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JULY 23, 2004

STOCK MARKET CHARTWORKS TRACK RECORD

AUGUST, 2002 to JULY 21, 2004

	S&P	
Low	776	Oct. 9, 2002
High	1158	Feb. 11, 2004

The following pages document the timely and reliable studies done by Ross Clark under the ChartWorks banner.

Going into important market changes, we use technical and fundamental analysis.

This covers equities and a similar approach to interest rates and metal markets has been equally reliable.

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THE BOTTOM

- "Post-Euphoria Roadmap" – providing guidance since 4Q 1999, the August 20, 2002 update provided the path to a bottom in 4Q 2002 (attached).
- "Nasdaq – Thirty Months and Counting" – this September 20, 2002 update of the "Roadmap" detailed the criteria needed for the bottom (attached).
- "Weekly Exhaustion Lows" – this October 15 study noted that some key stock indexes, including the S&P, had registered severe downside "capitulations" (attached).

MOST OF THE WAY UP December, 2003

- The "Inverted Gold Model" had been monitored since June, 2003 as it focused upon a 20-month cyclical bear within a longer bull market. Upside down, it provided the concluding pattern for the stock bull market that began in October, 2002. (The December 29, 2003 update is attached.)

AT THE TOP February, 2004

- The "Inverted Gold" update of January 28 used the S&P as the example (this is attached). The key conclusion was *"selling the stock market now is technically the equivalent to buying gold 2 days after the low of 103 in 1976"*.
- This model, while introduced in June, 2003, did not forecast then that the stock market would top out in February, but provided the pattern that, when replicated, would end the bull market.
- As it turned out, senior indexes conformed to the topping pattern and the highs were:

NASDAQ	DJIA	S&P
2154 on Jan. 26	10737 on Feb. 11	1158 on Feb. 11

AFTER THE TOP

- The March 3 update on the DJIA is attached and the headline was profound: *"Taking out the support line will initiate a new bear market"*.
- The support line was taken out at 10376 on March 10. The old support level became overhead resistance and the "test" failed and, by definition, New York is now in a bear market.
- The July 21 update (attached) notes that the action is conforming to the model. So far, the decline has been modest, which suggests latent downside drama.

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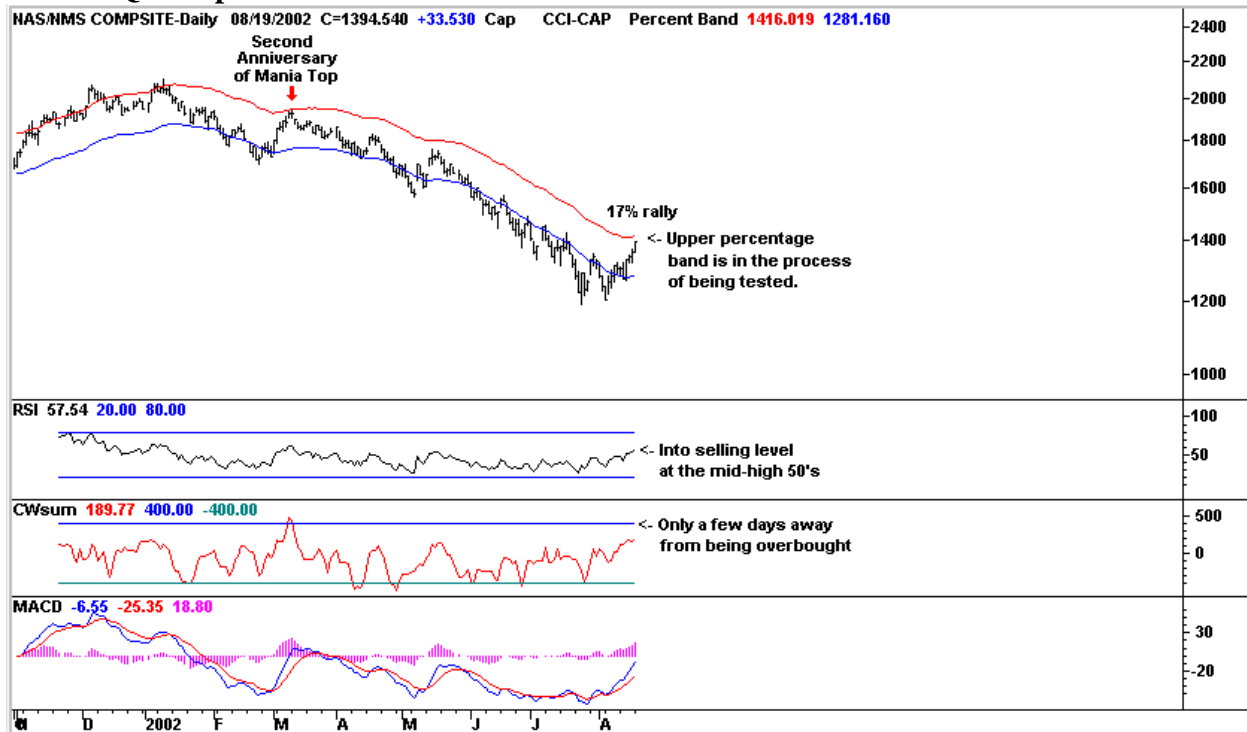
August 20, 2002

