

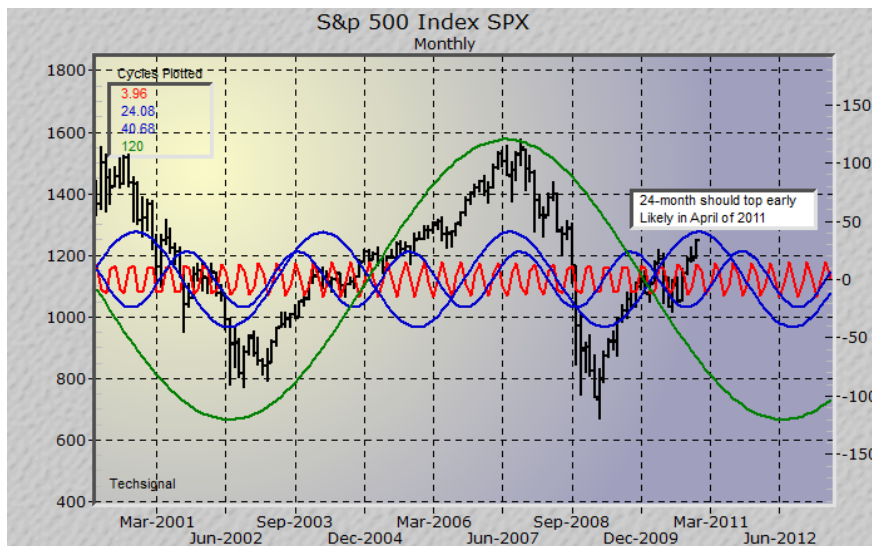
Cycle Projections Stocks

VOLUME III, ISSUE 9

STOCKS, INTEREST RATES, ENERGY, METALS AND FOREIGN EXCHANGE

The Bear who cried wolf

We have been talking about the secular bear market and the decline expected in the 24-month cycle. We have also been talking about the inversions in the intermediate 17-week cycle and the expected market direction; but lo and behold, we did not get a continuation of the spring correction, but rather, in September, we got a significant rally. Does that mean all is well and good and the happy times are here again? I don't think so. But what about the failure of the cycles to produce a decline as expected in the fall? All of those who work with cycles know a couple of important things. Firstly, statistical cycles are historical averages of past market behavior and as such sometimes they are early and sometimes they are late. Secondly, sometimes cycles are overwhelmed by factors that are unique to the specific date surrounding individual cycle occurrences. In short, sometimes cycles do not work out as



we would expect. That is precisely what occurred this time. We believe that QE2 did this cycle in and that the expected the 24-month cycle, due to bottom in October, likely bottomed at the end of August, at higher levels than expected had it bottomed in October. But what do we expect right now? We anticipate the market will rally based upon the 24-month cycle; but within the context of a secular bear market. We expect that the 24-month cycle will not rally for a year and will top in April when the 17-week cycle tops as well. The chart to the left pictures the four most important cycles in the stock market. Of these the 120-month (10-

year) and the 40-month (3.3-years) are both down now while the 24-month (2-year) is up and the 3.96-month (17.5-week) is topping. We believe that we are close to the end of the current intermediate term move that began at the beginning of September. It now appears that the 17-week cycle is getting back to its original phase and is calling for a top just after Christmas and the 38-day cycle (7-week) is topping as we write this article. But this is simply a decline in the bullish move begun in September and it will present a buying opportunity in February as the bull market finishes its five wave rally and begins its decline in April. So there it is; I hope not to be the bear or boy who cried wolf too many times; but I think not, and I expect a new bear market decline to begin in the spring. **Domestic Equities:** We will now take profits on any long positions and purchase double beta ETFs like SSO for the next leg up when the correction is complete. **International equities:** We remain neutral on international equities and will become bearish in the spring. **Bonds:** We are bearish on bonds and are just a few basis points from the low in yields. **Energy:** We are now bearish on crude and energy in general as crude is at the top of its trading range. **Metals:** We continue to be neutral within a major bull market in gold. A major sell off remains a possibility but the bull market will not top until gold is over \$2000 an ounce. **Foreign Exchange:** The US dollar is now topping short-term and remains bearish overall until 2012.

