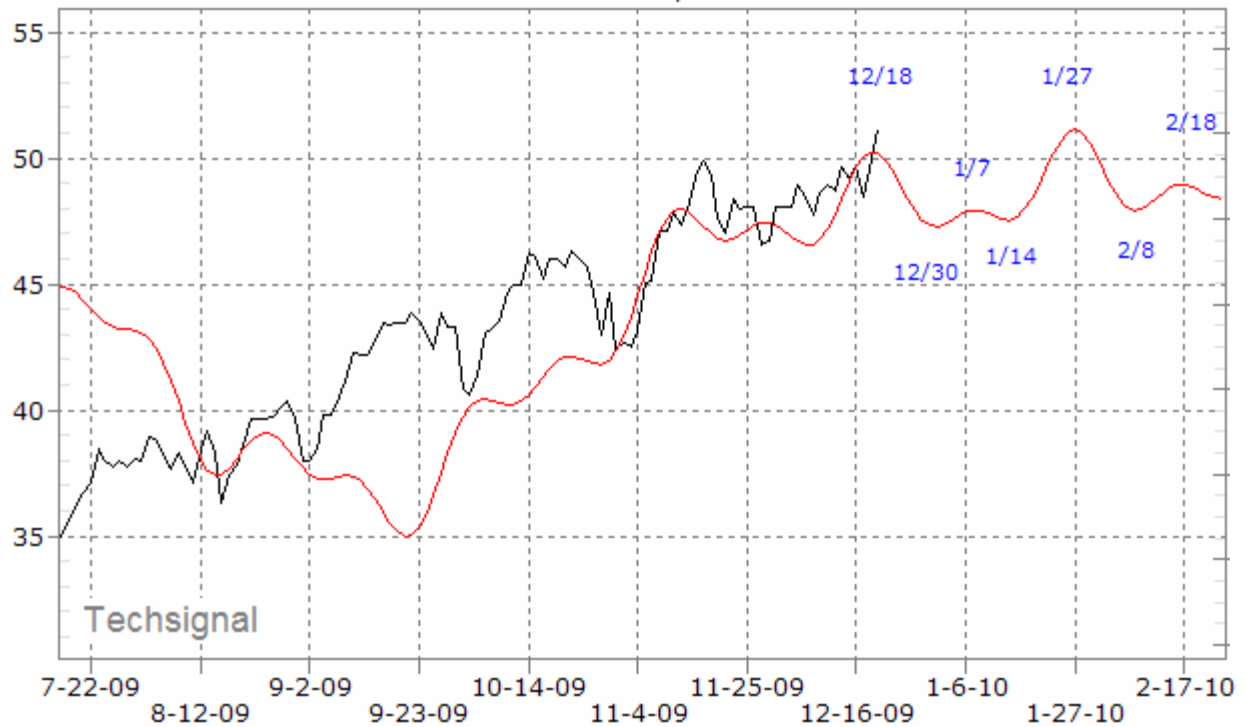
DGL Power Shares DB Gold

PowerShares DB Gold Fund DGL
Daily



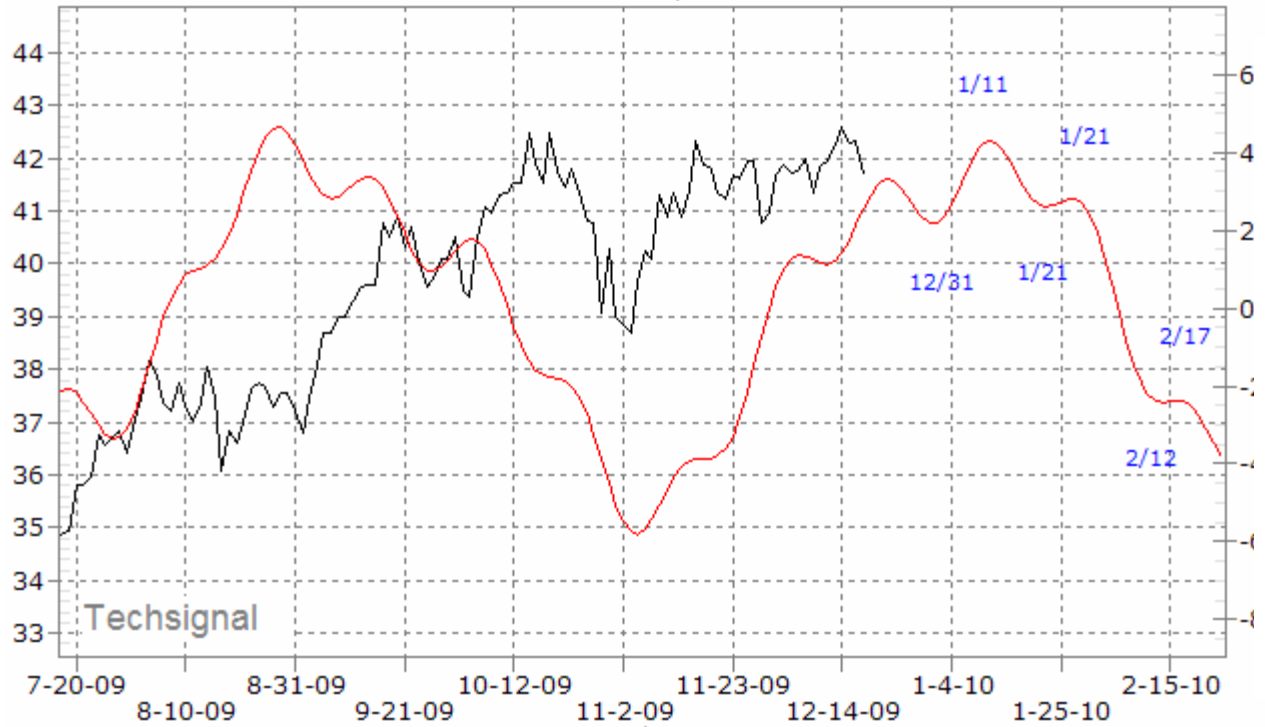
ROM ProShares Ultra Technology (2X)