POST-EUPHORIA ROADMAP

The summer rally was delayed, but in the NASDAQ has produced a 17% rally from the bottom as of yesterday. This compares favourably with the 14% rally in the Nikkei in 1992, 18% rally in Gold in 1982 and 25% rally in the Dow in 1932. At this stage in the post bubble environment we recognize that the percentage band should provide a strong area of resistance (currently 1416). Also, a mildly overbought relative strength (RSI) reading of 57 fits well with the model. Our proprietary CWSum indicator is still a few days away from an outright sell signal.

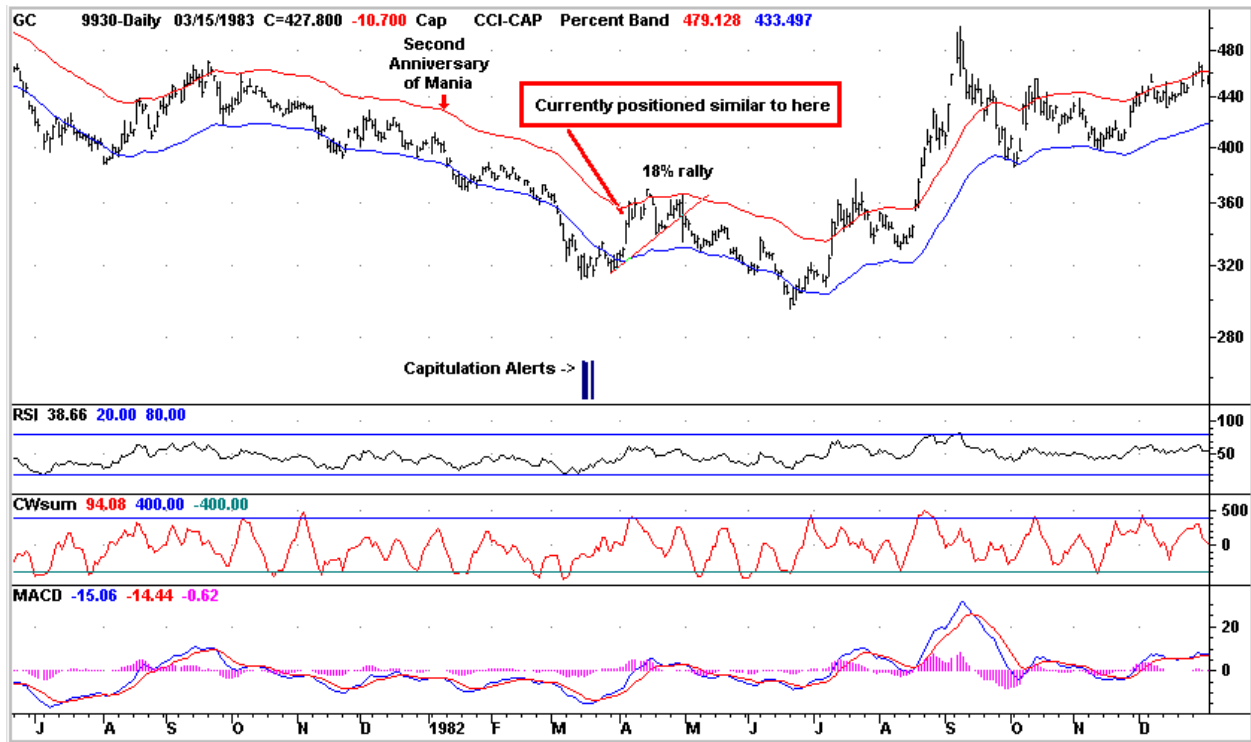
The normal action going forward from here would be a double top over the next two weeks. During this period support should be evident in the 1306 to 1344 range and resistance at 1416. Once we have a tested high (i.e. a double top), then it will be time to establish a support line from the bottom. A violation of that support line should trigger selling pressure similar to that seen in the gold stocks in July. ***An optimum point for the bottom continues to be the fourth quarter of this year.*** [emphasis added]

