

Cycle Projections ETFs

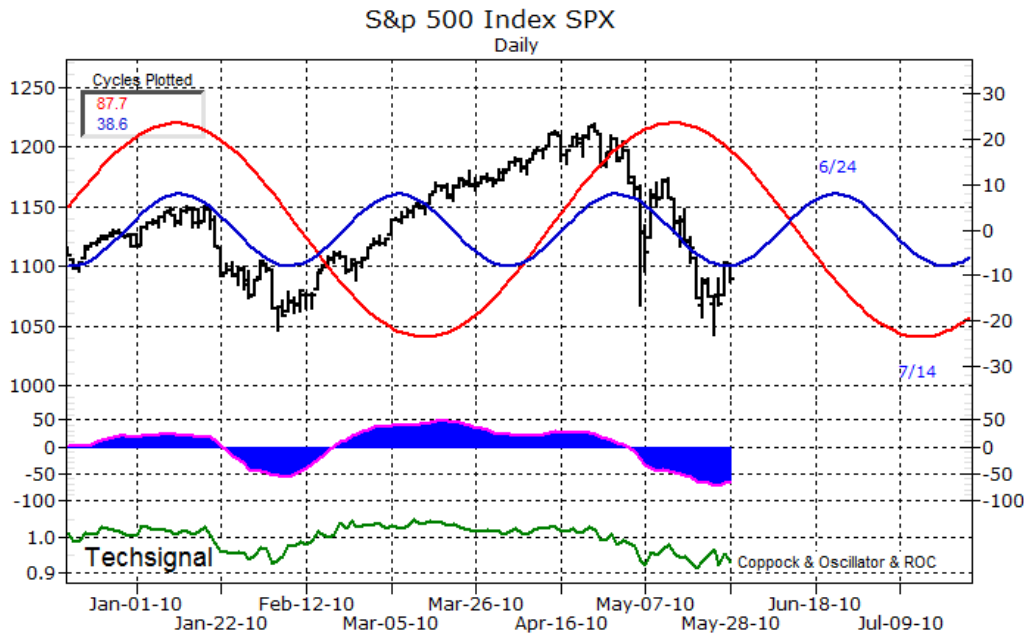
MAY-JUNE 2010

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

Can or should you buy this Market?

Last month we asked the simple question, will the third time be a charm. Of course this referred to the correction in the stock market. And of course it was and is. You could argue that a correction is never a charm, but of course we are not referring to the correction, but whether the cycles will do what we expect. The 17-week cycle, like all cycles, inverts and fails from time to time. This last happened in 2007 when this cycle got out of synch as the 24-month cycle topped. Again, the 24-month cycle is topping and in January this cycle was out of whack. There is now evidence that the 24-month cycle has topped and a bear market is a reality. Could this be wrong? Of course, but highly unlikely. If this is the case and we should see the evidence mount then the 17-week cycle is in complete synch.

In the picture below we show the 17-week cycle and the 38.6-day cycle. The 17-week cycle is bearish, but the 38.6-day is bullish. How can these be reconciled? The 38.6-day cycle monitors the two technicals plotted below: an Oscillator and the Coppock Curve. These argue for a reflex rally to at least the zero line of the technicals by 6/24. Will this be a move that will bring the prices back toward the April highs? It is very unlikely, since the longer cycles are down and economic conditions are deteriorating. Hence, we expect a reflex rally that will take the technicals higher and the market higher, but not higher than 1170 basis the cash S&P 500. Our targets for this cycle are to try to break the July 2009 low around 880.



This assumes that the recent lows will be breached. In essence, the current rally off the May lows is a reflex rally and remains high risk. If long be watchful. If not, look to short as the Coppock Curve gets toward zero and the 17-week cycle completes its correction. So in answer to our question, you can buy, but buy only single betas ETFs and hold very carefully. The more conservative approach would be to sell into the rally.

