

STOCK MARKET TRACK RECORD

AUGUST, 2002 to DECEMBER, 2004

	S&P	
Low	776	Oct. 9, 2002
High	1196	Dec. 3, 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 employed.

In a world of increasing financial volatility, this "belt and suspenders" approach has added value to policy determination as well as tactics for trading.

BOB HOYE, INSTITUTIONAL ADVISORS
EMAIL bobhoye@institutionaladvisors.com
WEBSITE www.institutionaladvisors.com

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 that phase of 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 SPRING 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 technically in a bear market.

PARTY TIME !

- The July 27 Institutional Advisors memo "Party Time!" called the rejuvenation of speculative initiative.
- In August, our overall theme was that all of the hot speculations (commodities, bonds, and the stock market) that spiked out earlier in the year would "test" those spikes.

ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

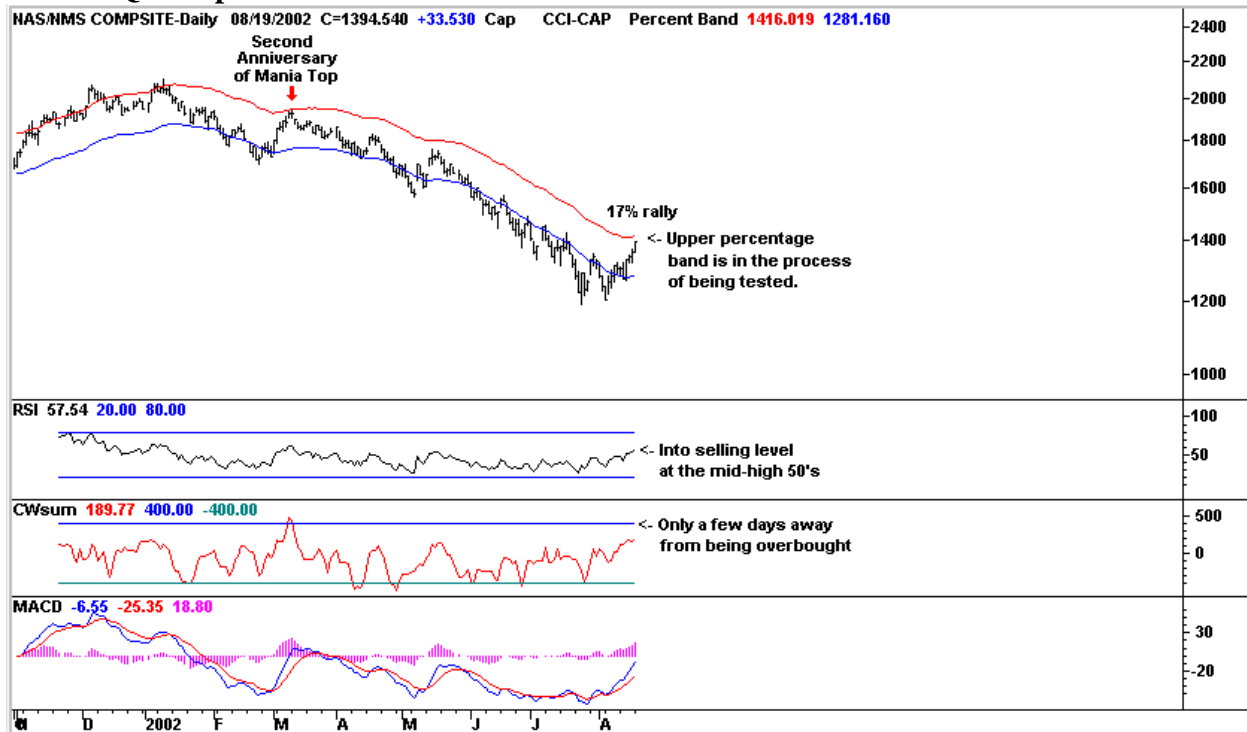
August 20, 2002

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.

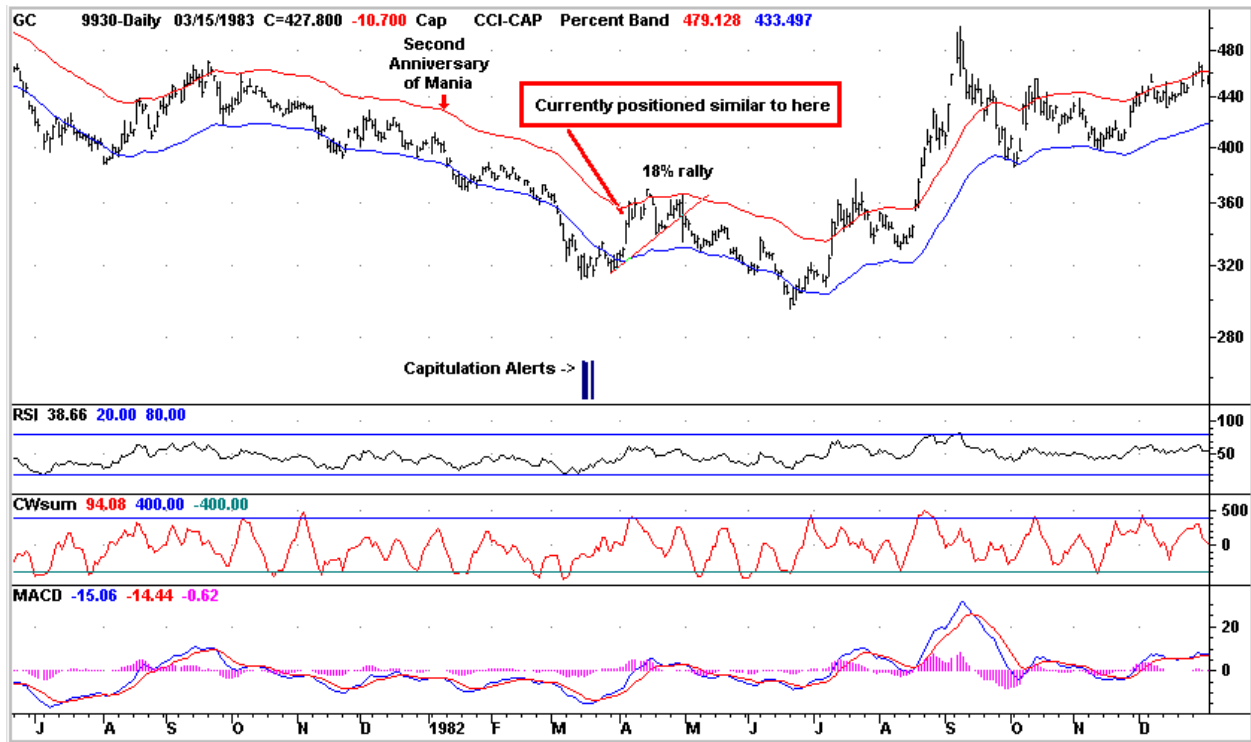
The normal action going forward from here would be a double top over the next two weeks. During this period support should be evident in the 1306 to 1344 range and resistance at 1416. Once we have a tested high (i.e. a double top), then it will be time to establish a support line from the bottom. A violation 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.