NASDAQ Composite





Gold 1982



ChartWorks

September 20, 2002

NASDAQ – Thirty Months and Counting

The NASDAQ is now thirty months past its all-time high print of 5132 on March 10, 2000. Using previous bubbles as measurements we can anticipate an important cyclical low within the coming four months.

We looked for complacency around the 22nd to 24th month (January to March 2002) following the top and then a severe decline this spring. The next event was to be a rally back to the top of the 34-week 5% trading band. This became a direct hit at 1426 on August 22nd, twenty-nine months after the top. This rally pattern occurred in the 27th to 29th months following the tops of the Nikkei, Gold and '29 Dow. It was also concurrent with a daily-overbought reading in our proprietary CWSum Index and produced an RSI reading in the high 50's (also present in the Nikkei, Gold and '29 Dow).

Where to now? From the overbought test of the trading band the declines to the ultimate **cyclic (not secular) lows** have been 10, 14 and 20 weeks later. This provides a **time window of October 31st to January 9th**. These declines were 24% (Nikkei), 21% (Gold) and 54% ('29 Dow). **All three declined at a rate of 1.7% to 2.7% per week.** Given these rates, the NASDAQ could be **1126** by October 31st.

From an investment and money management perspective, the most important fact is to accept that the downtrend 'is in motion until it ends'. In order to clear unsupportable positions, the market will get as overextended as it needs to.

Back in the 1980's we recognized a recurring pattern that could be used to identify the end of major bear markets shortly after the low was in place. The key was not to pick the bottom, but find a low risk entry point shortly after the low was in place. . . and do this without premature entries. Only a reversal through an upside resistance will prove that the trend has turned positive. The most recent occurrence of this pattern was in gold at \$258.30 in September of 1999.

Using this same technique when viewing the final months of decline in the post bubbles ('92 Nikkei, '82 Gold, '32 Dow), we find:

- No false buy signals.
- Long within two weeks of the bottom.
- Immediate upside action first two weeks after purchase.
- Gains of 24% (Nikkei), 64% (Gold) and 67% (Dow '32) within the next two months.
- From point of entry, no offside day within the next two years.

If prices break from here, we will start publishing the criteria needed to end the bear.

