

PHASES & CYCLES®

**EQUITIES ARE BASEBUILDING AND
CONSOLIDATING RECENT GAINS,
WHILE GOLD AND SILVER ARE CORRECTING.**

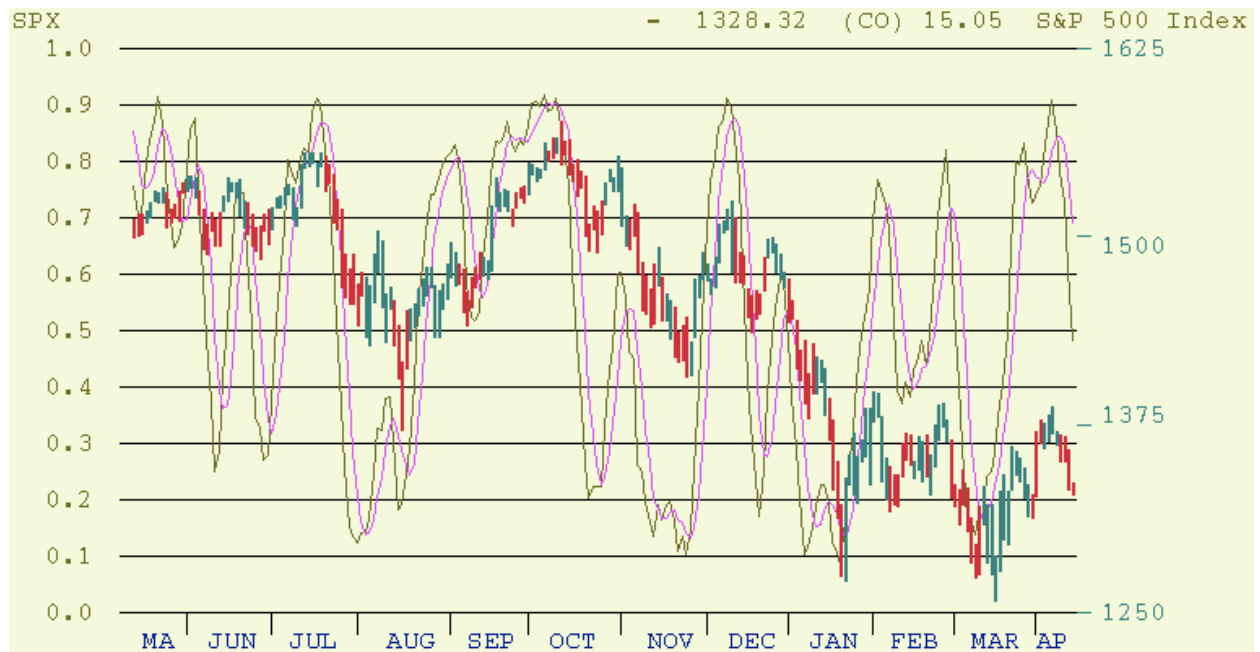
After a 4.2% advance for the week ending April 4th, the US market declined 2.7% last week. The negative earnings surprise on Friday by venerable GE was blamed for the bulk of last week's slide. At the same time the S&P/TSX was flat for the week.

While the 27 point (2%) sell-off for the S&P 500 and the 226 point (1.6%) decline for the S&P/TSX Index looked as if market volatility was reverting to March levels, beneath the surface equity markets were stronger than they appeared. For example, Money Flow (which tracks Buying Power and Selling Pressure as reported by Lowry Research) rose *nine* units on Thursday when the S&P 500 gained *six* points, it only slipped *seven* units on Friday when the S&P 500 fell *twenty-seven* points. This confirms what the oscillators suggest. As you can see from the charts below, the long term oscillators for equity markets are still rising after turning positive on March 24th, while the short term oscillators are correcting after peaking a week ago.