BOB HOYE, INSTITUTIONAL ADVISORS
E-MAIL bobhoye@institutionaladvisors.com
WEBSITE: www.institutionaladvisors.com

ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

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

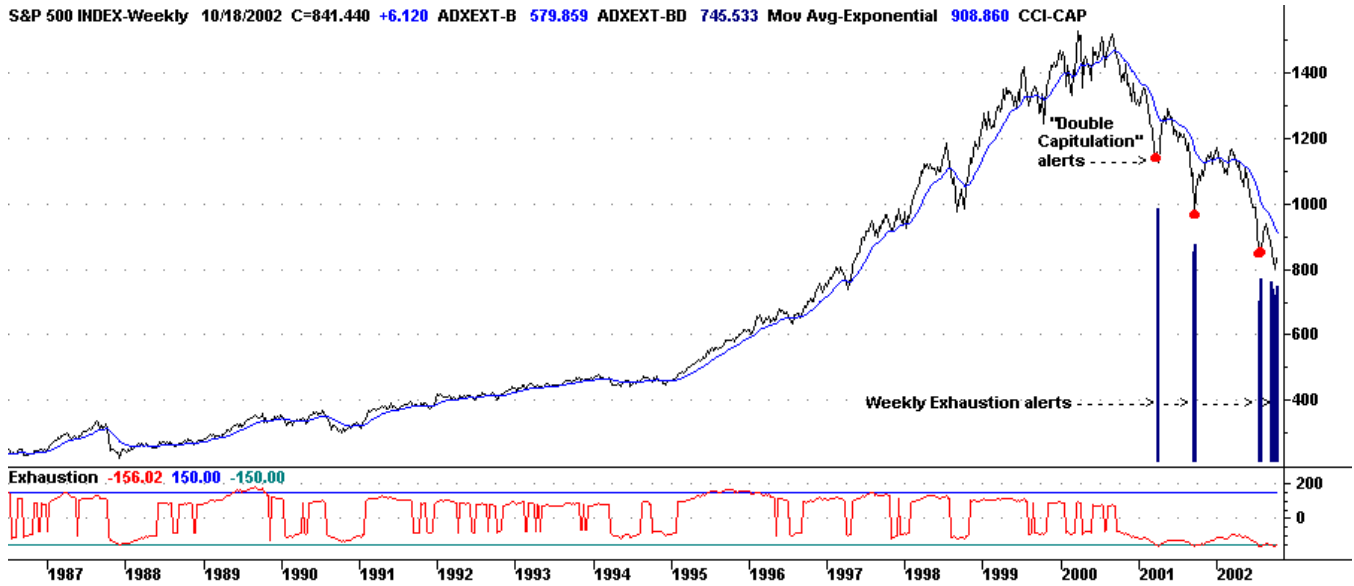
- Our October 4 edition concluded that stocks and credit spreads could be "choppy for 4 or 5 weeks".
- That edition also included, "It's time, at last, to "buy the dips".

COMPARISONS

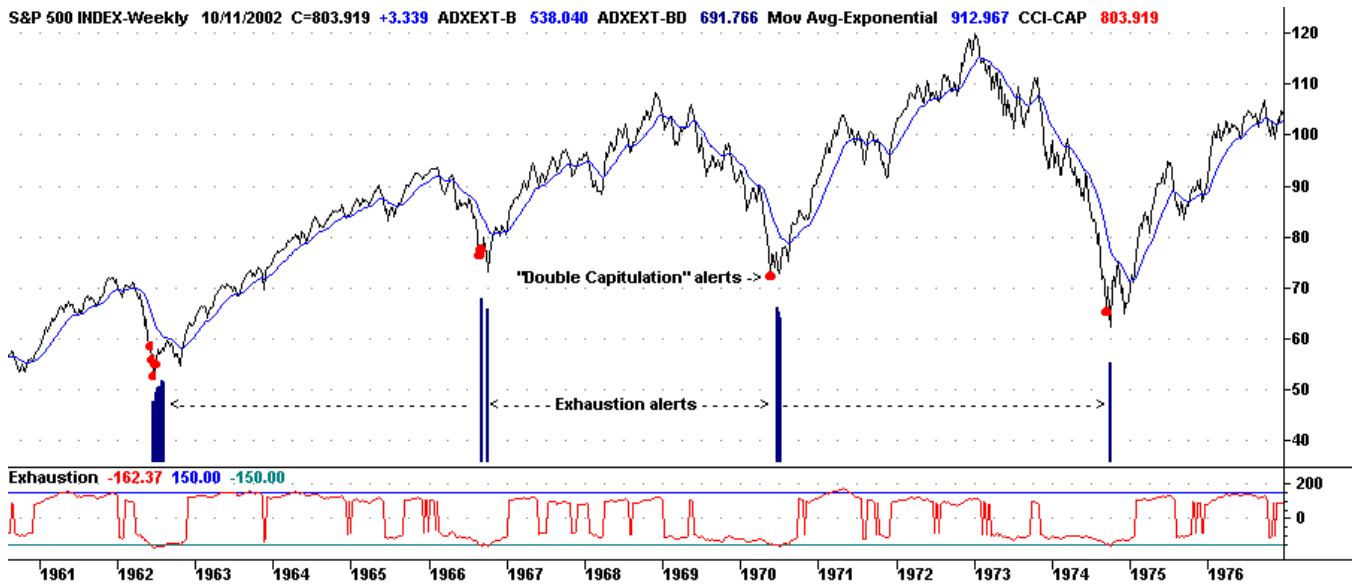
- It is becoming popular to make comparisons with the 1973-1974 bear. OK – both are the worst since the 1930s, but so far ours has not been accompanied by the worst recession since the 1930s.
- The 1974 bear ended with one capitulation reading; ours, as following 1929, has had multiple such readings.
- 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



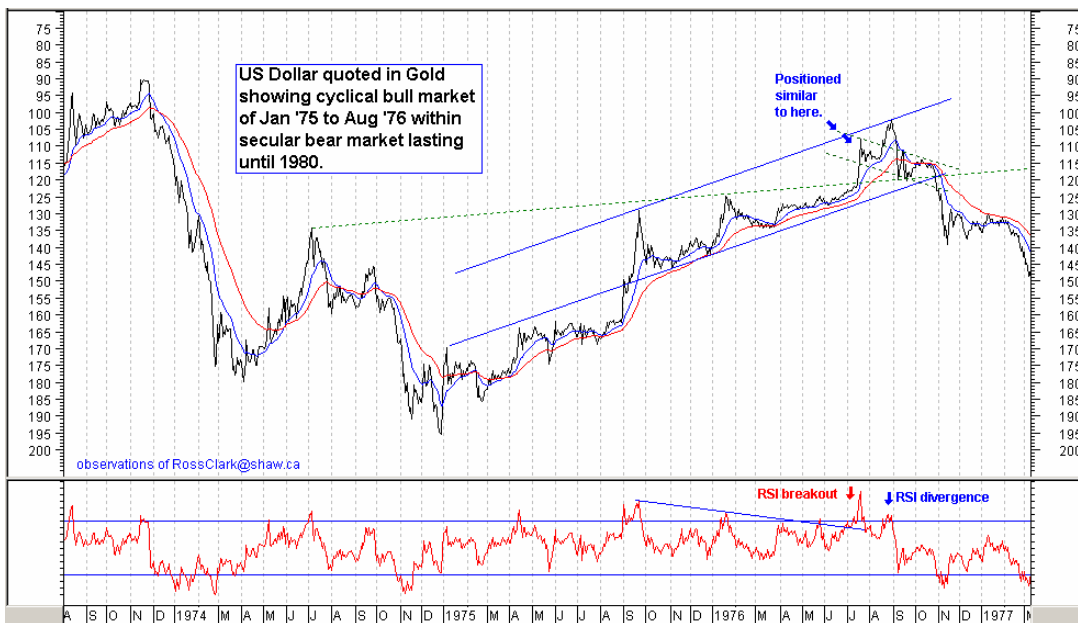
ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

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"



ChartWorks

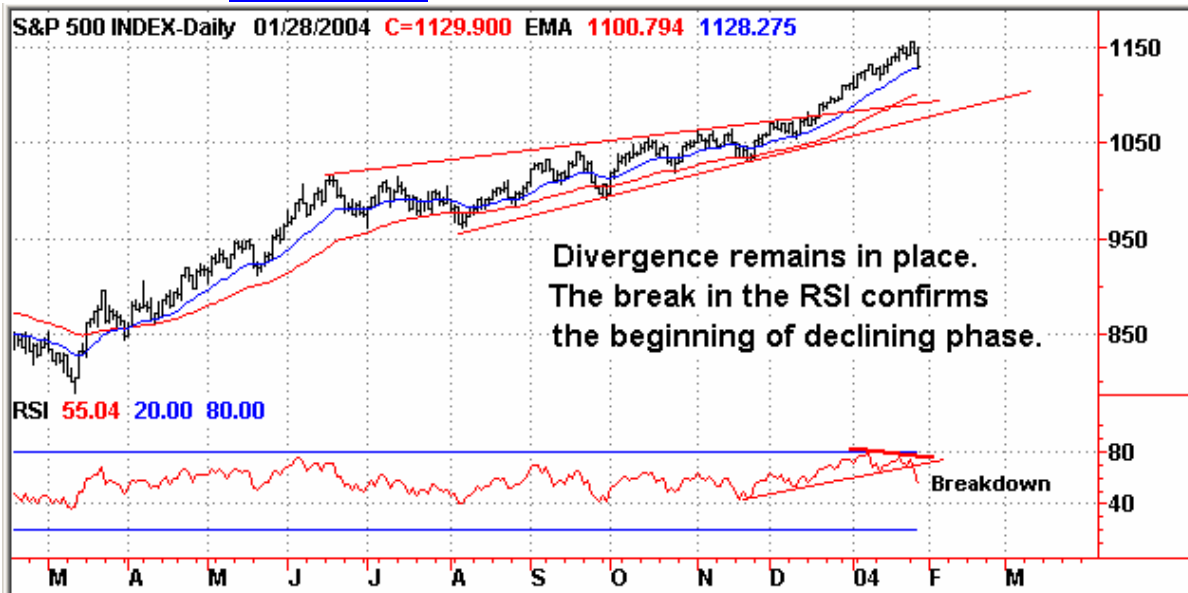
PUBLISHED BY INSTITUTIONAL ADVISORS

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.

