

Cycle Projections ETFs

JANUARY – FEBRUARY 2010

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

The 17-week cycle now pointing lower

The Foundation has been researching weekly cycles for over 65 years. One of the most debated cycles has been the cycle between 17.1-weeks and 19.58 weeks. In 1960 the Foundation argued for a 17.66-week cycle and in 1970 Hurst rounded this to an 18-week cycle. Over time the cycle has been called the 20-week cycle, and right now the 17-week is dominant, but historically we have seen that either the 20-week or the 17-week becomes dominant. In

bull markets the slightly longer 20-week cycle tends to dominate and in bear markets the shorter 17.66 week cycle dominates.

Below are the two cycles plotted together. Why does this matter? Because this argues that we are still in a bear market. In addition, we have had a top in the 24-month cycle and the 10-year pattern is in its bearish phase. Now these two important cycles are down. The only significant cycle that remains bullish is the longer 40-month cycle and we believe that this cycle, which tops this year as well, will not produce a higher high.

How will we know if indeed we

are in a continuing bearish phase? I believe that the expected March low in the 17-week cycle will tell us the story. We expect that the current decline is part of a larger correction than the other two 17-week declines since the March 2009 low. This cycle should be at trend down at least 10% and will likely reach 12%. If the correction brings the S&P 500 cash to the 1000 level or below then the likelihood of a continued bear market is at least 70%; but more importantly this correction should last for almost two months; and if it does we will not see new highs in the S&P 500. Remember the market will not go straight down or up but will be punctuated by counter trend rallies. The cycle to watch is the 3-week cycle. It is calling for a bounce from current levels and then will be followed by continued declines. We currently recommend inverse etfs in most asset classes. **Domestic Equities:** We are now in double beta inverse ETFs such as SDS. For those who do not want leverage use SH and similar inverse funds. **International Stocks:** We also wish to be on the short side of international funds or flat. **Energy:** We remain bearish but must warn that the downsides in crude will be in the low 60s. Energy should continue in a trading range. **Gold and Precious Metals:** Gold has been in a bull market, but the correction should continue. We look at this as an opportunity to accumulate the gold ETFs at lower prices. **Commodities/Agriculturals:** The US dollar remains strong and commodities are neutral, but by the end of February we expect a seasonal rally. We like DBA and DBC. **Natural Resources:** Long term bullish but now neutral

