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Monthly Update

2008, volume 5, Year 15, May 2008

A Time for Caution!

Our analysis of the US equity markets indicates a renewed tension between bear and bull investors. Our chart on page 2 of the S&P500 index indicates that the US market may be topping at this time. If true, a decline is right around the corner. Our HVI analysis, on pages 4 and 5, indicates a widespread weakness in many sectors as indicated by negative HVI values. Coincidentally, bear or inverse funds have positive HVI values indicating that bear funds are increasing in price. Additionally, for long funds we have many more sells than buys this month; see signals in the last column on pages 4 and 5. Many of our market timing indicators have changed. We have money market signals for S&P500, NDX100, and US 10 year bond yields, and a buy on precious metals or gold.

Therefore, it is a tough call to either go to money market funds or to go into inverse funds. It is a time for caution.

Our current assessment is opposite of last month's assessment. We thought that price lows and the bear market were behind us. The rally that was underway appears to have been cut short.

The style box indexes have weakened since last month and large cap value has a negative HVI. At this time small cap leads large cap as indicated on page 2.

Because the markets can turn quickly, be ready. May the market be with you! (May 25, 2008)