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October 15, 2002

WEEKLY EXHAUSTION LOWS

- Friday, October 11th generated upticks in the weekly exhaustion index (i.e. Buy Signals) for the Dow Industrials, S&P 500 and S&P 100.
- Double Capitulation Buy Signals are present in the TSX, Russell 2000, Russell 2000 Value Index, Dow Utilities.
- Double Capitulation Sell signals occurred on the 10-Year Bond (price).
- The minimum initial move should be back to the 20-week moving averages.
- These would be circa: DJIA 8520, S&P 908, Nasdaq 1480
- Duration could be to November 7 – 12 with a correction midway.

KEY ALERTS

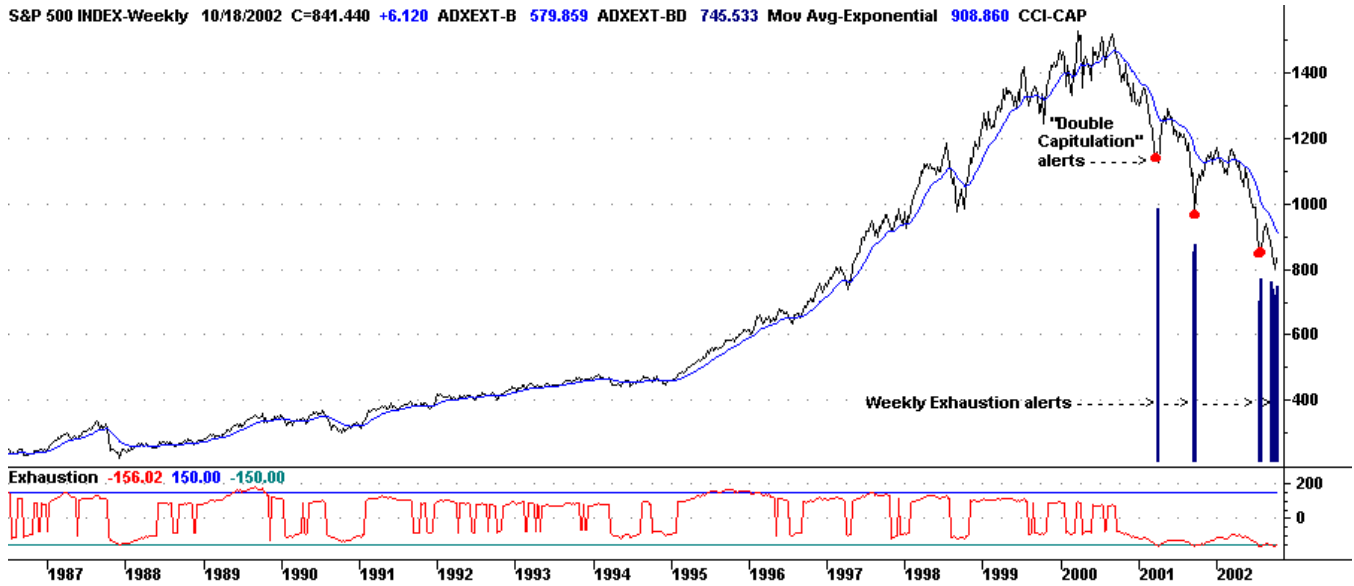
- Our October 4 edition concluded that stocks and credit spreads could be "choppy for 4 or 5 weeks".
- That edition also included, "It's time, at last, to "buy the dips".