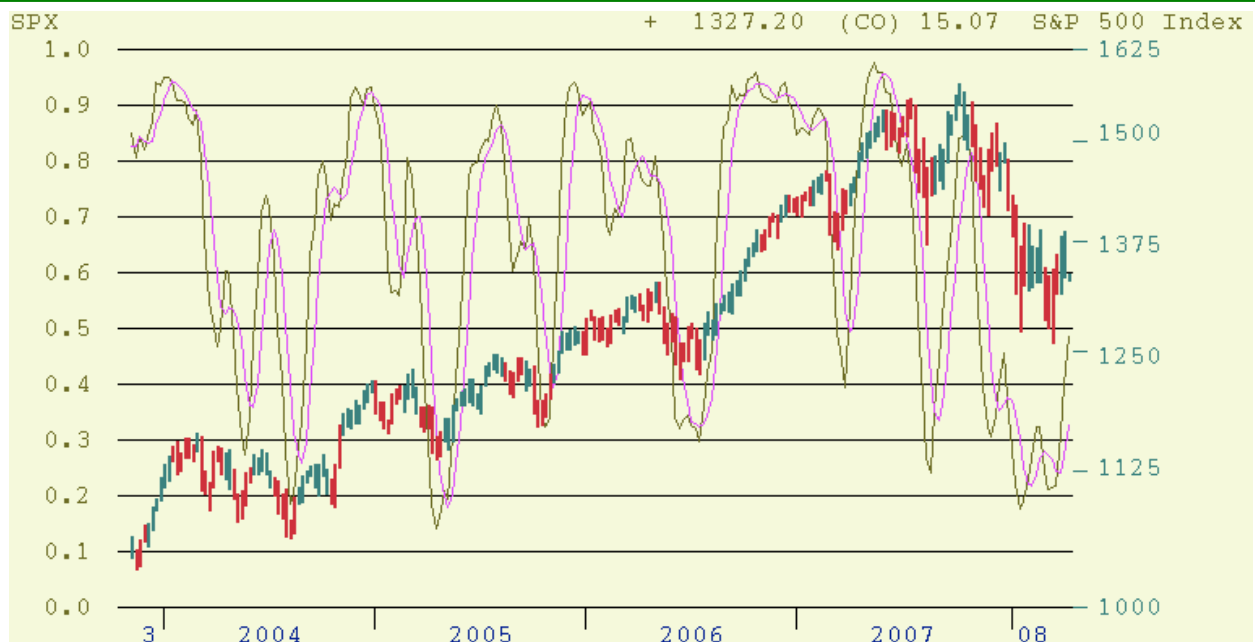
The technical indicators, together with low US interest rates, attractive valuations, widespread pessimism and heavy Insider Buying have built a convincing case that this is merely a consolidation in a longer term rising trend.

Sometimes the markets take off like a rocket (August 1982, October 1998) while in other cases a long period of base building is required (1994, October 2002). The current experience appears to be something in the middle of the two extremes, which is very normal. It is not unusual for a market low or peak to be confirmed many months after it actually occurs.