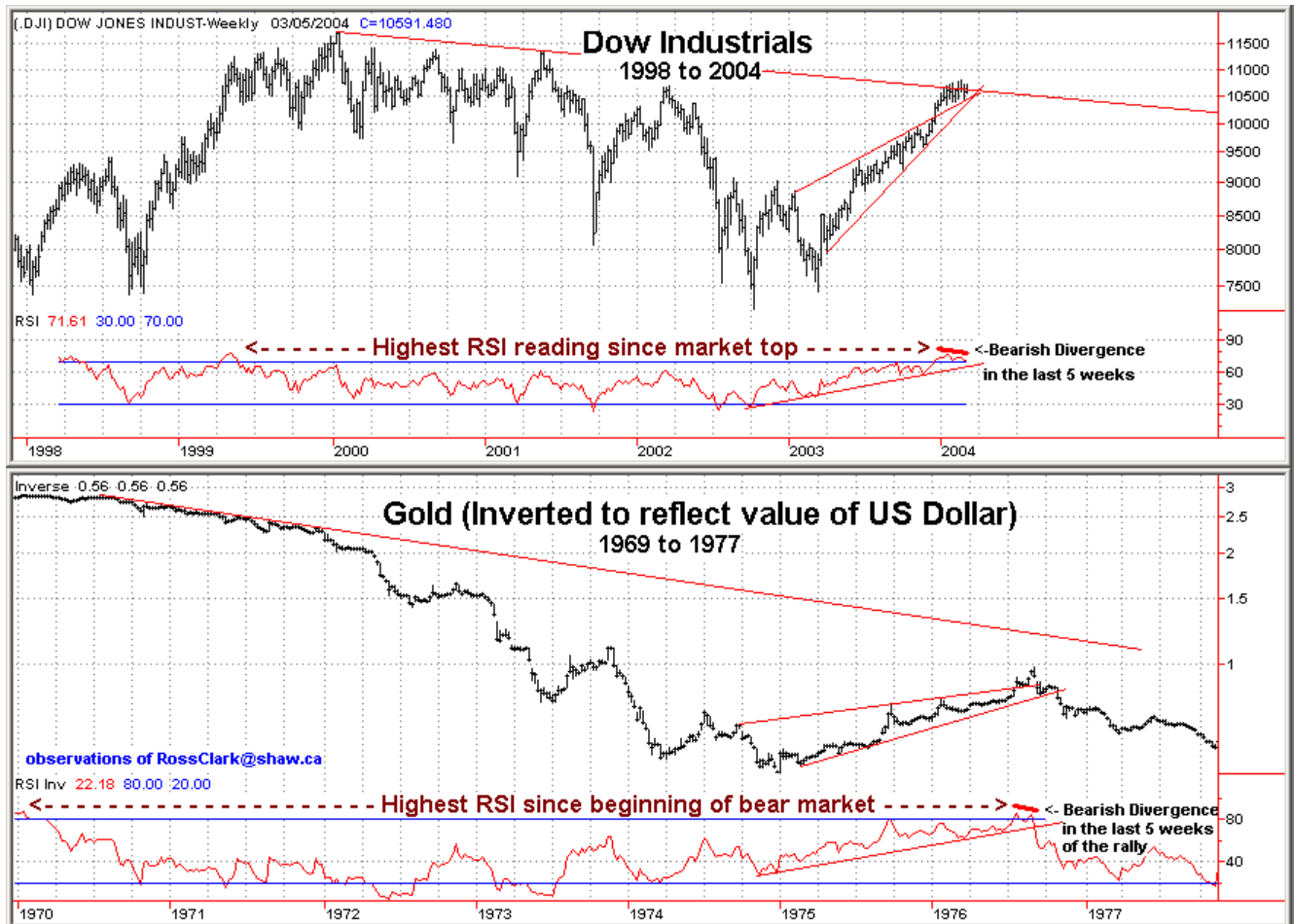
ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

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.

BOB HOYE, INSTITUTIONAL ADVISORS
EMAIL bobhoye@institutionaladvisors.com
WEBSITE www.institutionaladvisors.com

ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

May 10, 2004

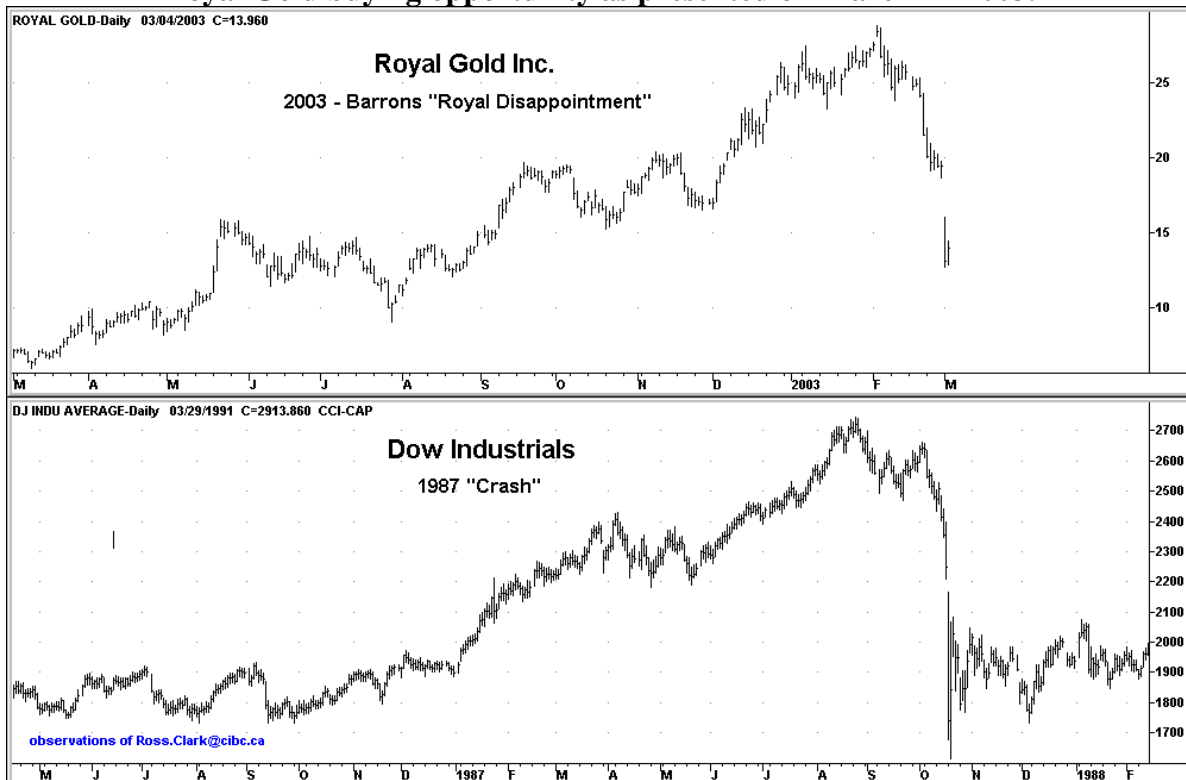
Technical observations of RossClark@shaw.ca (written on Saturday, May 8, 2004)

Technically, the gold stock indices (XAU & HUI) have slightly exceeded the measured downside targets as of Friday. If this is an intermediate correction in the stocks we would expect to see them bounce from here and then make a test of the low within the following few weeks. From there a MACD buy signal would trigger the next good bull market leg to the upside. Ideally, such a tested low would see the stocks with a bullish bias relative to the bullion. However, any continuation of the selling pressure from here will likely produce a fast and climactic bottom that will then take the better part of a few months in which to form a base.