COMPARISONS

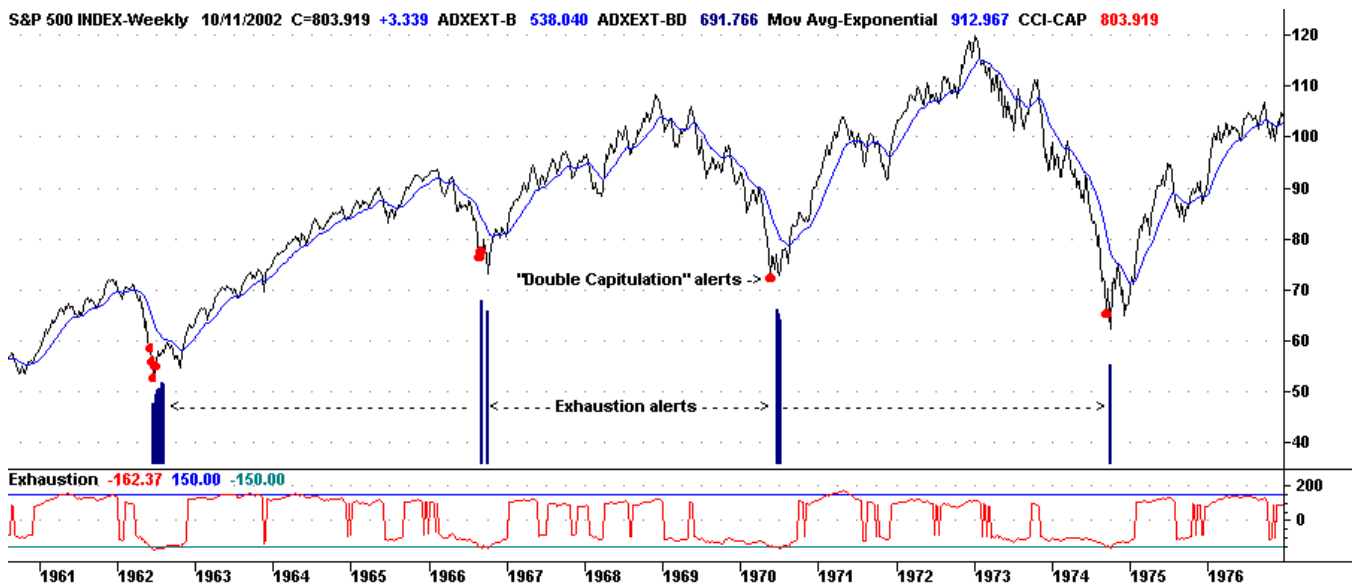
- It is becoming popular to make comparisons with the 1973-1974 bear. OK – both are the worst since the 1930s, but so far ours has not been accompanied by the worst recession since the 1930s.
- The 1974 bear ended with one capitulation reading; ours, as following 1929, has had multiple such readings.
- Short rates soared in 1974; ours have been declining as with any post-bubble contraction.
- Comparison with combined post-1929 and post-1873 bubble contractions have been the most appropriate.

S&P – Weekly Capitulation and Double Capitulation Lows – Eighth Signal Since 1950

1987 to current



1961 to 1976



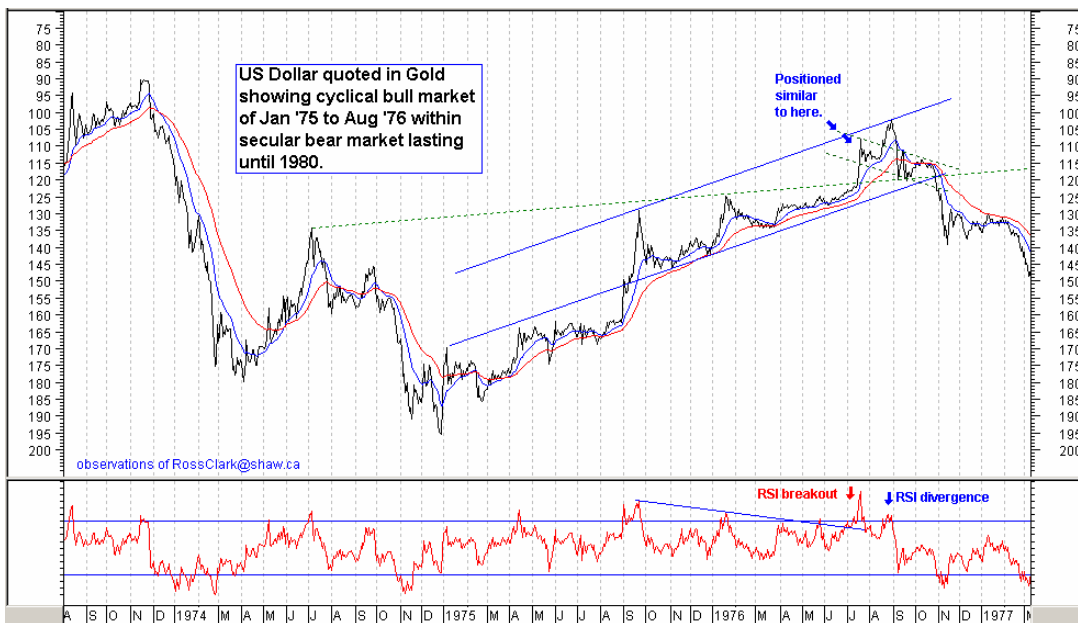
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December 29, 2003

