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Monthly Update

2008, volume 8, Year 15, August 2008

Oil, Commodities, & Emerging Markets Going Lower!

In our July 25, 2008 newsletter, we stated that the U.S. equity market is in a new bull market with the lows behind us. Our analysis was based on calculating more than 40 individual fund buy signals prior to July 25. After that, we computed buy signals for the S&P500 and the NDX100 indexes. We have sell signals on precious metals (XAU) and US10 year bond yields at this time, see page 1. It is time to buy bonds.

Also, in our July newsletter, we announced that oil was going lower. Nymex Crude for September delivery closed today at \$114.59/barrell. This is a decrease of about 22% from oil highs just a few weeks ago. Oil is quite volatile now due to a tug-of-war between the noise-trader speculators and the take-delivery investors. Our HVI indicator for the Amex oil index, XOI, is negative. We see oil prices dropping further by \$10 to \$20/barrell over the next 6-8 weeks.

Our chart, on page 2 of the ProFunds Ultra Short International EAFE fund, UXPIX, indicates that the international funds have been going lower in price since May. This fund is in a powerful up-trend.

For the next few months, we see the market oscillating between: 1) high oil, commodities, international equities and low stock prices and dollar, and 2) vice versa.

We have buys in the following areas: consumer goods and services, technology, retail, short international, leisure, financial, and telecommunications.

Our style box analysis, on page 2, indicates that small cap beats large cap. This is typical in a new bull market.

Because the markets can turn quickly, be ready. May the market be with you!
(August 22, 2008)