Written 12/22/10

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

Cycle Projections

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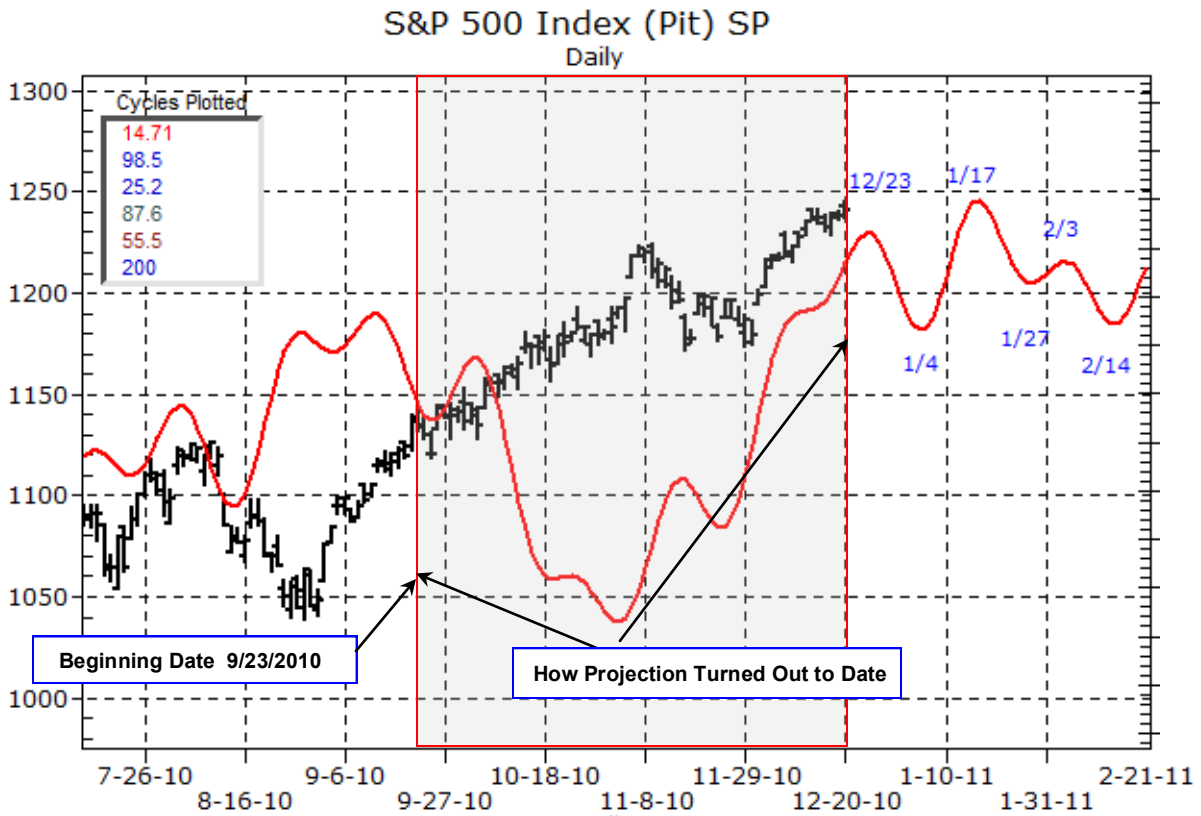
