

MARKET COMMENT

“TSE 14,000” FULFILLED

May 17, 2007

Our Market Comment turned bullish in October 2002. Since then we have been strong advocates of this bull market, which often required us to challenge the general consensus, as was the case with the **“TSE 14,000”** Market Comment issued on February 2, 2006.

The muted reception didn't come as a surprise to us. The “gloom and doom” mentality and bearishness among market participants has been the norm for the last five years -- the right recipe for a thriving, “full of surprises” bull market.

Our forecast “TSE 14,000” was fulfilled last week. The strong performance of the last few months has sent the S&P/TSX Index 1,000 points higher to 14,000 for the first time in its history. The strength of the advance has also lifted the Index above the up-trending channel that has defined the index movements since early 2004.

The US market was not entirely left behind. The DJIA has registered a new all-time high, swiftly rebounding from its late February maelstrom. The S&P 500 has also advanced, however, as yet, it was unable to overcome the 1500-1550 area of strong resistance dating back to mid-2000.

What next for this “grey-haired” market?

The markets are under the positive influence of the 39-week cycle. The major indices continue to advance within their well-established up-trends and above their rising 200-day moving averages. The markets are slightly tired, but are far from being overbought.

At the same time, the overall positive technical picture doesn't exclude the possibility of a minor pullback. Such a pause would be beneficial to let stocks consolidate their recent gains and to prepare for more rallying in the late May late-July period.

The latest advance was characterized by a lack of homogeneity among the sectors. Therefore, stock selection remains important. Continue to focus on late-cycle leaders from dominant groups: Energy, Metals and Golds.

Our primary target of 14,000 for the TSX/S&P composite has been reached. Even though we do not see significantly higher targets at the moment, the Toronto index may well continue higher in May and into June, led by Energy, Metals and Golds.

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