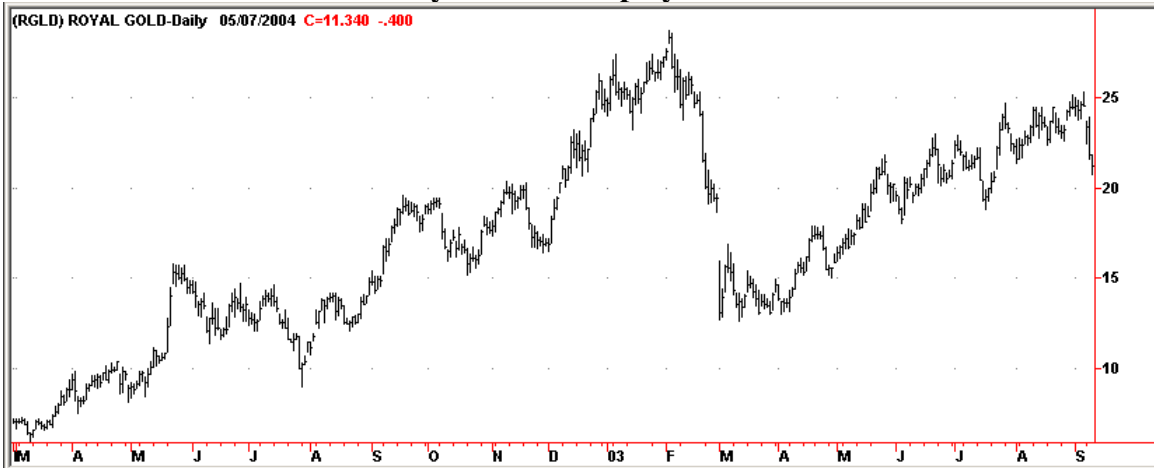
Market patterns generally become more discernable when prices are moving in an emotional manner. The sell off in mining stocks this week is building such an example. The pattern is that of the 1987 panic in equity prices.

The last time we identified this pattern in the mining sector was on March 4, 2003 one day after the \$12.67 low in Royal Gold (RGLD). This was a result of the Barrons' "Royal Disappointment" article. Prices subsequently took one month to base out between \$13 and \$15 and then rallied to \$25 within five months.

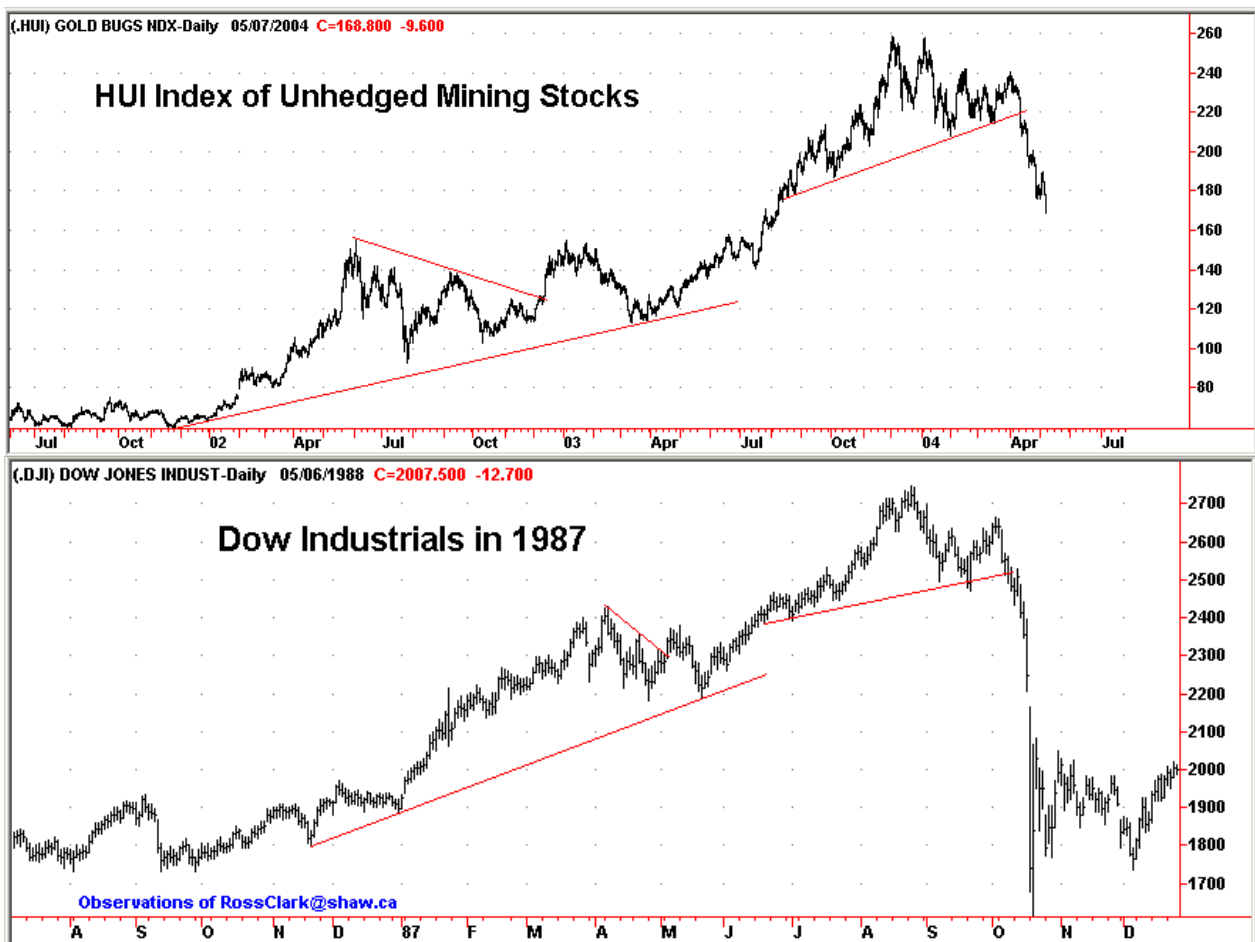
Royal Gold buying opportunity as presented on March 4th 2003.



Royal Gold as it played out:

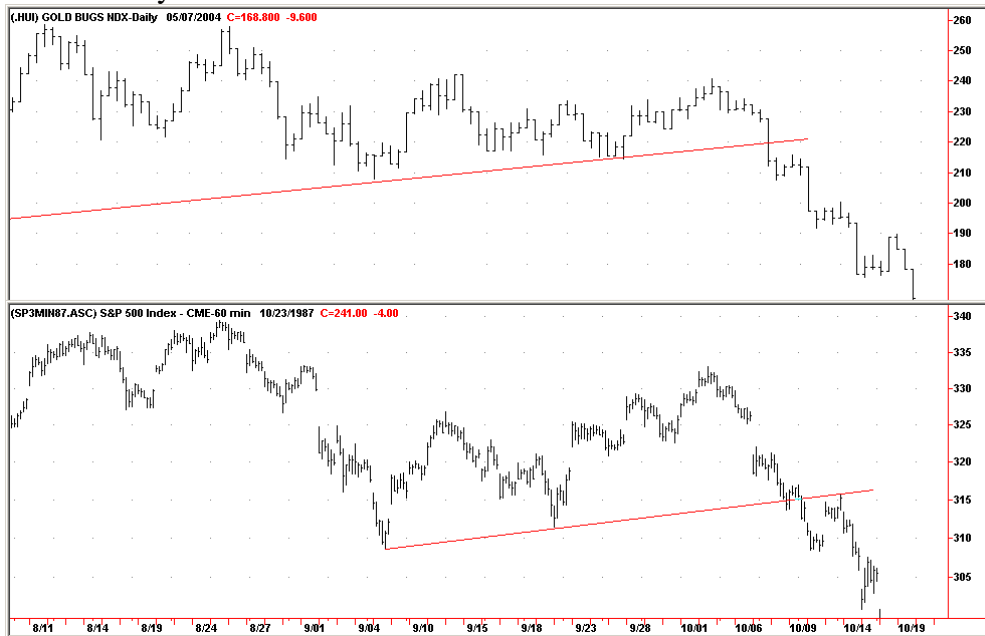


While the magnitude of the decline varies in each example of this pattern, the wave structure is quite clear from the top through the bottom. Here is the HUI of today compared to the Dow of 1987:



(Remember pattern and trend is more important the magnitude of moves. The two day decline of October 16 & 19th of 1987 are considered to be an anomaly)

Now here is the HUI chart compared to the more refined interday action of the S&P 500 in 1987 through October 15, 1987. This is done to show clearly how well the patterns evolved prior to the final two down days.