Technical observations of RossClark@shaw.ca

S&P vs INVERTED GOLD 1974 TO 1977 – UPDATE



S&P CONTINUES TO FOLLOW THE "ROAD MAP"



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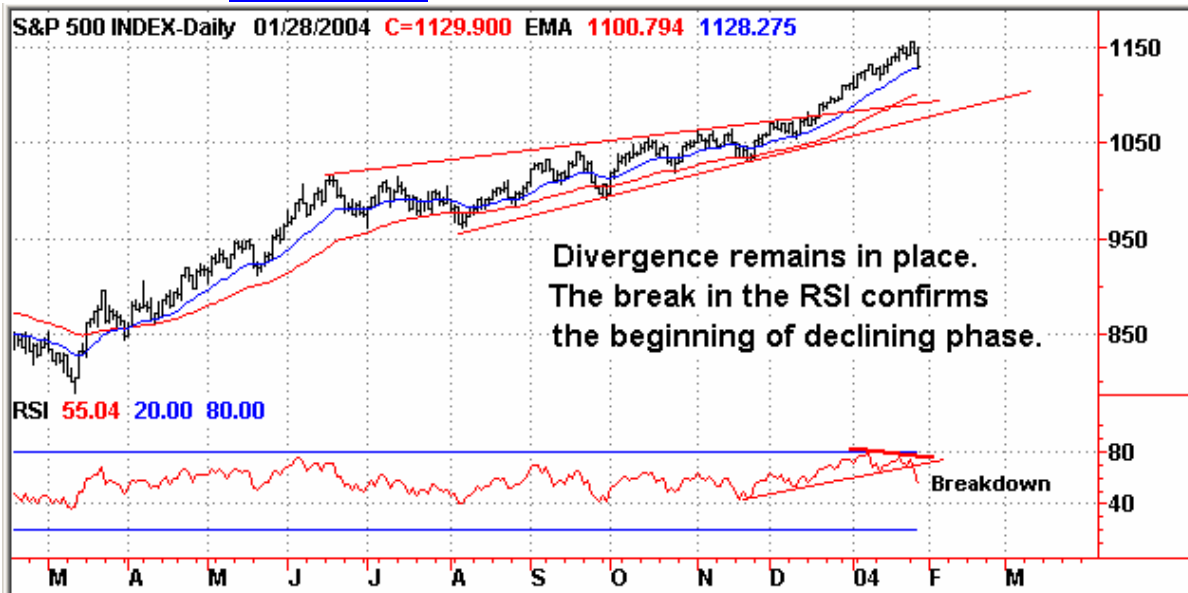
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January 28, 2004

S&P INVERTED GOLD MODEL

(Updates reports of September 22, December 2, January 5, January 15, and January 17)

Technical Observations of RossClark@shaw.ca



- The RSI rolled over yesterday and today's plunge in the stock market and drop in the RSI is significant. Note the violation of the RSI trendline for the S&P.
- Selling the stock market now is technically equivalent to buying gold 2 days after the low of 103 in 1976.

