

PHASES & CYCLES®

MARKET COMMENT

(S&P/TSX – 14814; S&P – 1331)

EQUITIES COULD CORRECT FOR ANOTHER WEEK OR SO, BUT THEY ARE ALREADY AS OVERSOLD NOW AS THEY WERE IN MID-MARCH!

US markets gave up some of the gains made the previous week and the S&P/TSX declined after closing above 15,000 for the first time. However, the US markets are now as oversold as they were at the market lows in the middle of March, right after the Bear Stearns collapse.

Some analysts have pointed out that the US market averages have been following exactly the same path as they did after the Savings and Loan Crisis correction in 1990. If this pattern was to continue, the markets could decline another small amount (after January 2, 1991 the markets corrected 5% in two weeks) and then rise substantially in the following months. Since the markets are already oversold, another week of declines could realistically produce the conditions similar to the fall of 2005, the summer of 2006 and January 1991 which were all followed by long, powerful advances.

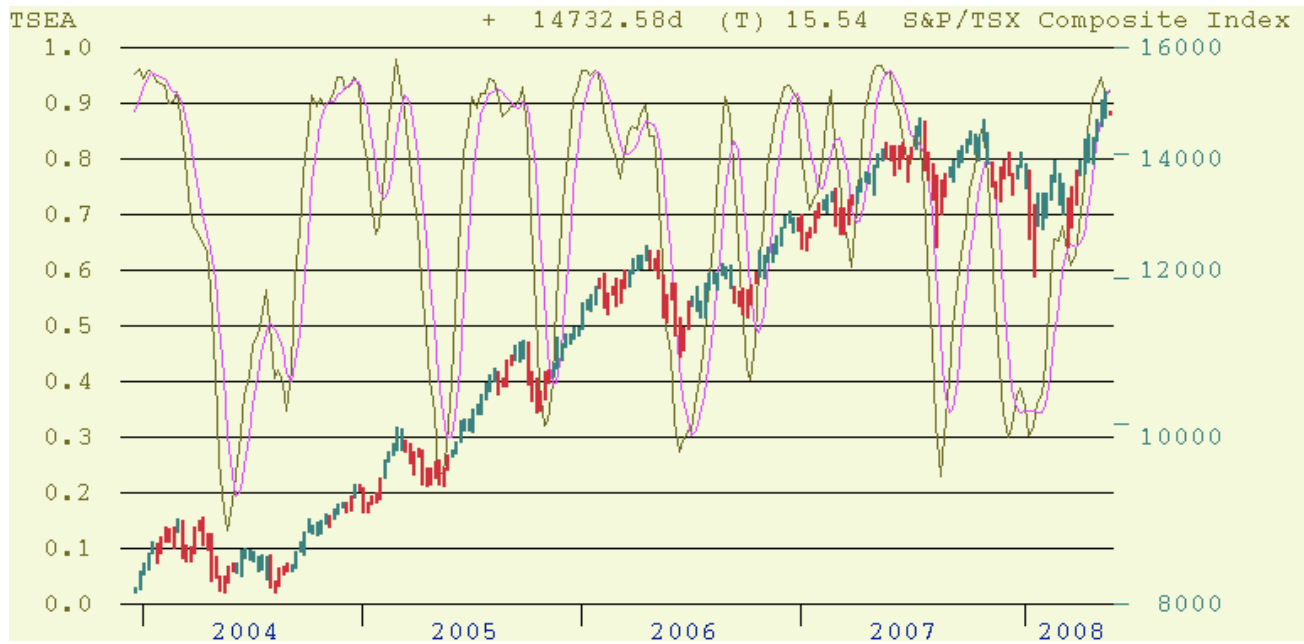
Technical and statistical data does not give an idea of what may cause a major rise, they just point out that market conditions are developing that typically result in positive market action. Time will tell.

Commodities – Oil's relentless climb is forcing out short sellers. Conditions for the oil and natural gas markets are just the opposite of the US equity markets: a decline in oil prices would likely be very positive for equities at this point. The fact that oil stocks fell last week as oil continued to make record highs, shows that investors do not think that oil will stay in this price range. Gold and gold stock oscillators issued a Buy Signal last week.