Domestic Equities: We have covered our shorts, but want to repurchase inverse ETFs at support when the Coppock Curve turns lower; which expected in late June. **International Stocks:** We are bearish on international funds and like inverse funds like EPV. **Energy:** We are long Energy ETFs such as USO. **Gold and Precious Metals:** We are looking to rebuy Gold ETFs later in the summer. We don't recommend short positions or inverse ETFs. **Commodities/Agriculturals:** The seasonals are topping and we are very neutral. **Natural Resources:** No change. Long-term bullish, but now neutral

Written May 31, 2010

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Cycle Projections

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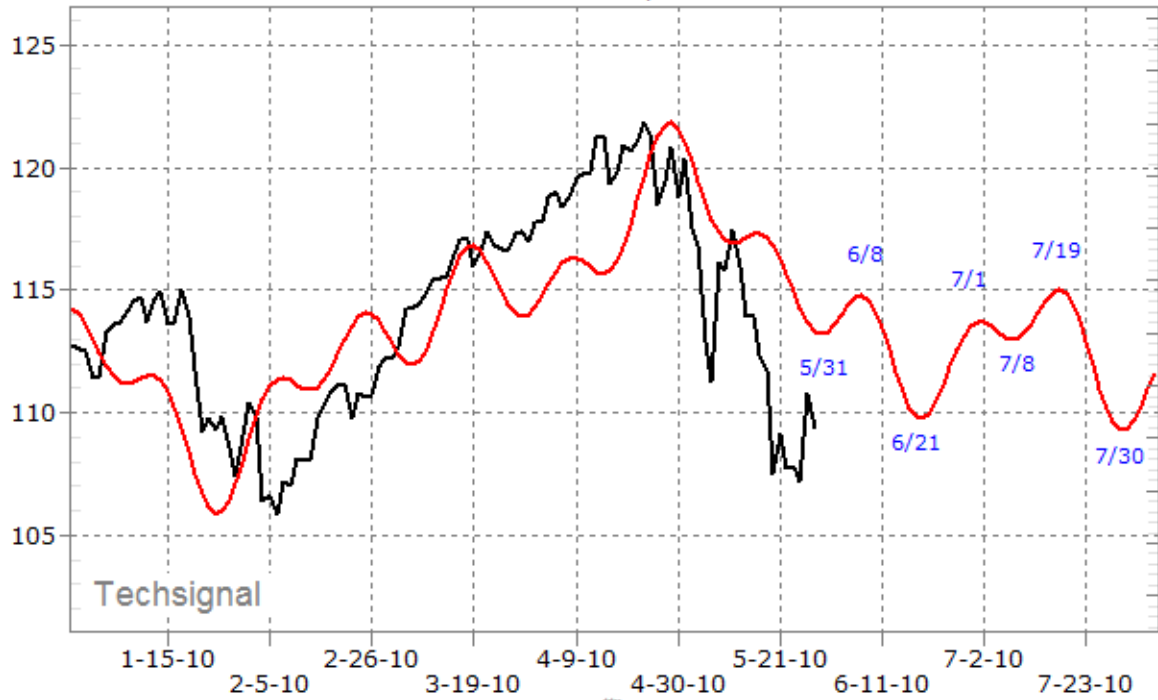
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SPY S&P 500