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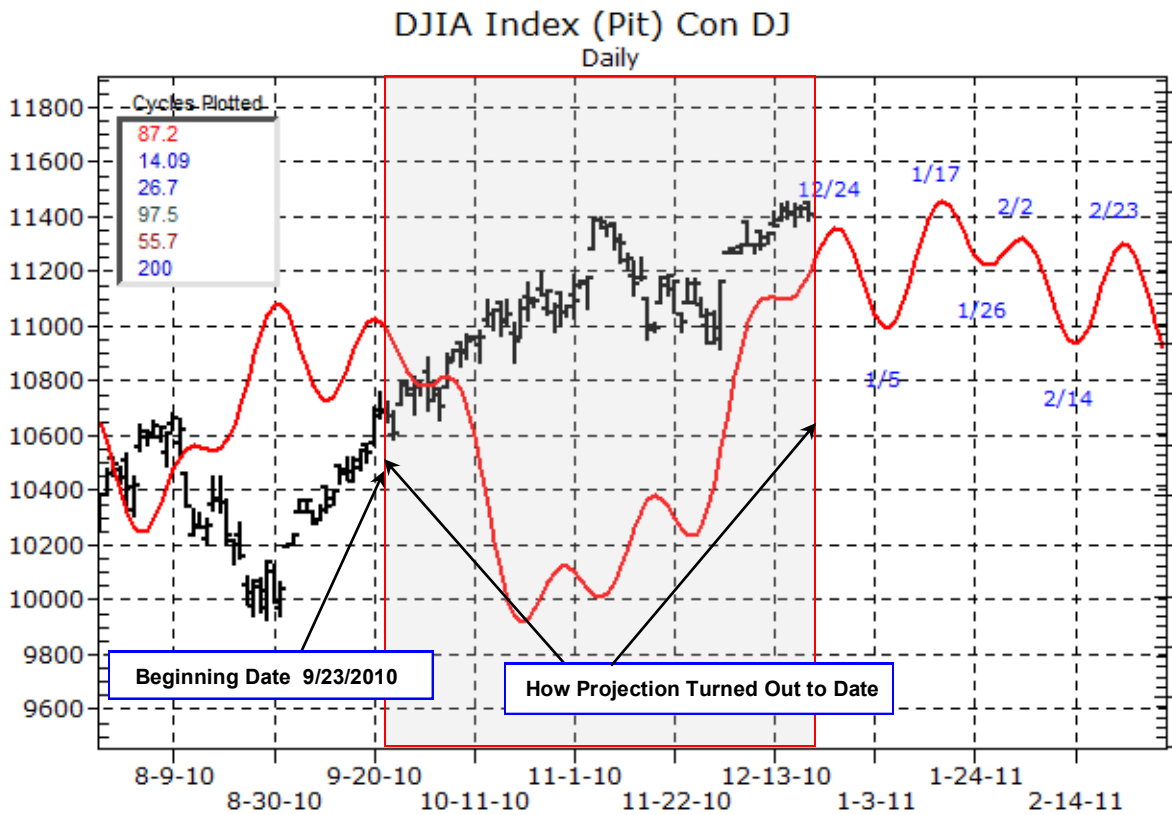
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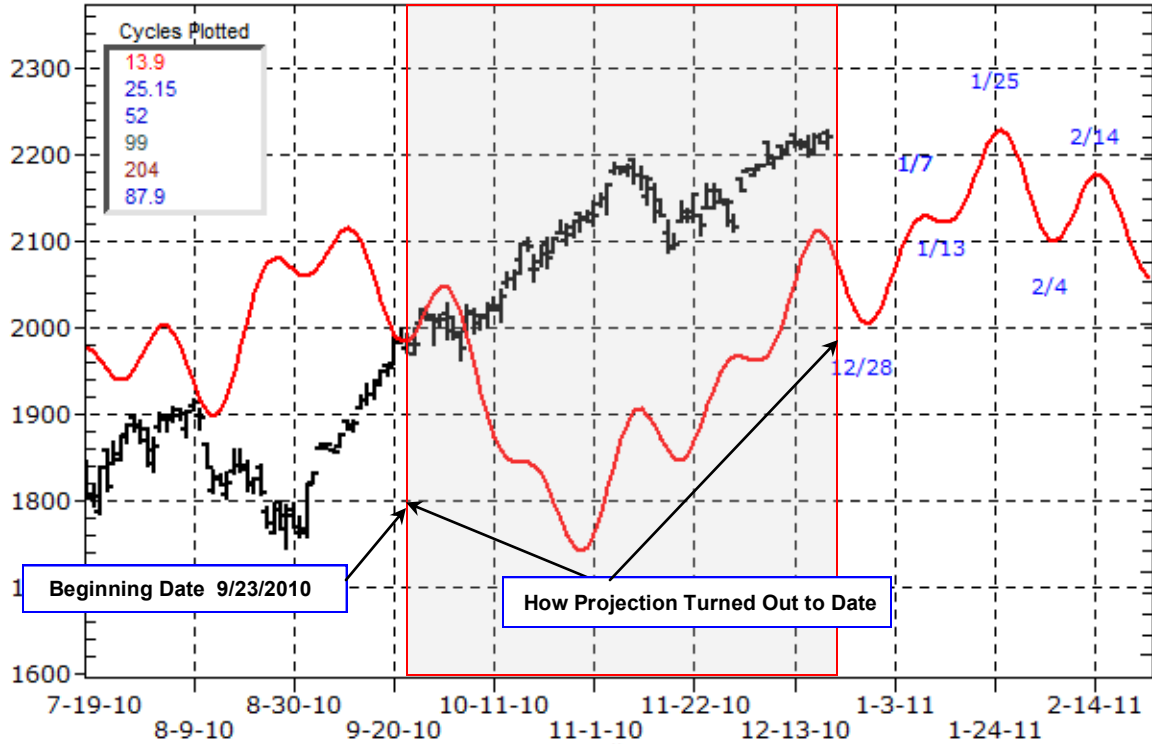