Based upon the wave structure we could very easily create a climactic low in the HUI and XAU this coming week (May 10th to 14th).

Silver is presenting the same pattern seen in the NASDAQ in 2000. While there may be more downside pressure over the next month we'd expect to see a recovery rally into the \$6.50 to \$7.00 range once this pressure abates.



INSTITUTIONAL ADVISORS

JULY 27, 2004

- It looks as if sufficient parameters for the stock rally have hooked up.
- The dollar index rallied from 87.15 to almost 90 – enough for a while.
- Commodities have been sufficiently beaten up for a rally. The CRB plunged from 285 in March to 265.7 today – perhaps enough as well.
- Silver didn't quite make it to our downside target of 6.30 – but close enough.
- Party Time!

BOB HOYE, INSTITUTIONAL ADVISORS
E-MAIL bobhoye@institutionaladvisors.com
WEBSITE www.institutionaladvisors.com

ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

July 27, 2004

SEASONAL RALLY APPEARS IMMINENT

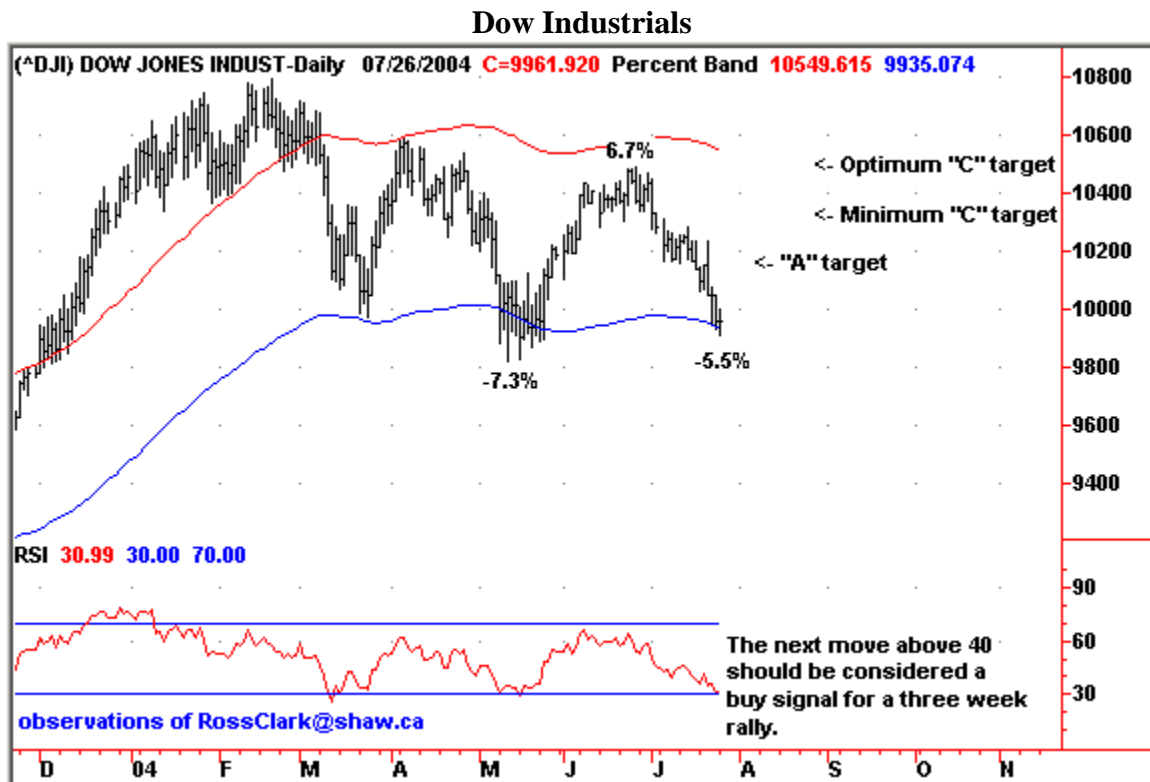
Technical observations of RossClark@shaw.ca

In 10 of the past 17 election years (1932 to 2000) the Dow made a mid-summer low that satisfied two requirements. Firstly, the price declined to a 3% band below the 89-day moving average. Secondly, the RSI(14) declined to 35. From this point the market took anywhere from one to eight calendar days to make a low. The longer examples generally took the form of a double bottom.

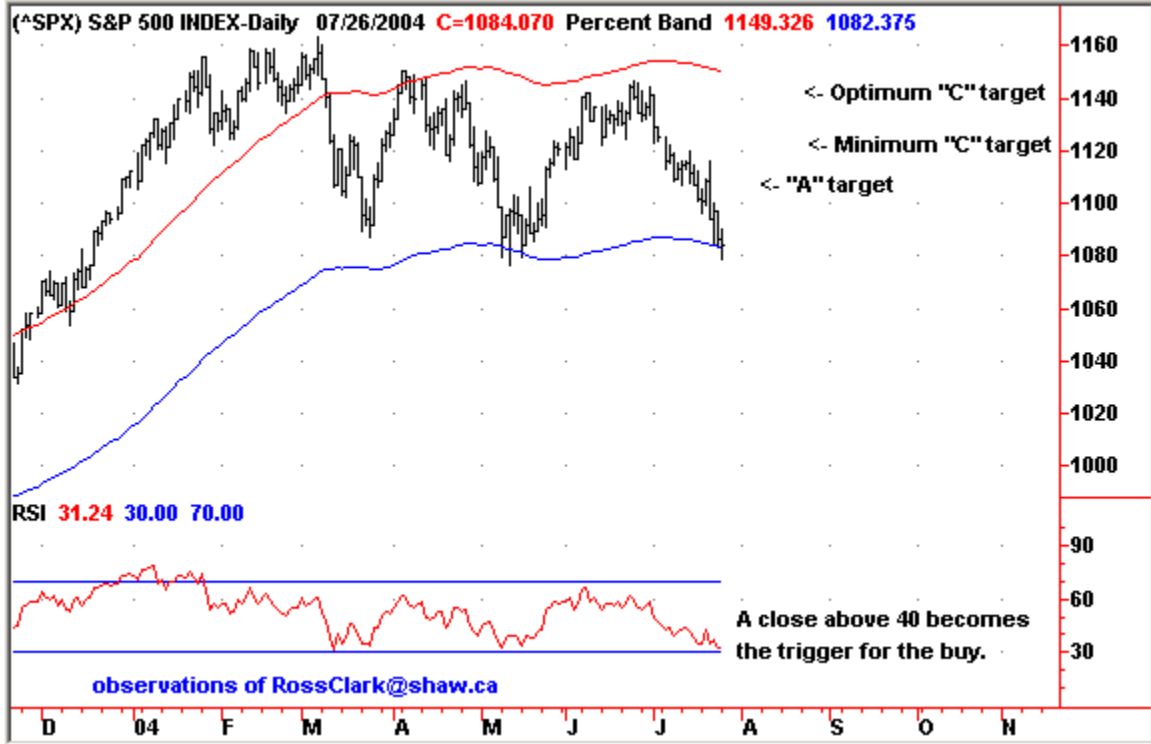
Once the Dow closed with an RSI(14) reading over 40.50 the recovery rally was underway. This normally occurred within three business days of the bottom. In most instances the rally took the form of an A-B-C with the best part of it completed within three weeks after the bottom. The use of a 62% trailing stop-loss appears to have been an optimum means of controlling risk.