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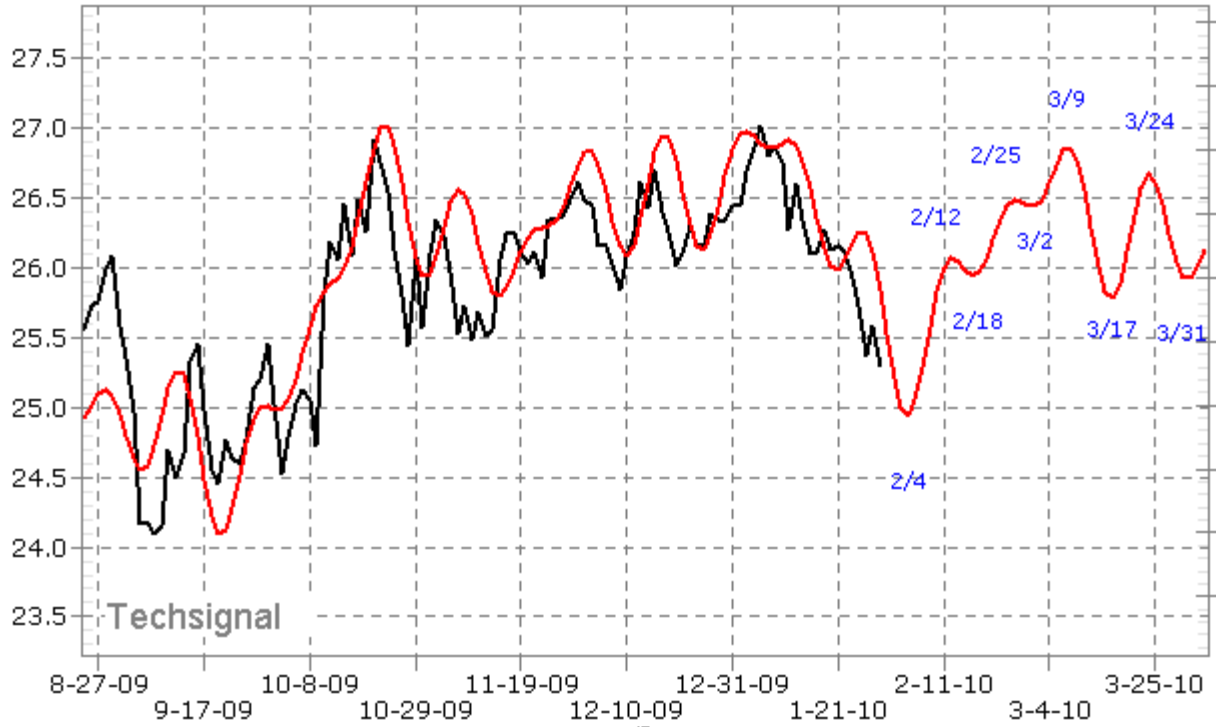
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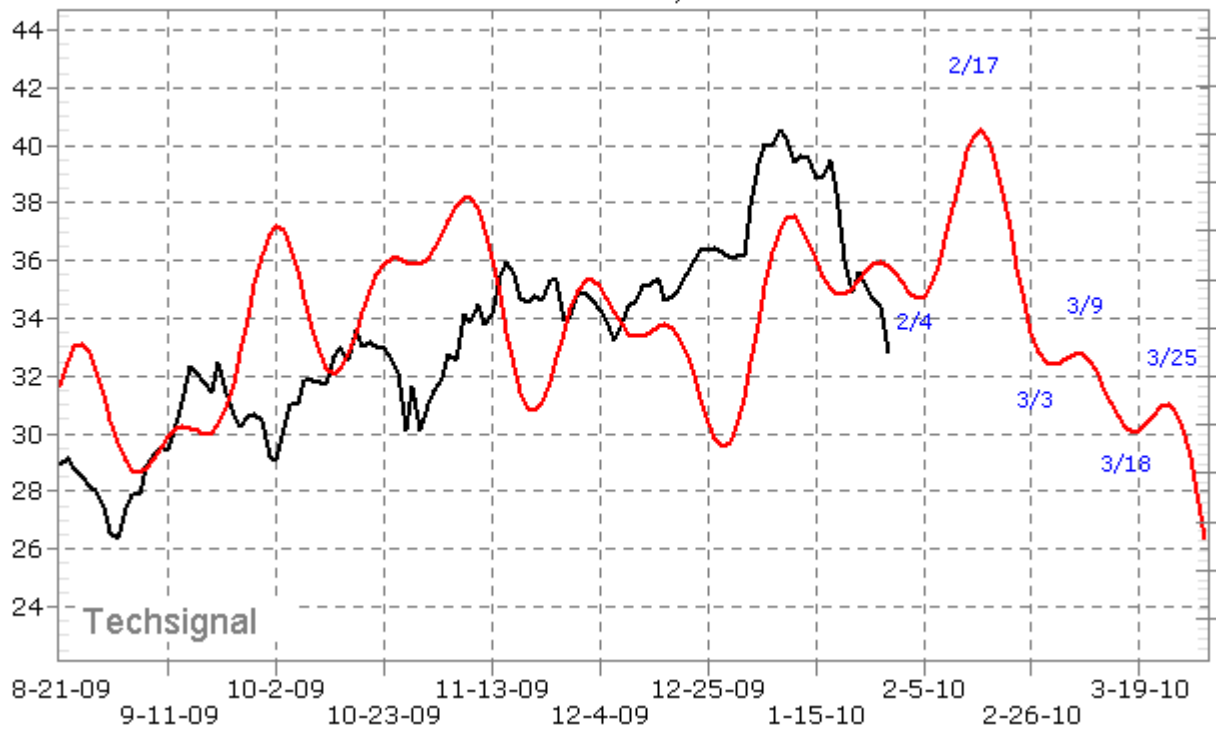
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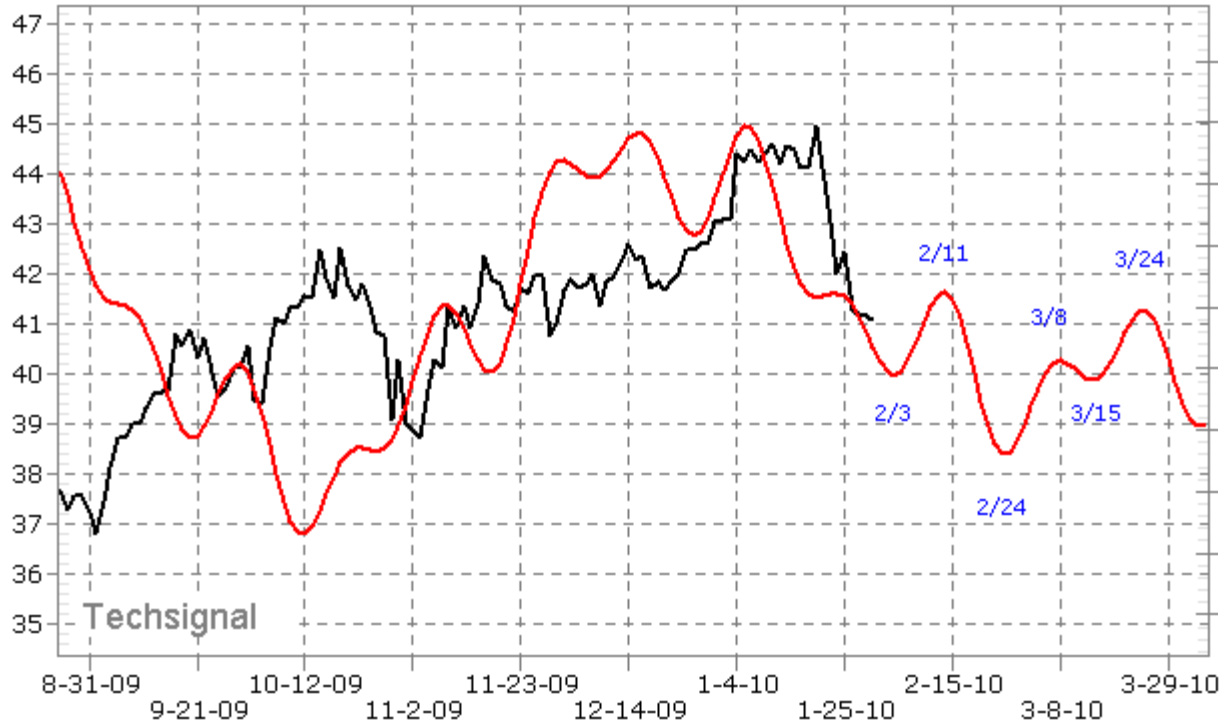
ROM ProShares Ultra Technology (2X)