Daily Dow Jones Industrials



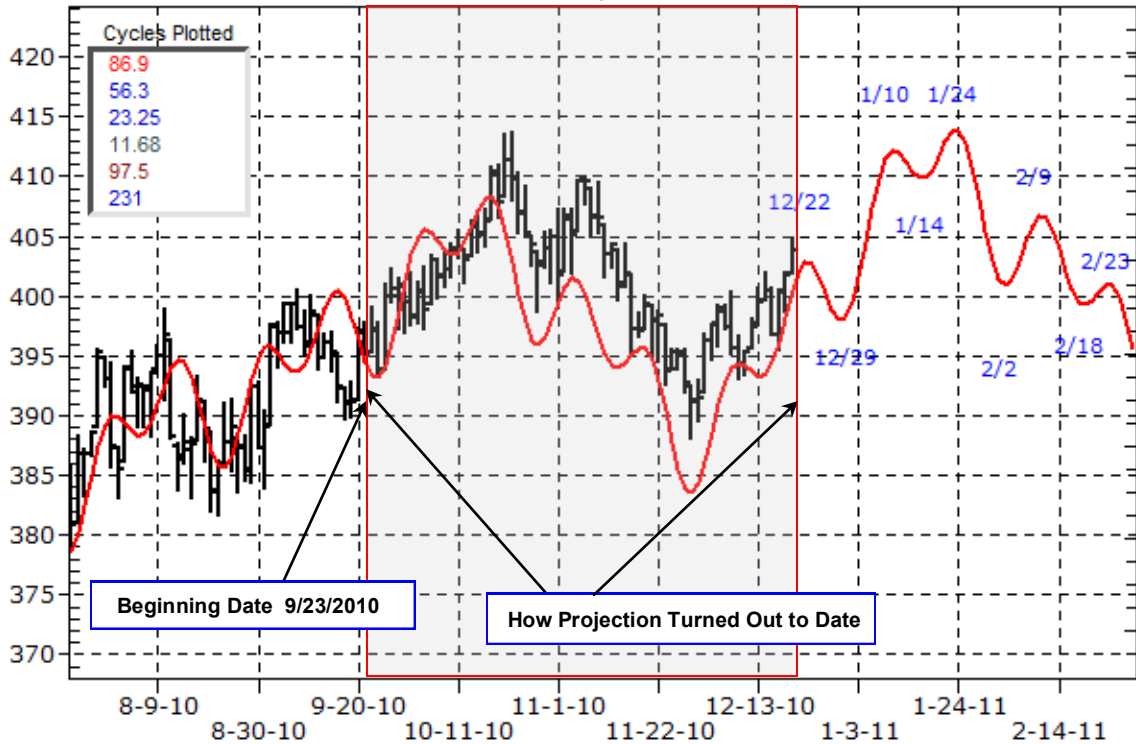
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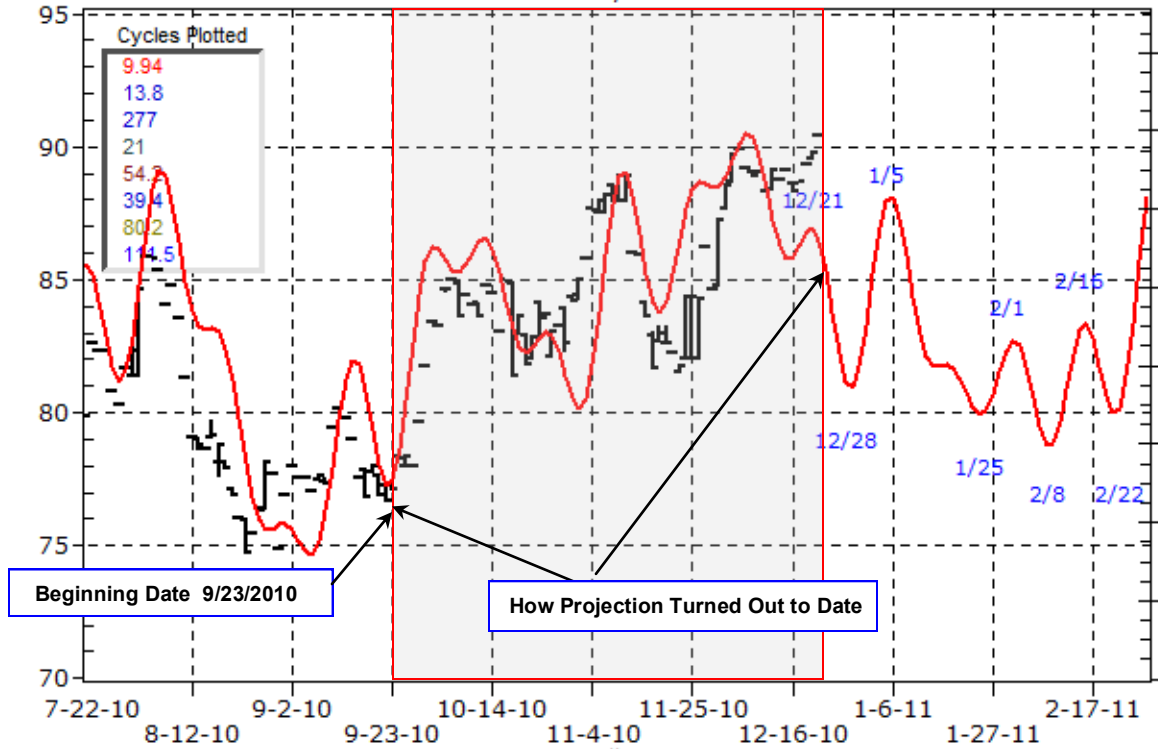
Daily Dow Jones Utilities

Dow Jones Utilities DJUA
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Daily Crude Oil New