SPDRs S&P 500 Trust Series ETF SPY

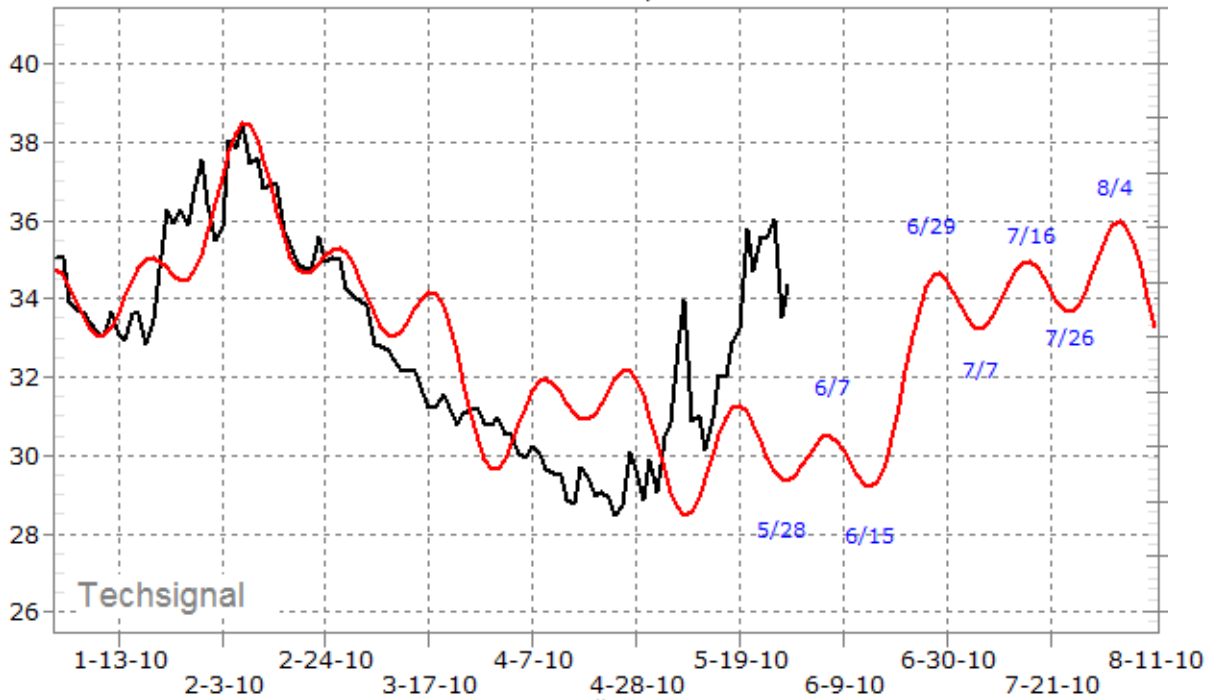
Daily



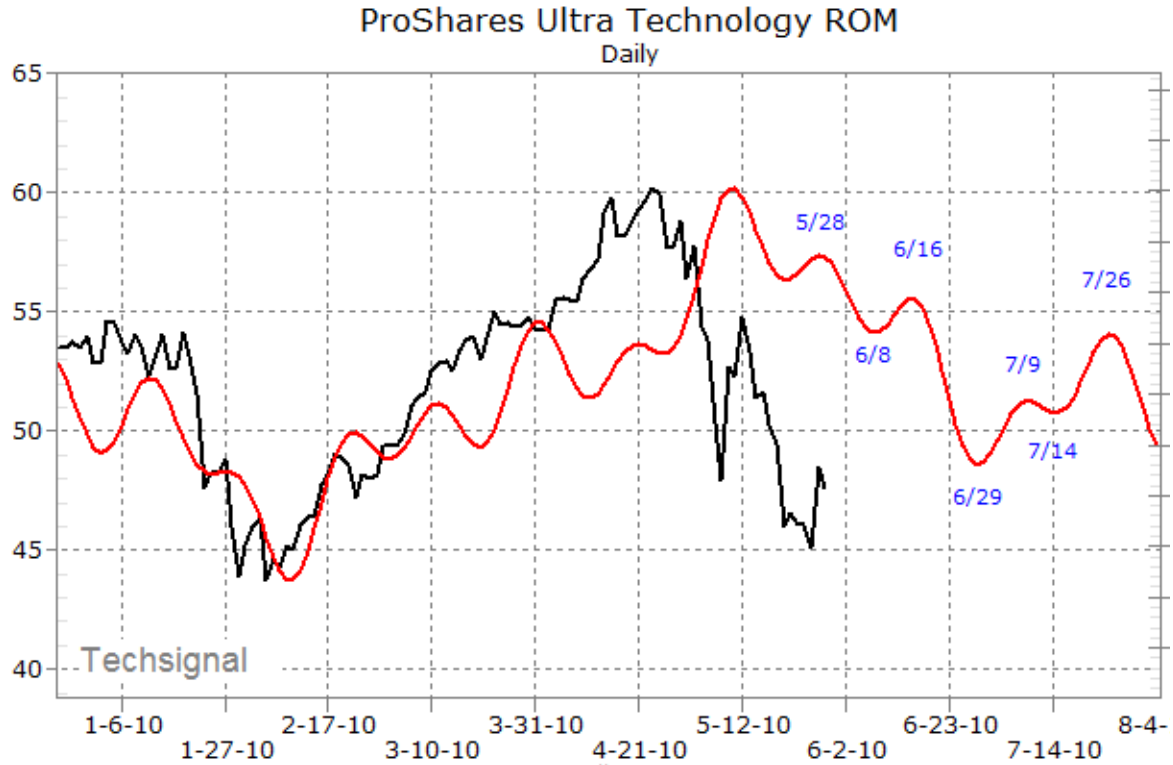
SDS (-2X) Double Beta Inverse