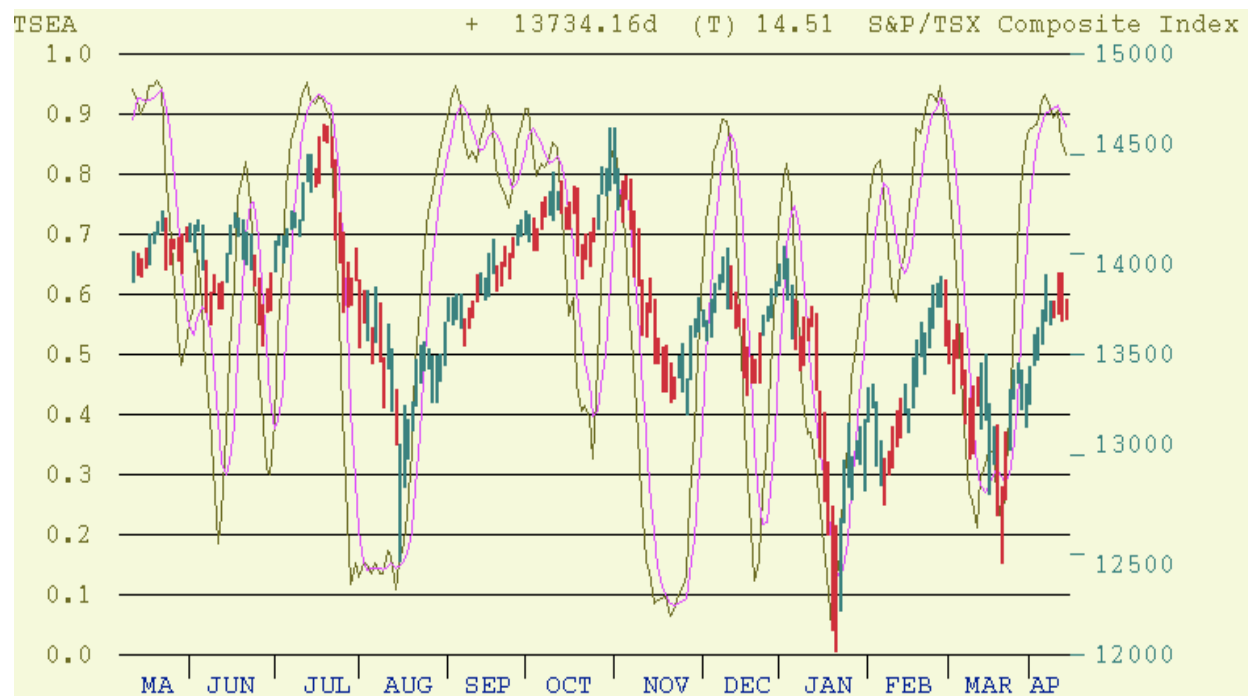
Minor consolidations may occur between now and the end of this month. This should be followed by another attempt to rise above the S&P 500 1390-1400 and the S&P/TSX 13,900-14,000 areas.



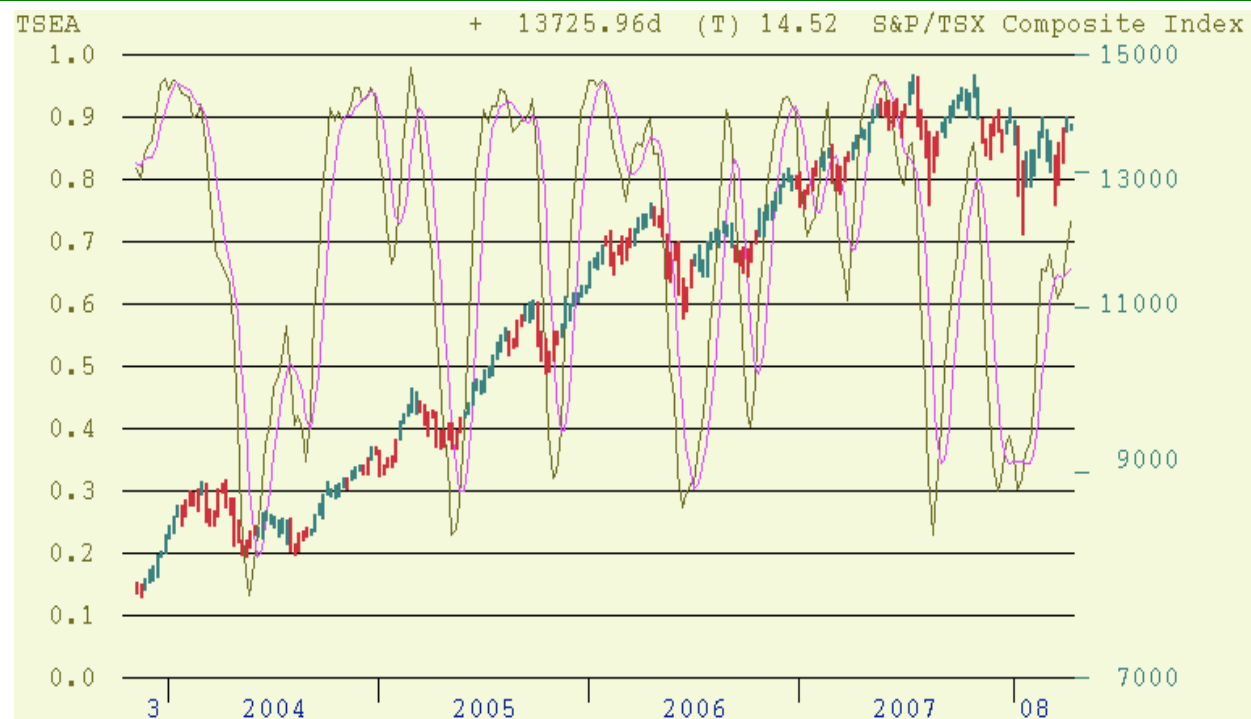
The short-term oscillator for the S&P 500 is declining, having peaked a week ago. This suggests that we should only experience a short consolidation phase, since the long term oscillator is still rising as you can see in the next chart.