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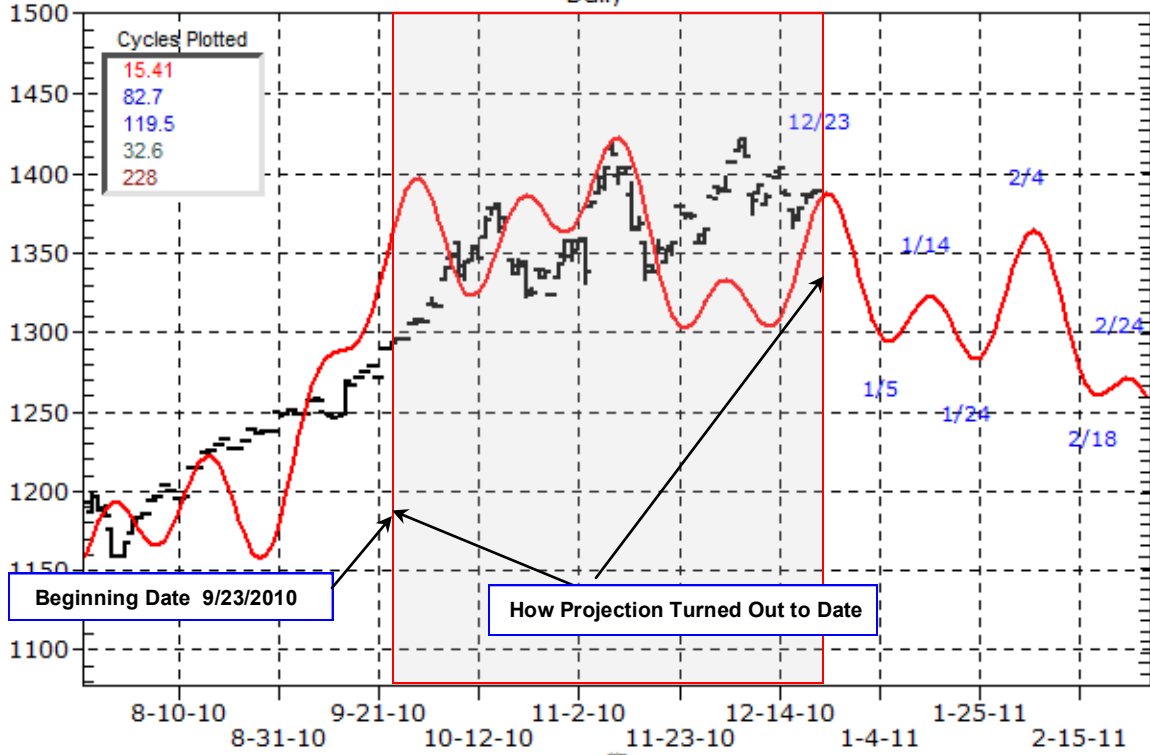
Daily T-Bonds 30 Yr.