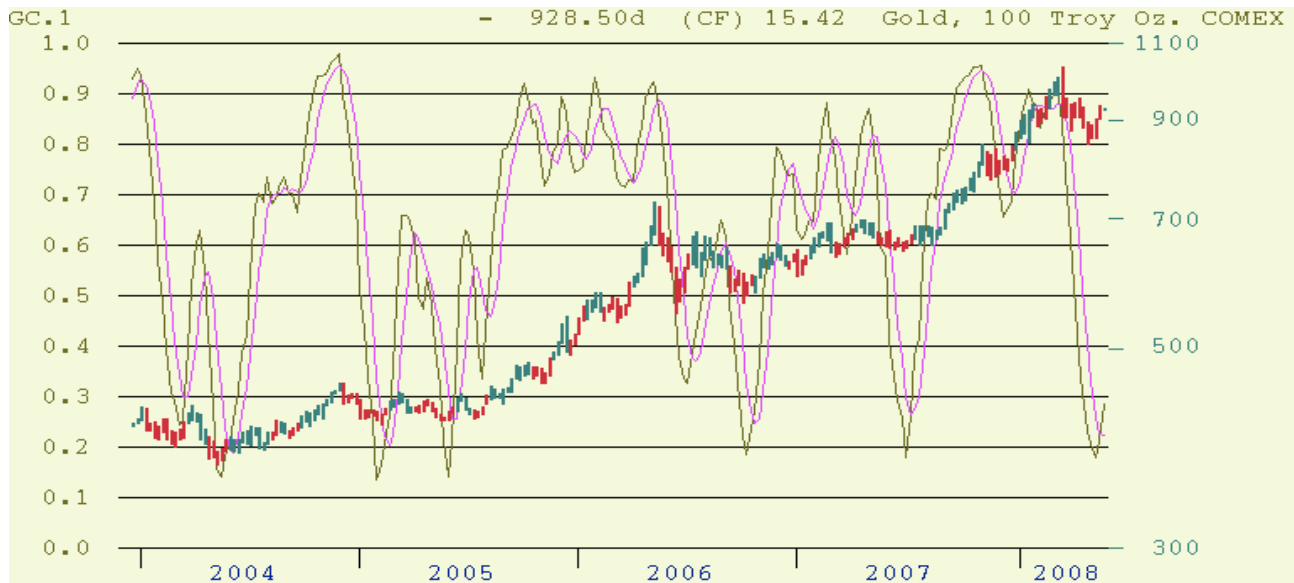
THERE IS A POTENTIAL FOR A SUBSTANTIAL RISE STARTING IN MID-JUNE.



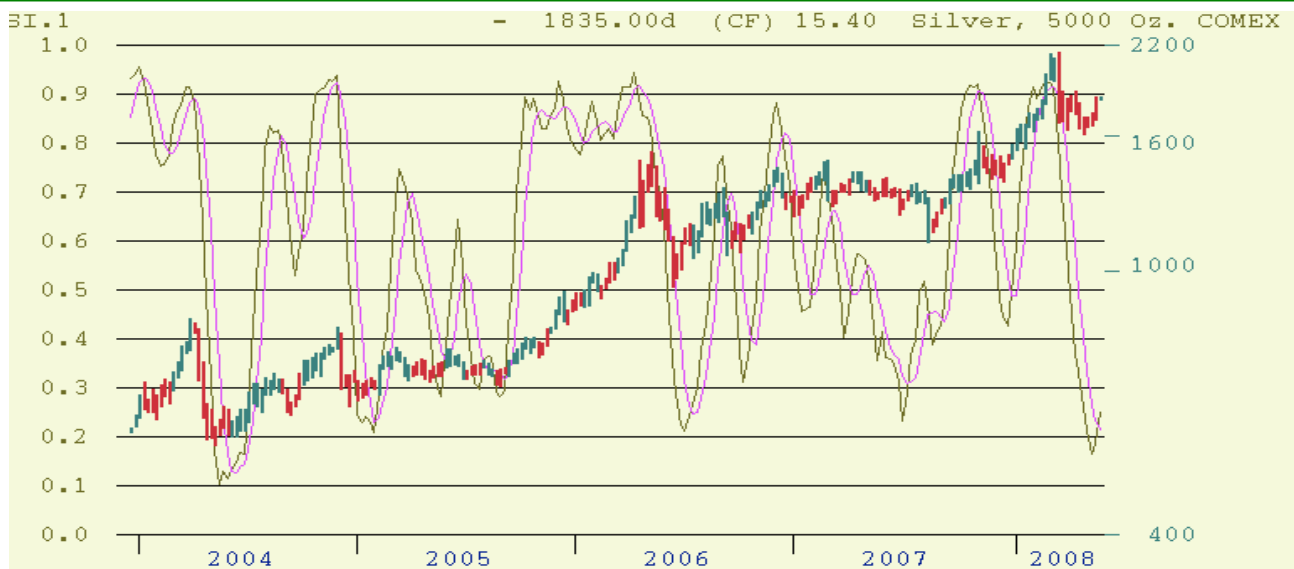
The long-term oscillators for most markets have now peaked after a two-month rise. However, the oscillators should be used primarily for buying, not selling. They usually indicate that a pause is due.



The long-term oscillator for Toronto has also peaked. As you can see, the markets have often continued to rise when this has happened before. This is why they should not be used for selling. It usually indicates a pause in the uptrend.



The long-term oscillator for gold and gold stocks turned up last week and issued a Buy Signal.



The oscillator for silver has also bottomed, and turned up. This indicates that the worst-case scenario has been factored into current prices. Sometimes there can be a double bottom.

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

Tel.: (514) 393-3653 E-mail: RonMeisels@phases-cycles.com www.phases-cycles.com

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