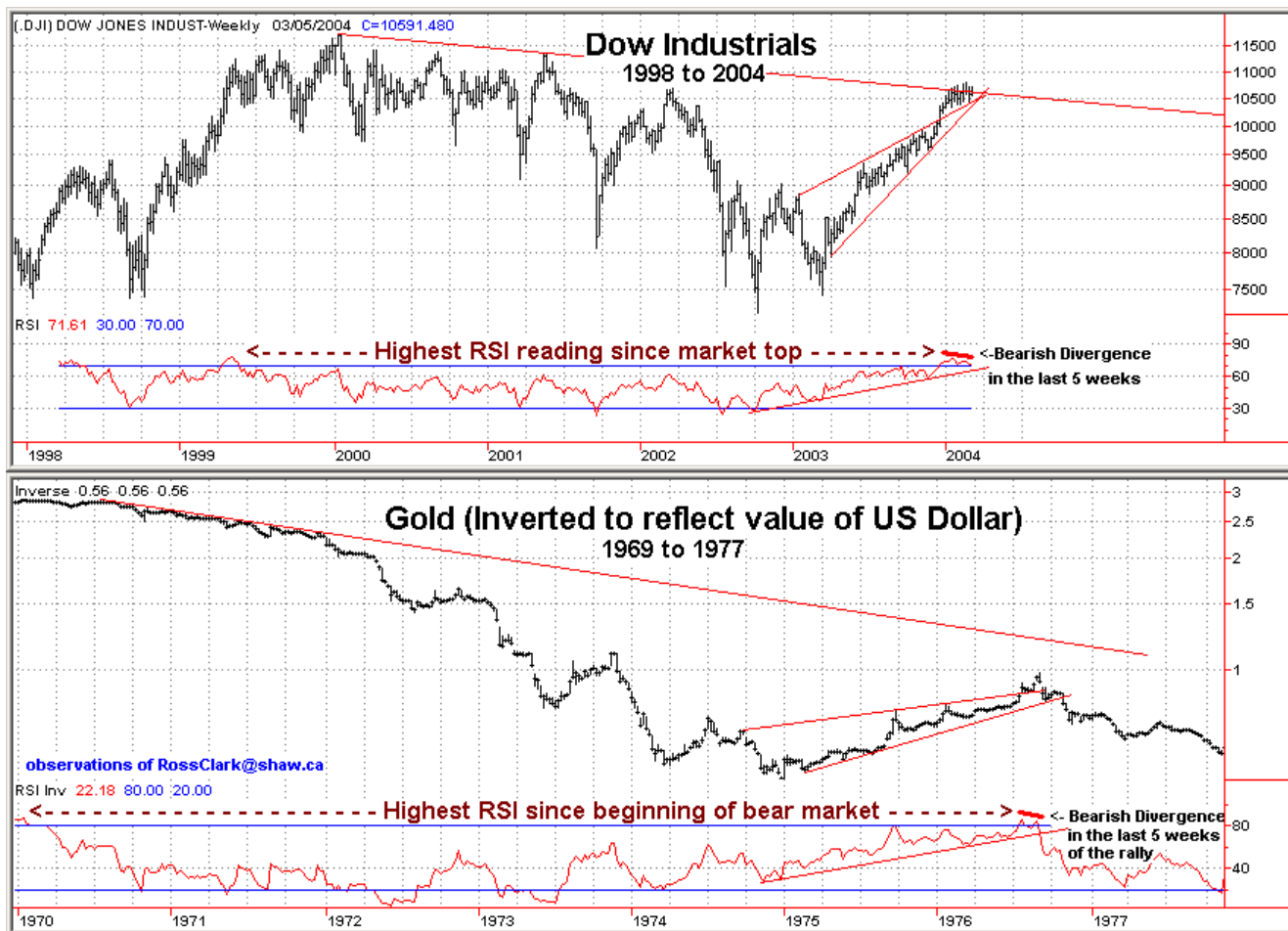
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March 3, 2004

Taking Out The Support Line Will Initiate A New Bear Market

Technical observations of RossClark@shaw.ca



- The Nasdaq replicated the topping pattern of the "model" with its high of 2154 on January 26.
- The Dow has been building a similar pattern, but delayed by a couple of weeks.
- Note that the highest RSI since 1999 has been accomplished which, as the saying goes, is no mean feat.
- Bearish divergence, now at 6 weeks, compares with the "model's" 5 weeks.