T-Bonds 30Yr CBT Pit TQ
Daily



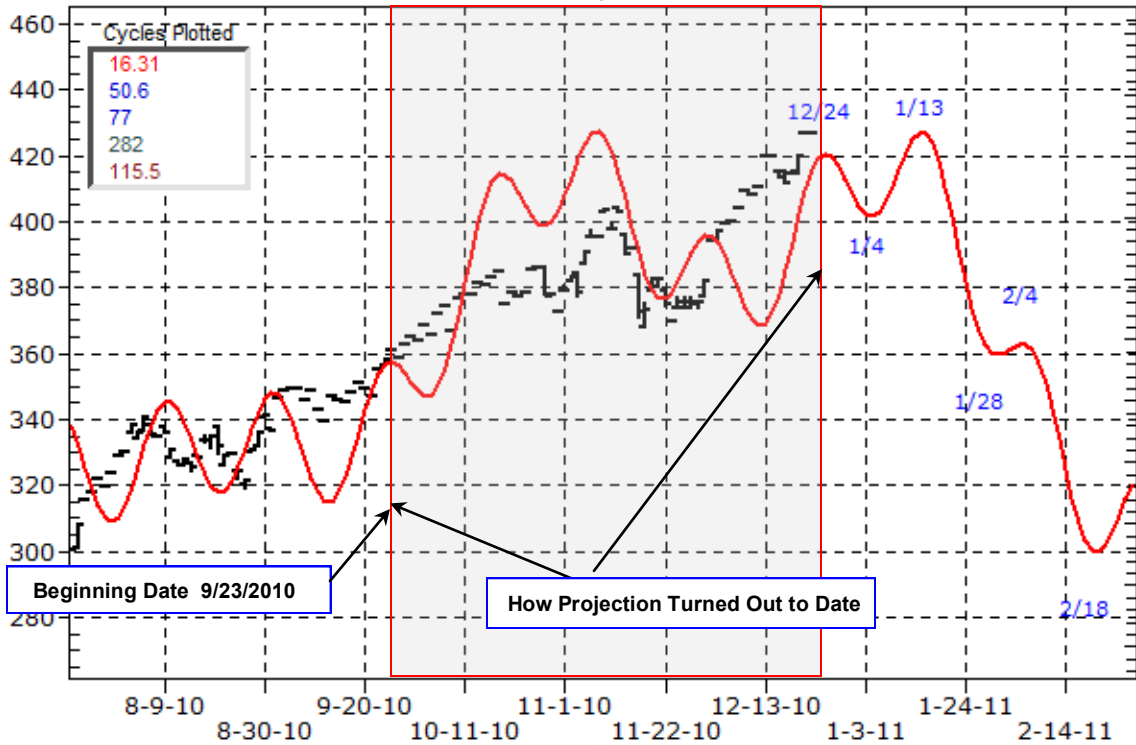
Daily Gold

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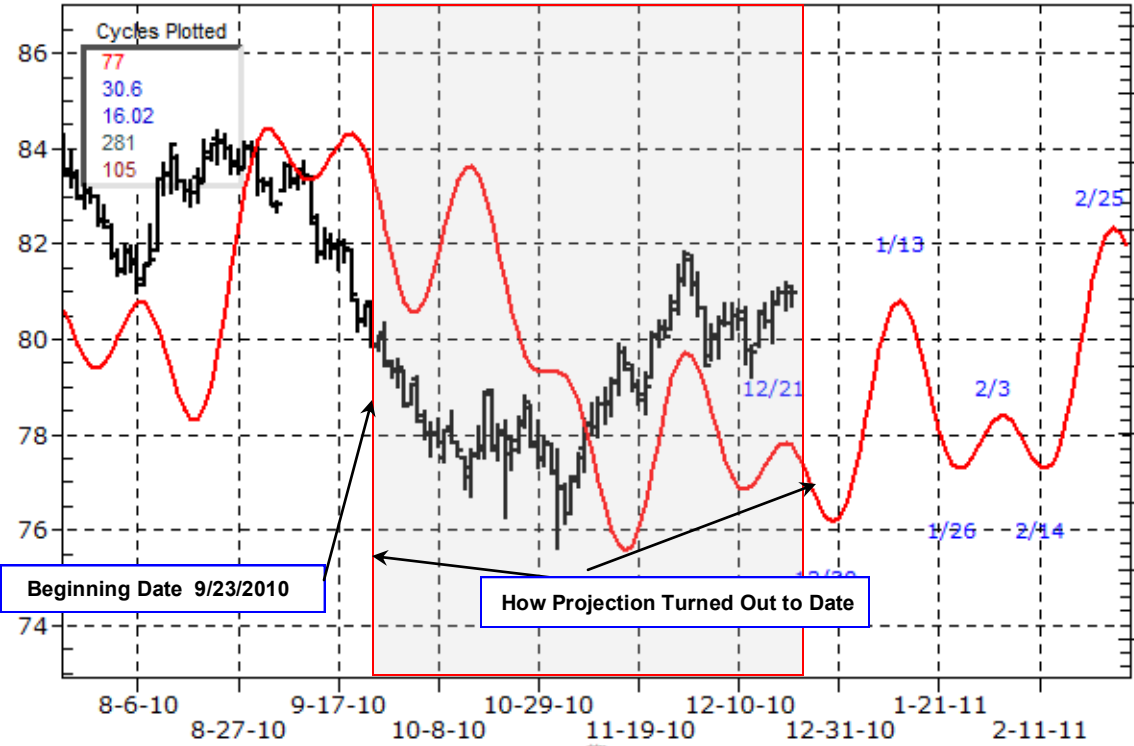
Daily Copper

