

# PHASES & CYCLES®

**EQUITY MARKETS MADE A STUNNING  
COMEBACK FROM THE June 23<sup>rd</sup> LOW  
TO THE END OF THE MONTH/QUARTER.**

**NEVERTHELESS, THE DYNAMIC UP PHASE  
OF THE MARKETS' RISE APPEARS TO BE OVER.**

Equity markets had a sharp decline from June 12<sup>th</sup> to Monday, June 22<sup>nd</sup>. While media reports blamed a negative economic report from the World Bank, the sell-off was overdue after a three month rise of historical proportions. Bearish market experts said that they had been warning of a decline since there was no justification for stock prices to have risen so much in such uncertain times. However, in basic terms, the main mover of stocks since the rally started in March was the supply and demand inequality, as professional investors recognized major buying opportunities.

While investors were throwing enough resource stocks overboard to move the TSX 981 points or 10% lower in early June, the short term oscillators were becoming so oversold that they were due for at least a short term bounce. In fact, the short-term oscillator for the S&P/TSX was down to the same level as in October, November 2008 and late February, early March 2009. Sure enough, by June 29<sup>th</sup> the TSX recovered most of its losses. The S&P 500 and Nasdaq have also reacted the same way.

The recovery, we believe, was also due to the "window-dressing" in force to the end of June, i.e. to the end of the second Quarter.

**While stock prices had a swift recovery, it did not change the fact that the short-term trend indicators turned negative (red) for most markets for the first time since mid-March.**

**July and August are historically weak months in the markets. Now that the "window-dressing" power has dissipated, weakness could bring the S&P/TSE and the S&P 500 to a 1/3<sup>rd</sup> correction level of 9500 and 860 respectively.**

**Using stop-loss orders are highly recommended.**

PAC-09-130; MKT-213; July 6, 2009

**Dave Harder, Ron Meisels**

Phases & Cycles Inc., 2020 University, Suite 1903, Montreal, QC H3A 2A5

Tel.: (514) 393-3653 E-mail: [RonMeisels@phases-cycles.com](mailto:RonMeisels@phases-cycles.com) [www.phases-cycles.com](http://www.phases-cycles.com)

© Copyright 2009, Phases & Cycles Inc. All Rights Reserved

The opinions and projections contained herein are those of Phases & Cycles Inc., its principals, associates and employees ("the researchers") and are subject to change without notice. The information contained herein has been obtained from sources that we believe to be reliable but cannot guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that "the researchers" are to be under no responsibility or liability whatsoever in respect thereof. "The researchers" may, from time to time, buy, own or sell securities mentioned herein. "Phases & Cycles" is a registered trademark of 104443 Canada Inc.