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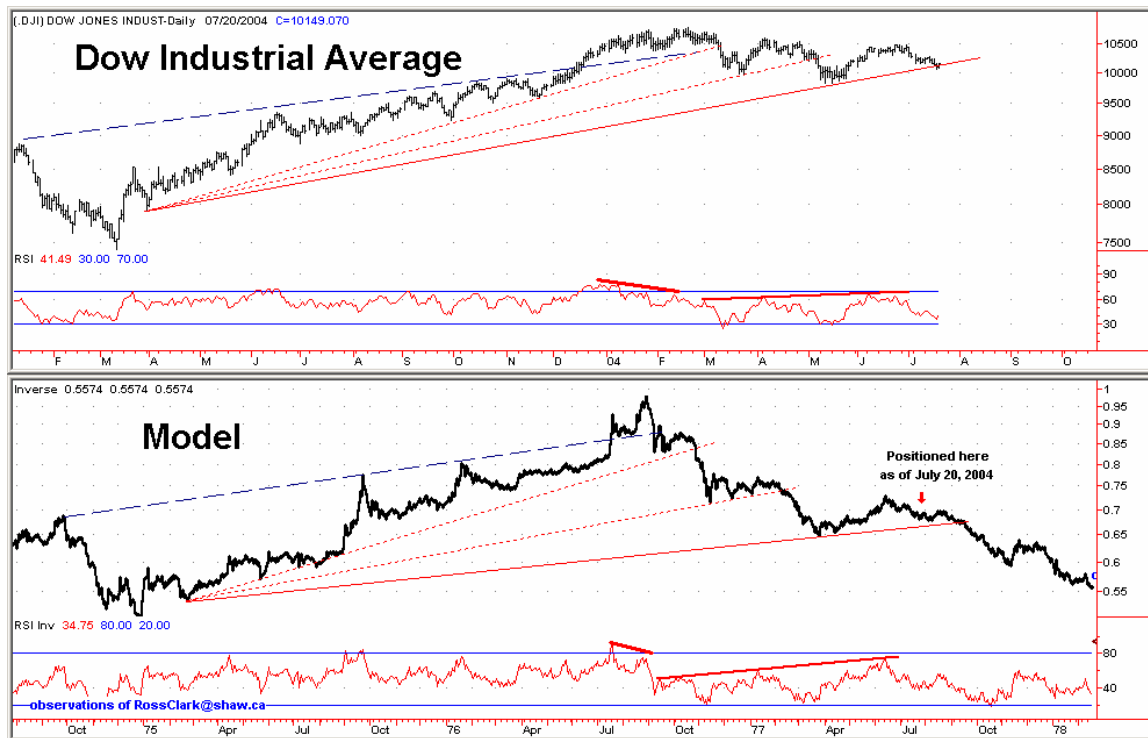
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July 21, 2004

DOW vs INVERTED GOLD MODEL

The model of the Dow vs the inverted gold of the 1970s is on track. While not having the same downside bias following the top, the pattern structures, RSI, and trendlines continue to match the model. A small "spring" over the next week and then a failed rally into early August would set the stage for a decline into late in September.

MODEL UPDATE



- The key, of course, has been pattern recognition and other technical patterns that, for simplicity, are not shown but are conforming as well.
- The Nasdaq and S&P are also following the declining path.
- The advice has been to sell the rallies.

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