Copper HG NYMX (Pit) HG
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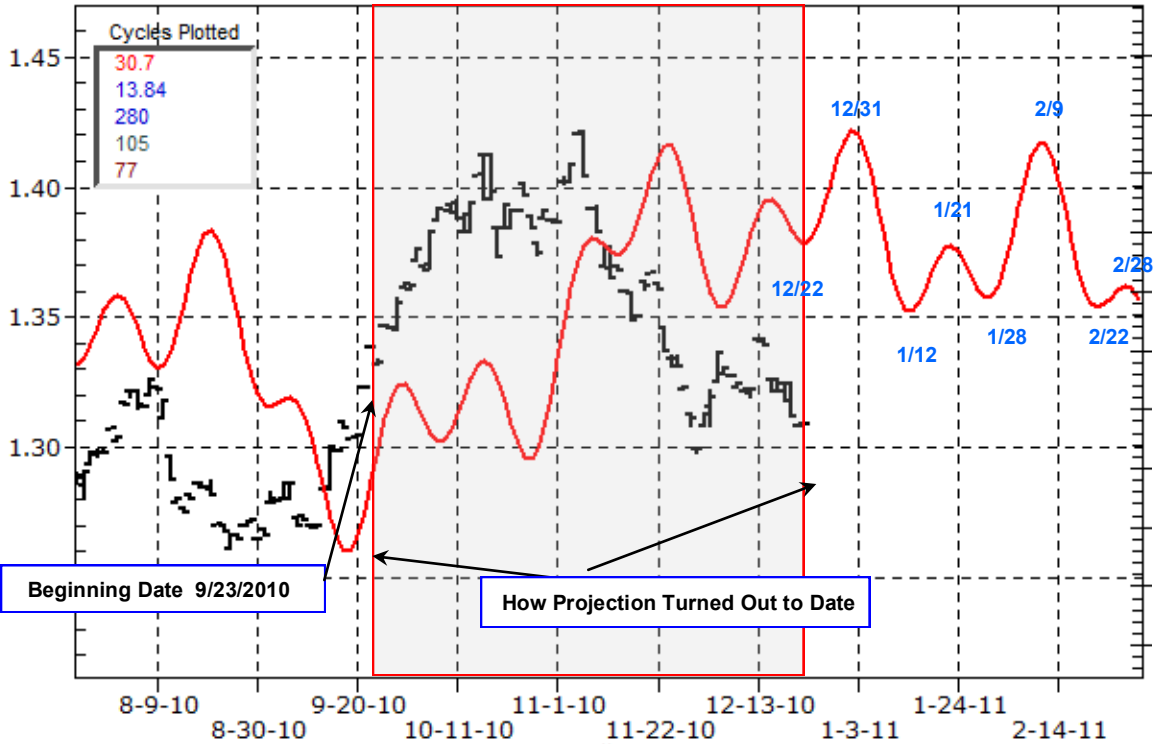
Daily US Dollar

US Dollar Index (ETH DX)
Daily



Daily Euro FX EU

Euro FX (Pit) Cadj L EU
Daily



Notice to Subscribers

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 also now include the cycles used in our synthesis as well as presenting prices in the high, low close format.

One further comment: Given earlier health issues with Mr. Moge in the late summer and fall plus a death in his family we are behind in our publishing schedule. Rest assure that all subscribers will receive all 12 issues in their subscriptions. We thank you for your patience.