ProShares UltraShort S&P500 SDS

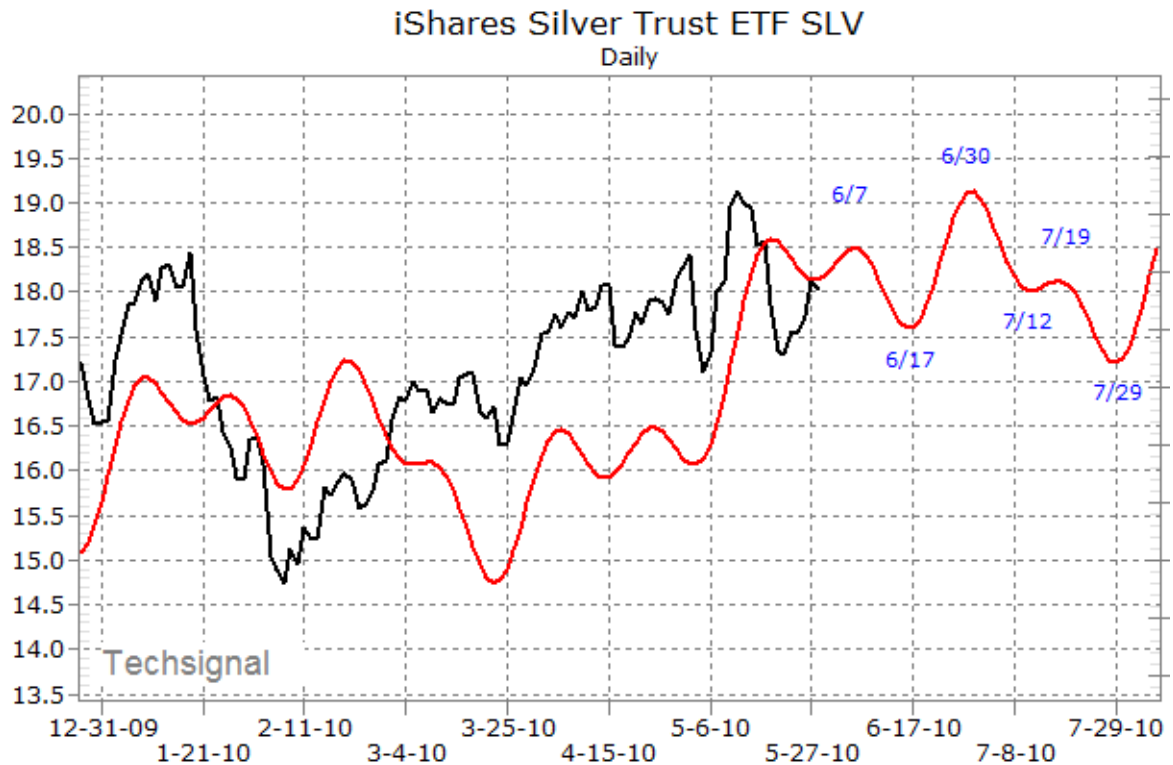
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ROM ProShares Ultra Technology (2X)