ProShares Ultra Technology ROM
Daily



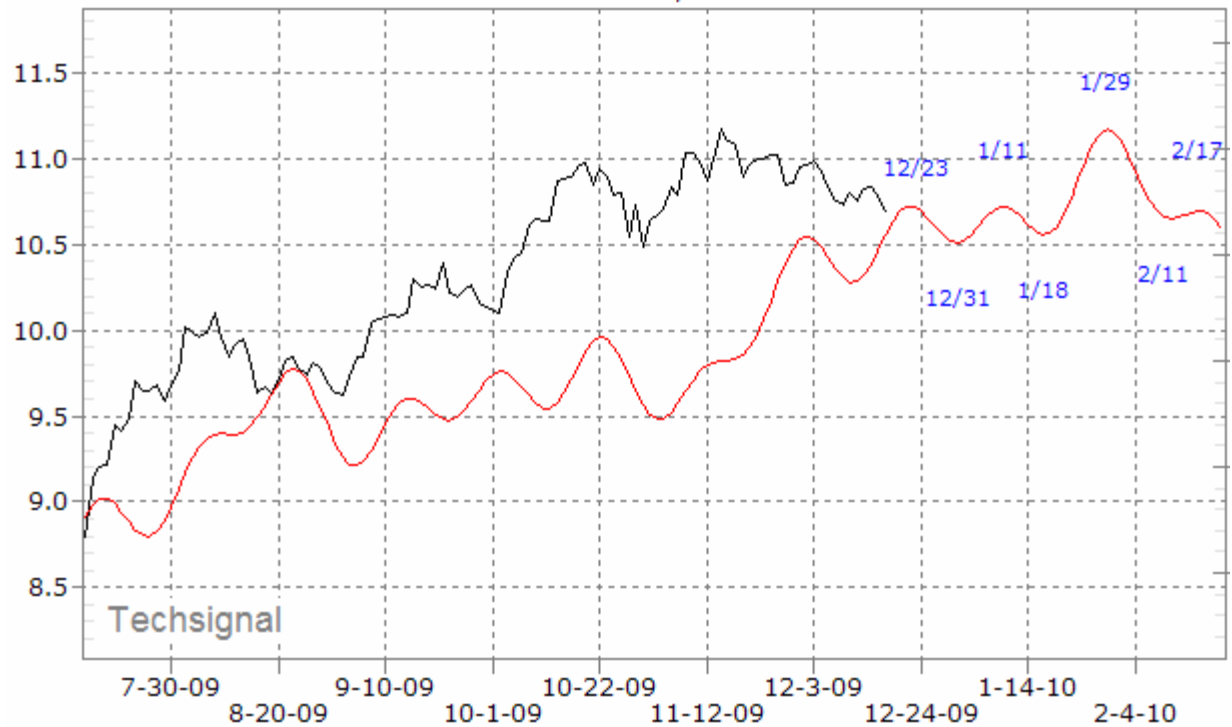
DGS Wisdom Tree Emerging Markets

WisdomTree Emerging Markets Small Cap Dividend Fund ETF DGS
Daily



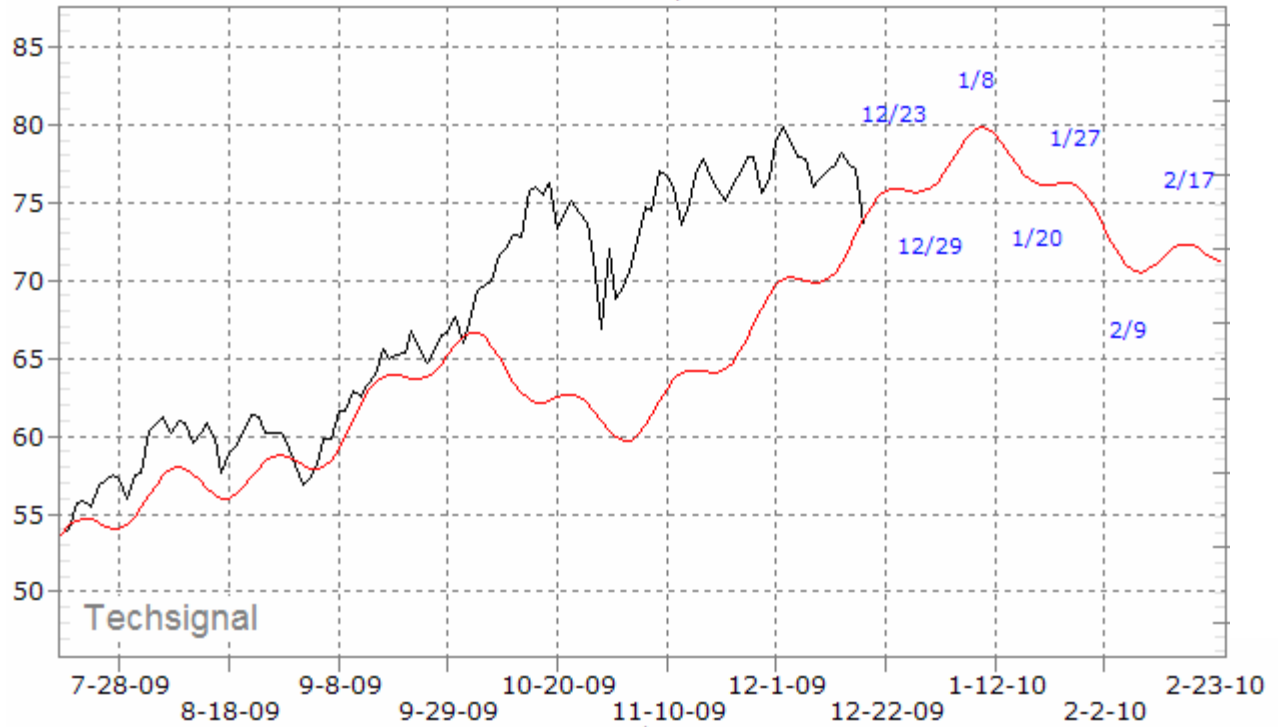
EWM Malaysia Index

iShares MSCI Malaysia Index Fund ETF EWM
Daily



EWZ Brazil Index

iShares MSCI Brazil Index Fund ETF EWZ
Daily



XLF S&P Financial

SPDRs Select Sector Financial ETF XLF
Daily