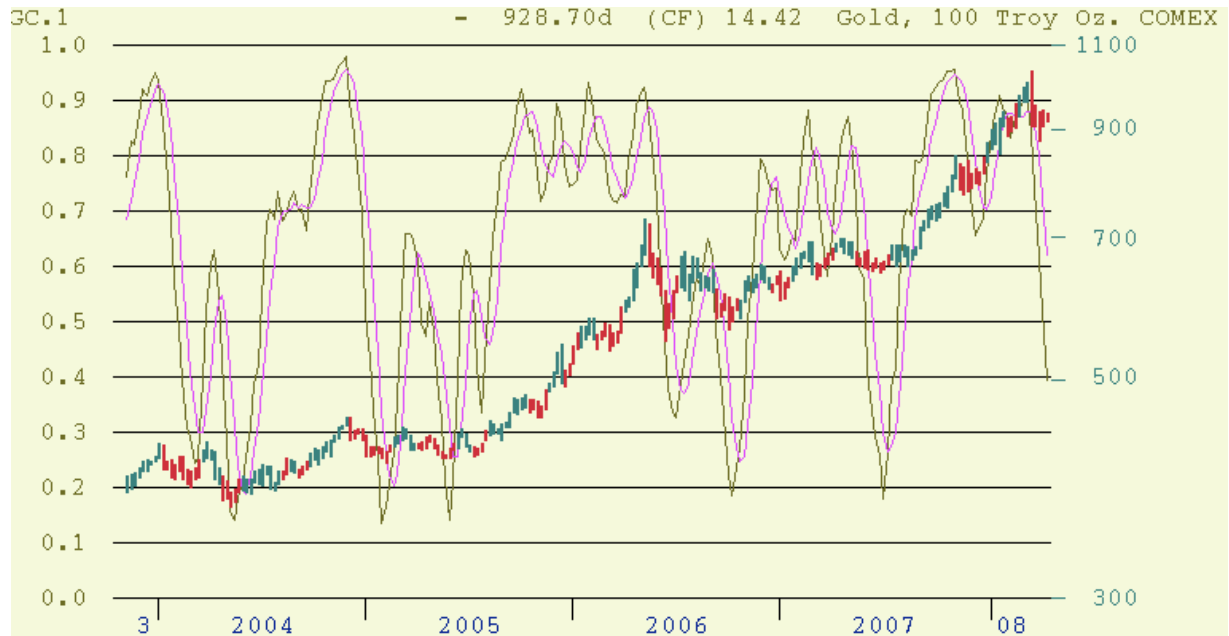
The long term oscillator for the S&P 500 index is still rising from deeply oversold levels. This suggests that the U.S. markets are still in a longer term uptrend. This index is much more reliable than the short term oscillators.



The short-term oscillator for the S&P/TSX is also retreating from the highs, but the more important indicator (the longer-term oscillator – see below) is still rising. The short term correction could last until the end of the month.



The long-term oscillator for Toronto bottomed in December/January and it is still rising. The S&P/TSX long-term oscillator has been much stronger than the other markets. In fact, before Friday's 226 point decline, the TSX was the only major market to post a gain in 2008.



The long term oscillator for gold and silver is still declining and has more distance to travel before it reaches the fully oversold area. More time and/or decline is needed before the precious metals become strong performers once again, but declines should be viewed as buying opportunities.

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