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Monthly Update

2009, volume 2, Year 16, February 2009

Double bottom support

Many market technicians look for a double bottom to signal an effective lower limit of an index or stock. The S&P500 is close to a double bottom at this time. It sank to 752.55 on 11-20-08 and closed at 770.05 on 2-20-09. In addition, our own original business cycle research indicates that the current recession should end in 2009. Our HVI ranking for asset classes, US sectors, and World indexes in Table 1 is similar to last months ranking. This indicates a bottoming. For these three reasons we feel that we are quite close to a bottom in US equity market.

Our absolute momentum (HVI) comparison for the style box on page 2 indicates that growth stocks beat value stocks. Our sector line up this month is precious metals first, then the U.S. dollar. The dollar is strong because other currencies are weak. These are similar to last month's findings.

The Fed continues to print dollars to inflate our money supply to rescue insolvent banks. Economists are worried that velocity, GDP/Money supply, isn't yet expanding due to bank cash hoarding. Yet, money supply increases always increase equity prices. The big question is when will confidence and risk taking come back to wall street. Until this happens caution is recommended.

We have sells on S&P500, NDX, bonds and a buy on gold/precious metals, see page 1.

Because the markets can turn quickly, be ready. May the market be with you!
(February 20, 2009)