The first two criteria have been met in the past two days. If prices turn up from here the following objectives appear attainable:

	Dow	S&P 500	S&P 100	QQQ
"A" leg target	10,150	1108	539	35.40
3-week target for "C" leg:				
Minimum	10,310	1121	548	36.25
Optimum	10,510	1143	558	37.00



S&P 500



BOB HOYE, INSTITUTIONAL ADVISORS
EMAIL bobhoye@institutionaladvisors.com
WEBSITE www.institutionaladvisors.com

ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

August 30, 2004

GOLD - SECULAR BULL MARKET UPDATE

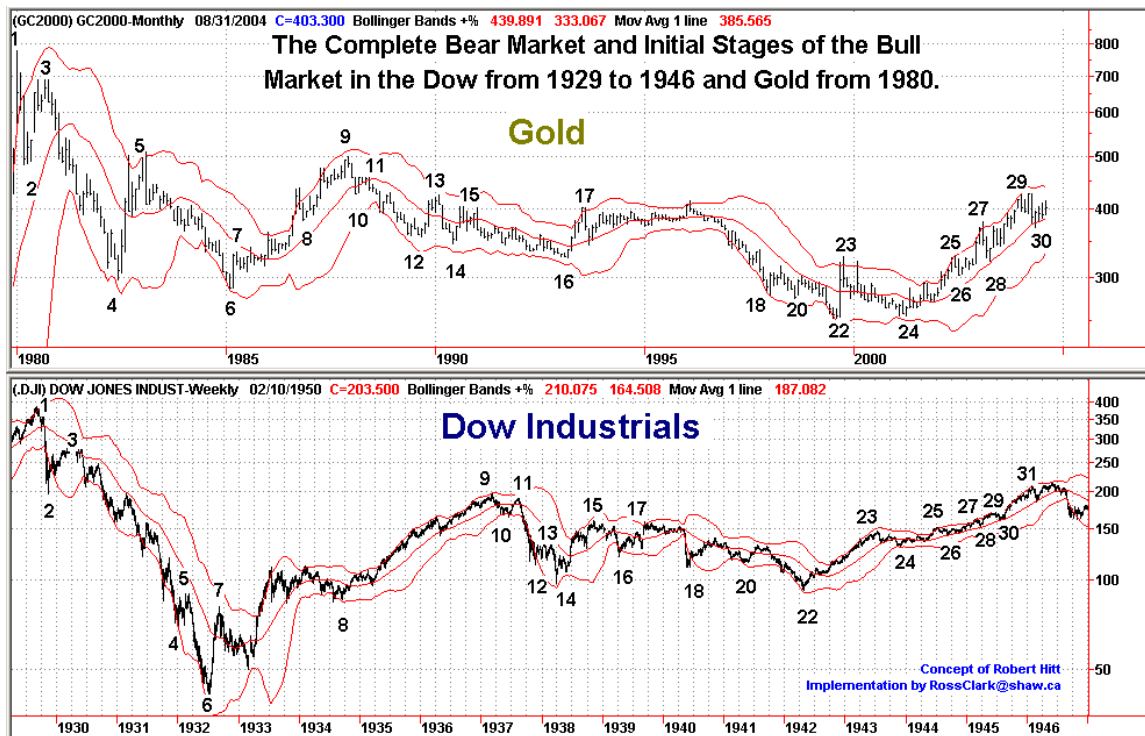
\$460 NEXT TARGET

Technical observations of RossClark@shaw.ca

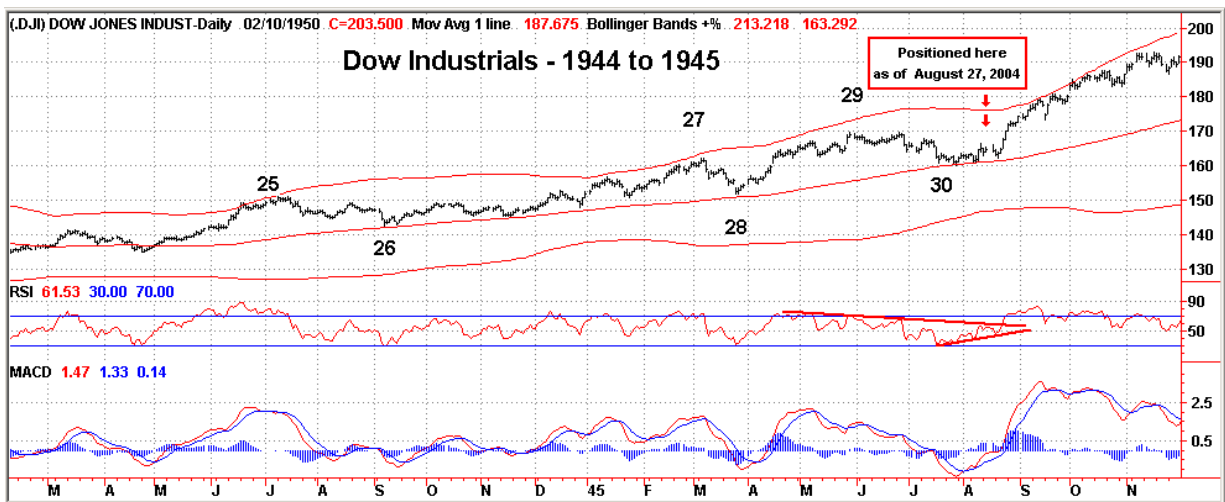
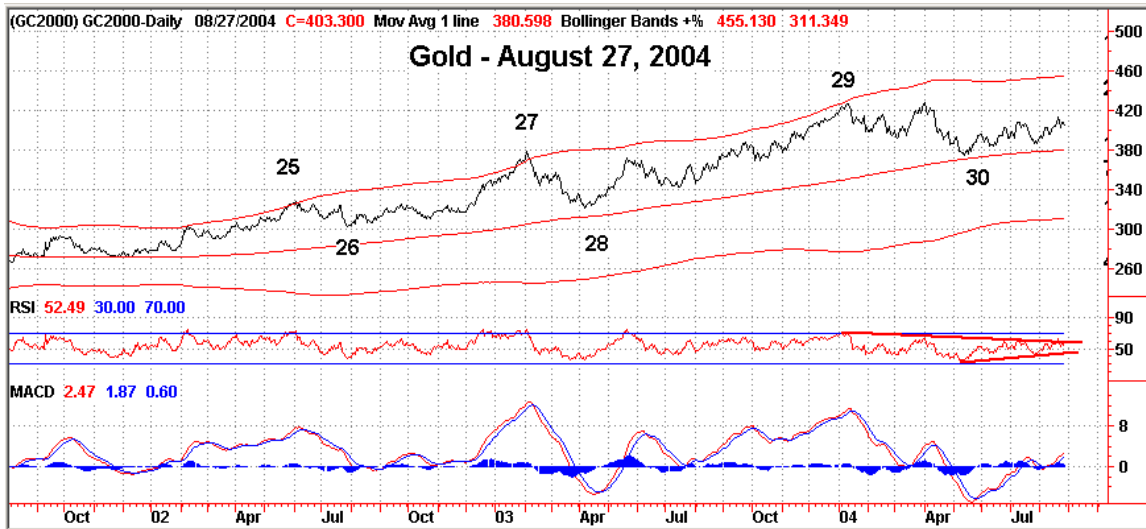
A prolonged bear market takes time to slowly evolve into an exciting bull market. In the case of the gold market it has been twenty-four years since the top. The first twenty years were a well defined bear market. A double bottom into February 2001 has been followed by the initial stages of a potential multi-decade bull market.

The match up to the secular bull market following the 1929 debacle is compelling. Of course, the set up to the potential of a secular bull market for both gold and the Dow was a crash from horrendous speculation.