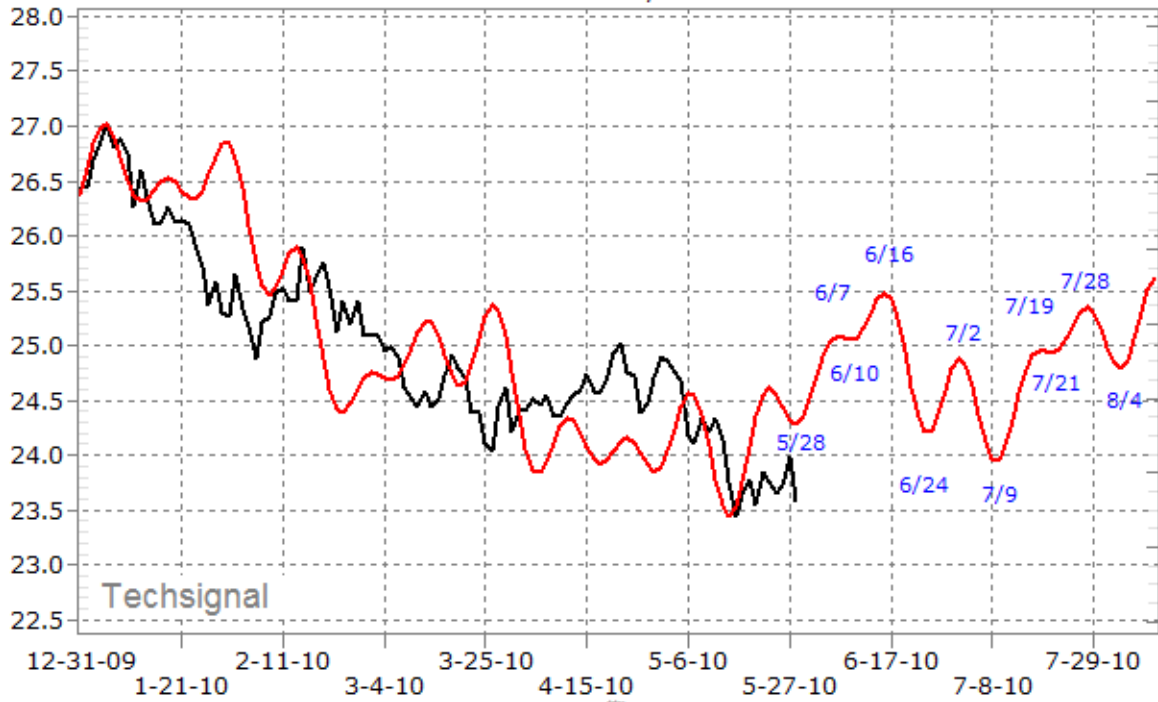
SIVR Silver Trust



DBA Agriculture

PowerShares DB Agriculture Fund ETF DBA

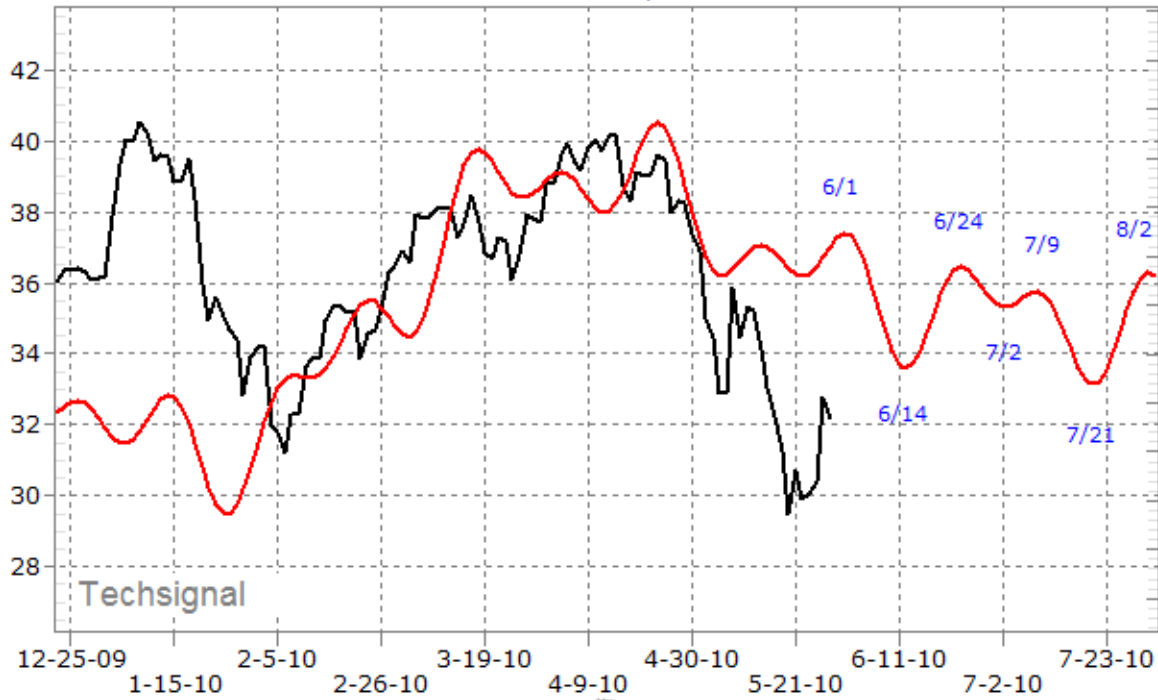
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KOL Coal ETF

