

MARKET UPDATE

INDICATORS SUGGEST THAT EQUITIES COULD BOTTOM ANY DAY NOW

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TORONTO

Last week the S&P/TSX succumbed to weakness by losing 2.4%. The US markets declined 1.2% into bear market territory and new lows for 2008. However, at Friday's close of 14,010, the TSX is still well above the January 22, 2008 low of 12,012 and the March 20, 2008 low of 12,454. Weakness in the US financials and the negative impact of high oil prices seem to be the main problems. It seems that oil prices have risen just as far and fast as the US financials have fallen!

NEW YORK

The long-term oscillators for the S&P 500 and Dow Jones Industrial Average are now as low as they have been in the last five years. Last week, US Advisory Sentiment was as bearish as it was on March 13, 2008 and the three other occasions that equity markets bottomed during the last ten years (October 1998, October 2001, and October 2002 - please see chart below). Moreover, Insider Buying has surged and the long-term oscillator for the US Banking Index seems to be showing preliminary signs of a low. While market

strategists reduce equity weightings and more and more investment experts turn negative on equities, a host of indicators suggest that conditions are ripe for a bottom to occur at any time. In other words, the 'spring' has been compressed about as low as it can go. When the pressure is released from a compressed spring, it snaps back quickly and violently. Market lows are often marked by extreme volatility, so it could be a wild ride in the short term.

Riding roller coasters at amusement parks is a summer activity. Hang on for the ride!

Commodities - The indicators are still positive for gold and silver and gold and silver equities. Gold and silver should make new highs down the road to keep the longer-term uptrend intact. Please see charts along with brief comments below. Catch the trend.

Short term corrections usually last for six to seven weeks. This is the seventh week since the US markets peaked out on May 19.

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The long-term oscillator for the TSX is not nearly as oversold as the one for the US markets.



The long-term oscillator for the S&P 500 is extremely oversold and at the lowest level in five years. Markets bottom when the worst-case scenario has been factored into current prices. The next step is a turn to the upside.