Comparisons to the Dow following 1929



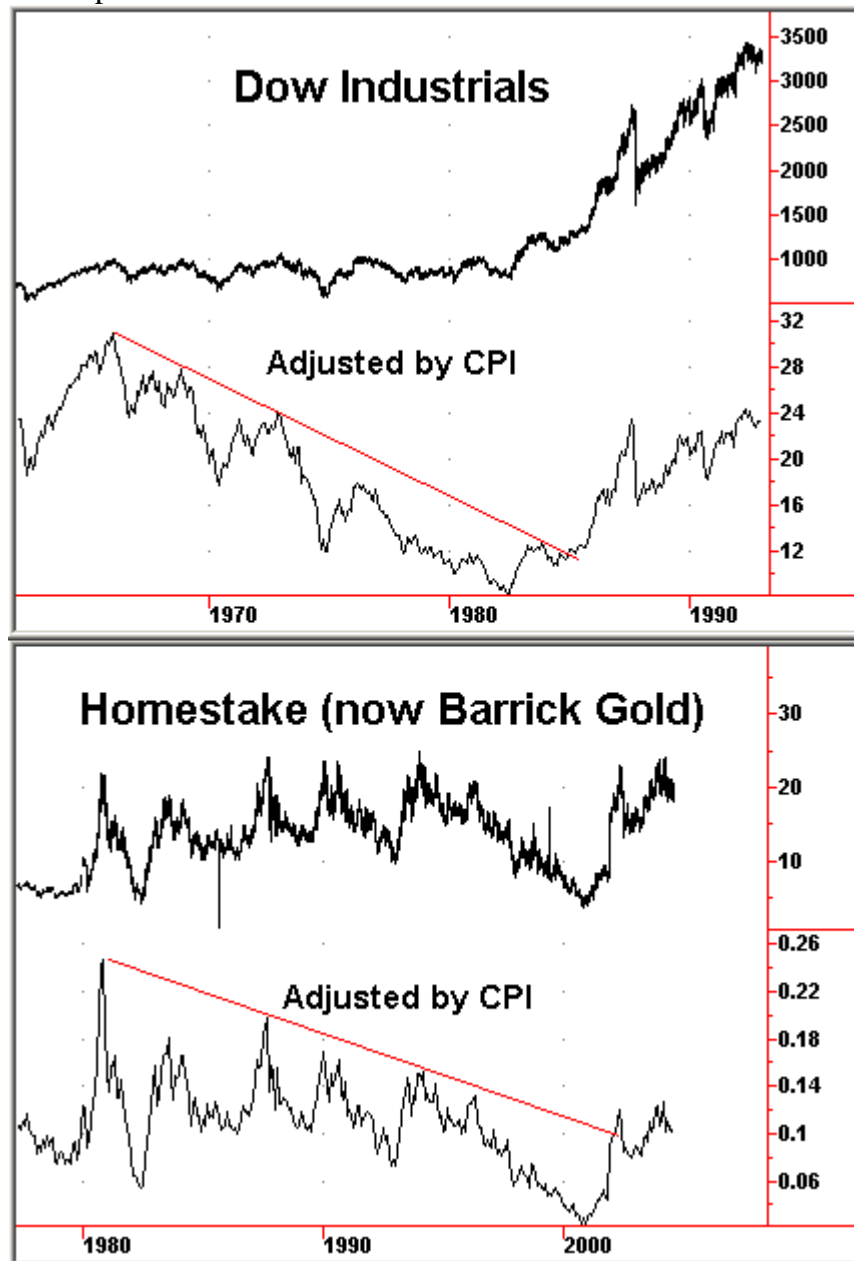
Here is the daily chart with the appropriate moving averages and standard deviation bands. As can be seen, point 30 tests the moving average multiple times and then breaks out to new highs. Rather than look for a kiss and failure at the key band it should provide an upper resistance line that is tested numerous times throughout the coming months. For now, \$460 becomes the first target.



Comparison following 1966

Following the multi-decade bull market of stocks into 1966 the market went through a sixteen year consolidation until 1982. During this secular bear market the Dow traded between 700 and 1050 numerous times providing multiple opportunities for trading profits, but little return for 'buy and hold' investors unless they had high yielding securities. On an inflation adjusted (or real) basis the Dow declined by over 70% during this 16 year period. The breakout of the resistance line on the inflation adjusted chart in the early 80's became the confirmation of the beginning of the next secular bull market in paper assets.

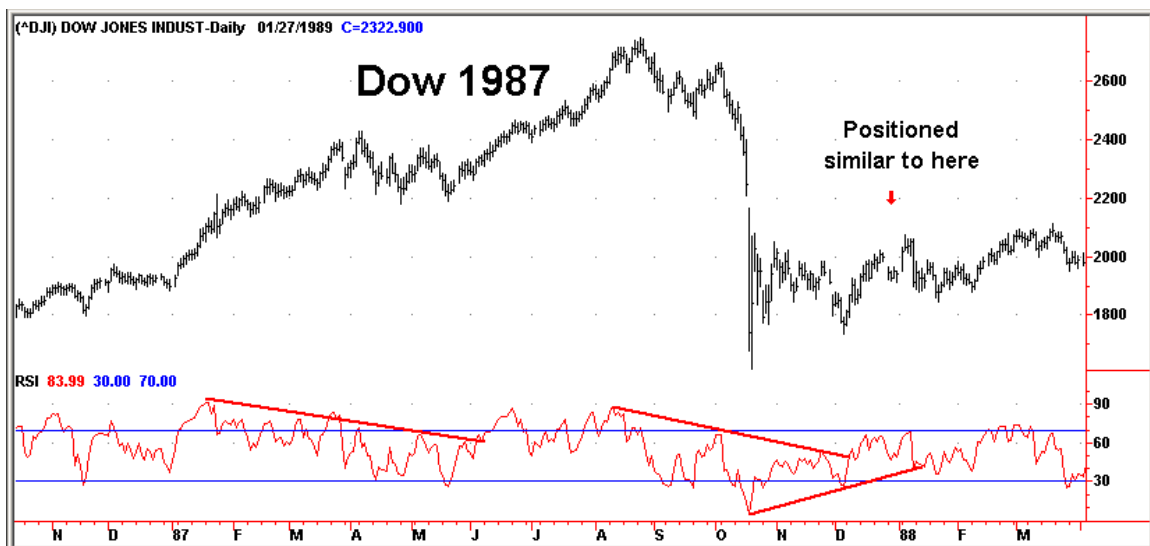
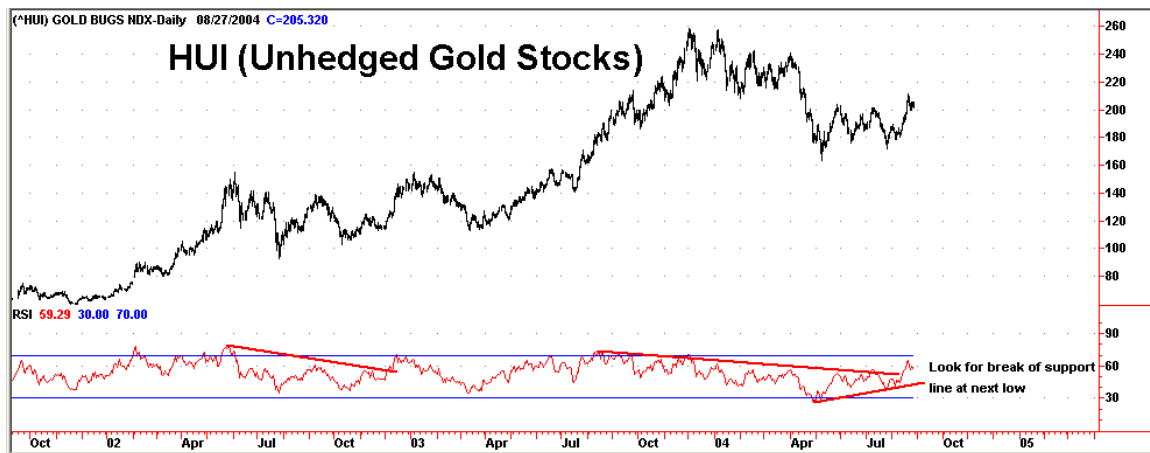
The gold stocks appear to have gone through a similar inflation adjusted bear market. They have now broken out of their downtrends and are on the verge of confirming their entry into the next phase of the secular bull market.



Panics in the early stages of bull markets

The recent correction into the May 10th low in the mining stocks closely resembles the financial panic seen in the stock market in 1987. On a closing basis, the Dow dropped by 36% into October 1987. The HUI (Amex *Basket of Unhedged Gold Stocks Index*) declined 34% into May 10th of this year. We know now that the October 1987 low in stocks was merely a pause within a long term uptrend. The mining index reaction following May 10th suggests that this was a similar shakeout with a similar post-panic recovery.

As it turns out, the fundamentals of good economic and earnings growth were not dislocated by the 1987 crash. For the golds, the setback in May occurred in the early stages of widening credit spreads and a steepening yield curve. This is anticipating the next phase of liquidity concerns that in the past examples have increased the investment demand for gold.