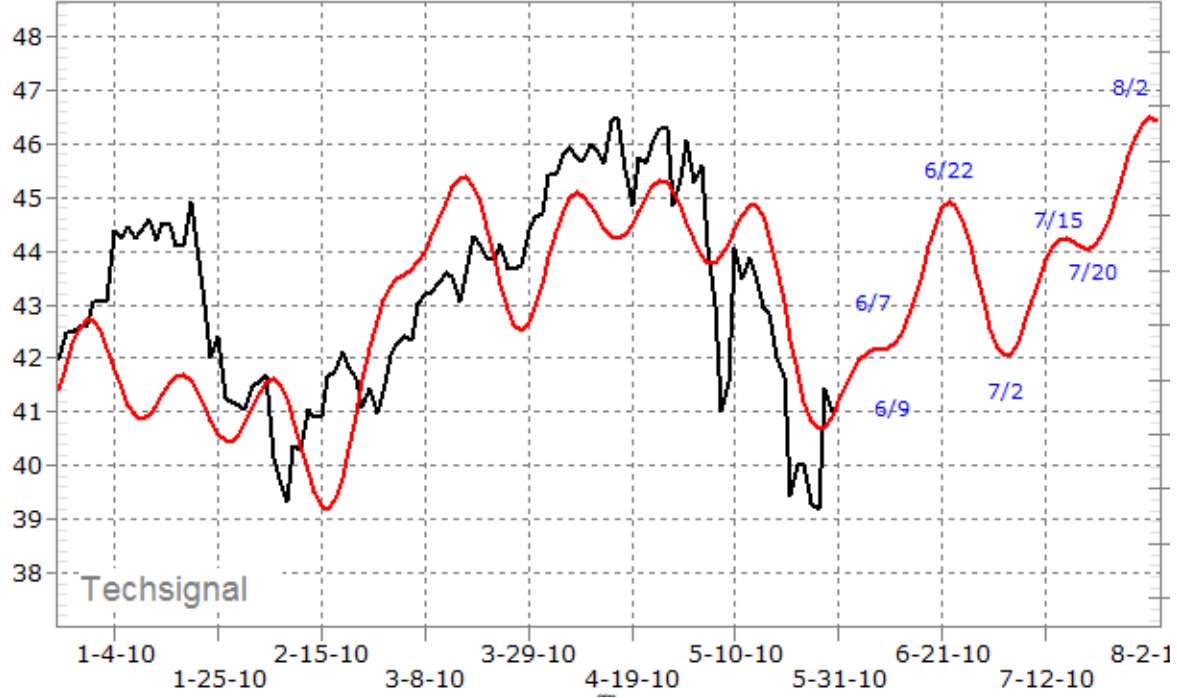
Market Vectors Coal ETF KOL

Daily



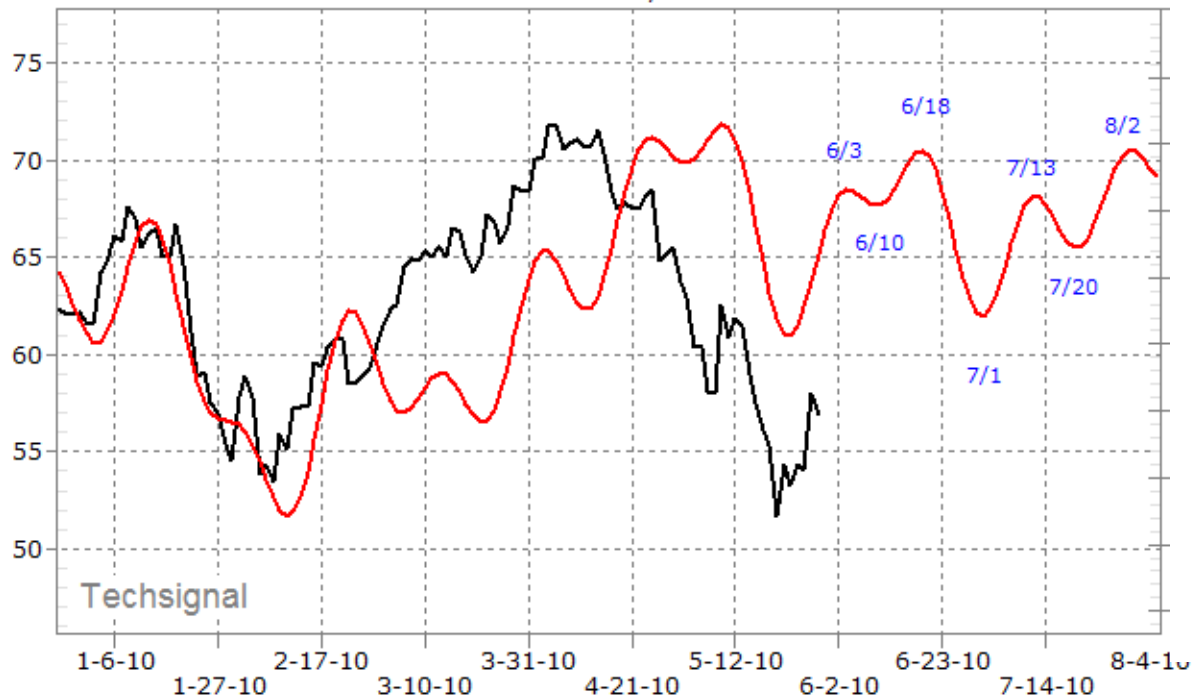
DGS Wisdom Tree Emerging Markets

WisdomTree Emerging Markets Small Cap Dividend Fund ETF DGS
Daily