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DGS Wisdom Tree Emerging Markets

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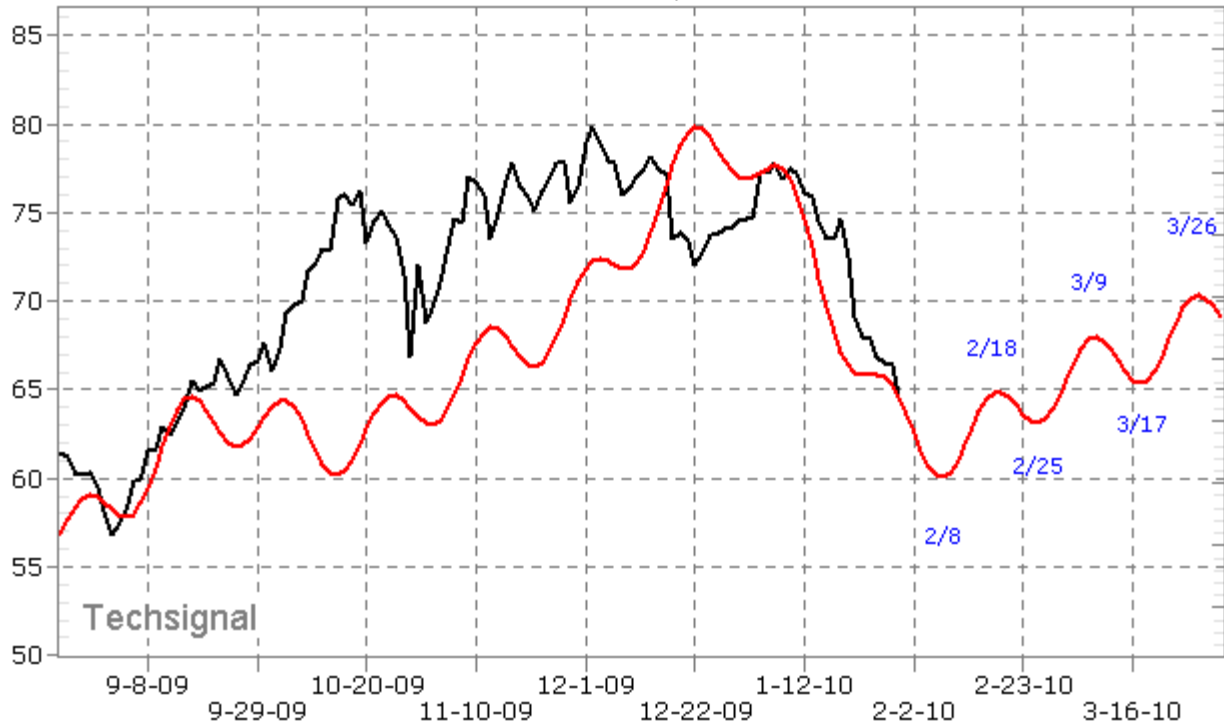
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