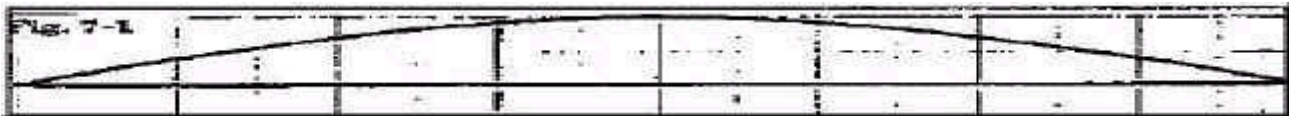


Original Cycle Analysis Research

One key concept to understand about our unique cycle analysis research is our Short Term Cycle which is used for first entering an investment position. This cycle can last for as little as three days to as long as a ten day trading period.

Another key concept is that this unique and original analysis is based on Price and Time. This means that on occasion, we can offer Price target projections which are only valid if achieved within a specific period of Time. Once Time runs out of the specific cycle, the price projection will no longer be valid. Sometimes Price is achieved quickly before the Time of a cycle runs out. This condition can generate an overbought or oversold condition which can generate a countertrend directional movement for just a few days.

Looking at a typical cycle condition pictured below, we can see an example of Primary Trend Cycle which is divided within eight time frames. The beginning of the cycle in box one is considered a cycle which is Up, Stage One (U1). The second box represents Up, Stage Two (U2) and the third, fourth and fifth box is considered Up, Stage Three (U3) and a topping process. The sixth box represents Down, Stage One (D1) as box seven is Down, Stage Two (D2) and the last box represents Down, Stage Three (D3).

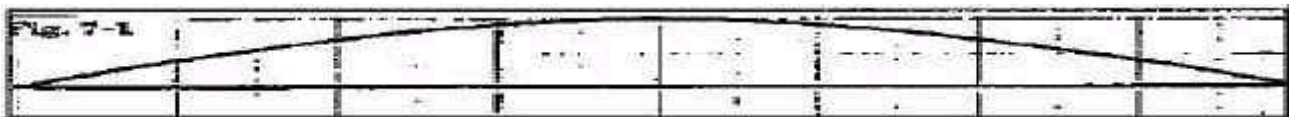


The length of Time of the above cycle can be measured as to various time lengths, and can be measured and adjusted over various time periods from as little as minutes to as long as multi year periods of time.

Using this above type typical cycle to measure our Early Warning Cycle concept, we can understand the overall concept by including eight Short Term Cycles within the overall above Early Warning Cycle as shown in the chart below.



Although these Short Term Cycles also have their Up Stages and Down Stages with this cycle framework, the overall Early Warning Cycle tells us that the overall emphasis of the cycle remains Up as long as the Early Warning Cycle remains in its Up Stages. Conversely, the overall emphasis in a Short Term Cycle is Down when the Stages of the early warning Cycle are Down.



Cycles are patterns that repeat themselves over and over again and so a series of Early Warning Cycles can look like the following chart example.



In conclusion, cycles are used to forecast the overall directional movement of the investment markets over the near term as well as the long term. A very long term cycle is considered a “secular” cycle and shorter term cycles are referred to as “cyclical” cycles.

In long term up secular cycles, as the one we had from 1982 until 2000, we experienced a few short term cyclical down cycles including the crash of 1987. It is also true that long term secular down cycles can experience short term cyclical up cycles.