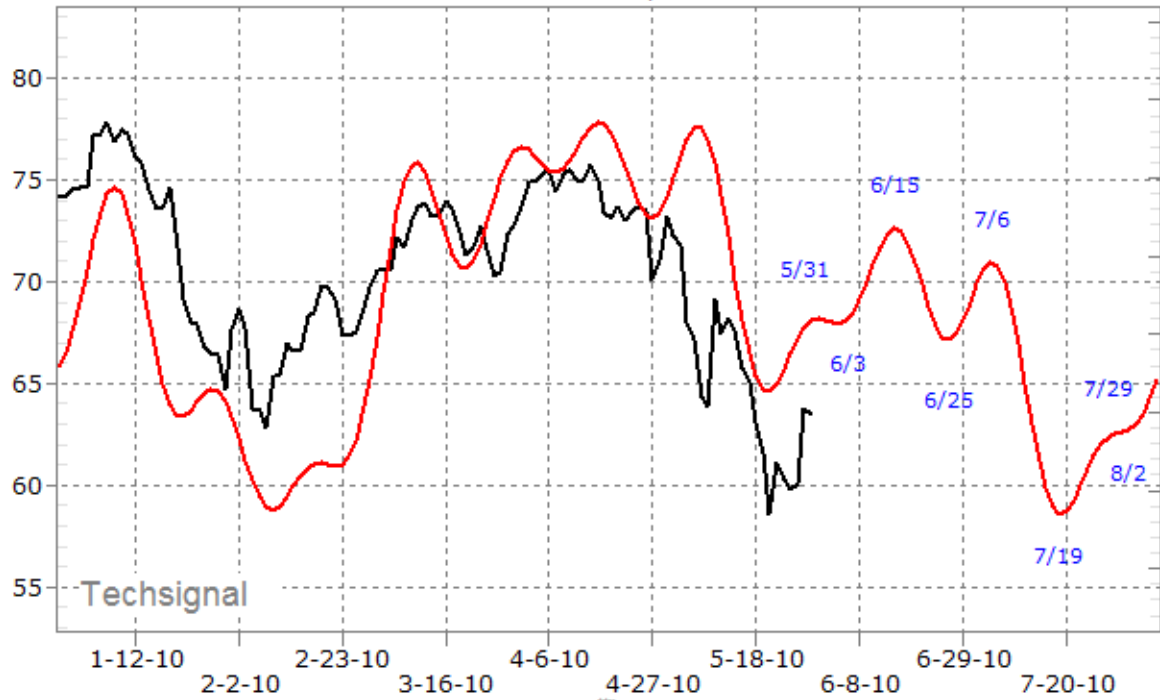
SLX Steel

Market Vectors Steel ETF SLX
Daily



EWZ Brazil Index

iShares MSCI Brazil Index Fund ETF EWZ
Daily



XLF S&P Financial

SPDRs Select Sector Financial ETF XLF
Daily