Look for an RSI(21) reading in the low 40's at the next important low as the index walks its way higher.

ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

September 23, 2004

LOOK FOR EQUITY MARKET WEAKNESS AHEAD OF THE ELECTION

Technical observations of RossClark@shaw.ca

The seasonal rally from the August 28th low ran out of steam right on schedule. Prices should now edge lower into the end of October. (*The basis of timing this low was outlined in the September 7th letter.*) **However, any premature break of 9% below the September highs should be a buy for traders.**

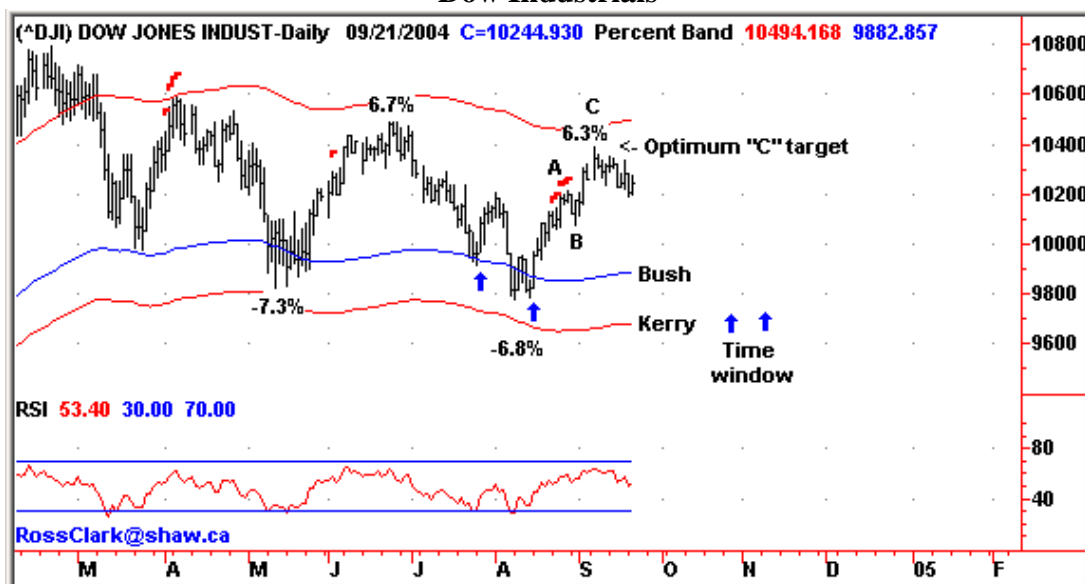
Dow action in the autumn of election years 1968-2000

Republican re-elected	Republican incumbent loses
Dow tests the lower 3% percentage band	Dow tests the lower 5% percentage band
Drops 7% (Dow 9660, S&P 1050) from the September high	Drops 9% (Dow 9450, S&P 1028) from the September high
RSI(14) drops into the low 30's	RSI(14) drops below 30

In presidential election years with a Republican incumbent the next important seasonal low occurs with amazing consistency based upon the final outcome of the election. Market corrections are milder when a Republican is re-elected than when a Democrat replaces the Republican President. Therefore, if a Bush re-election is apparent we can anticipate support around 9660 on the Dow and 1050 on the S&P. If Kerry appears to be gaining favor we should look for support at 9450 on the Dow and 1028 on the S&P.

Regardless of politics, the probability of a move to new highs appears improbable until either of the lower supports have been tested.

Dow Industrials



ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

November 3, 2004

XAU and HUI (Unhedged Gold Stock Index) at an Important Crossroads

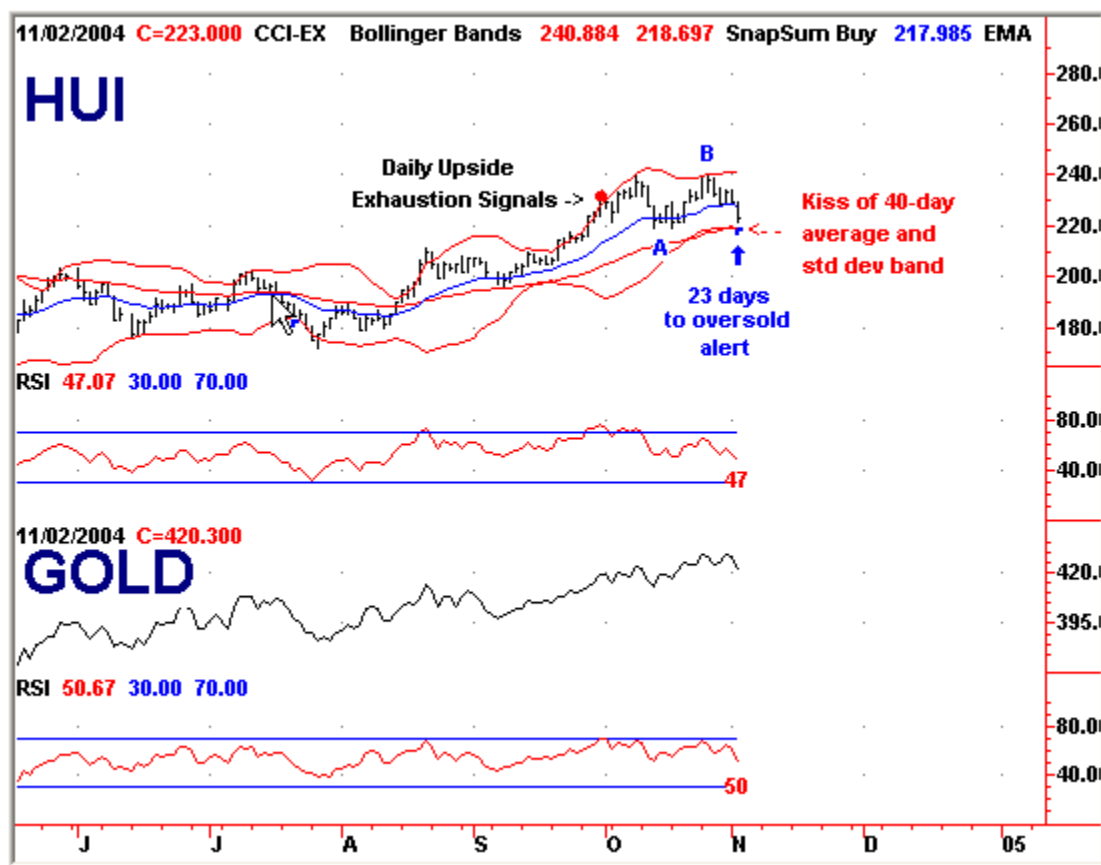
Technical observations of RossClark@shaw.ca

It is now 23 days since the HUI generated upside exhaustion. This was the first overbought reading since the bullish crossover of the 20 and 50 day moving averages. An A-B-C style of consolidation was anticipated.

Prices have now consolidated similarly in pattern and time to what was seen in 2001, 2002 and 2003 (17, 19 & 23 days).

- The RSI is below 50 as we'd been hoping to achieve as the consolidation nears its conclusion.
- The 20-day standard deviation band is close to being tested.
- Prices have declined to the 40-day moving average.
- Finally, my proprietary summation index has generated a short term oversold reading in the same fashion as we observed in the previous three examples.

The first day with a higher high should suggest the bottom is in place. Once it is followed by a MACD signal we'll have an even better confirmation. For traders, risk can be controlled at the lows of this consolidation.



ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

November 25, 2004

Dow Industrials and S&P 500 - One More Marginally Higher High Just Around the Corner-

Technical observations of RossClark@shaw.ca

The Dow Industrial Average (10,520) reached its measured target of 10,600 on November 17th. A mild correction has held around the 10-day moving average and we should now look for a rally to a higher high. Ideally it will test the 10,650 to 10,700 level (*a test of the trendline on the following chart*). The pace of the rally and breadth statistics from the October bottom will not be matched in this subsequent rally. Be prepared for more subdued upside action.

From this proposed high we would anticipate a longer correction into mid December. It should be in the magnitude of 3% and straddle the 50-day exponential moving average.

As usual we will then be looking for the 'Turn of the Year' trade where small cap stocks outperform large caps from December 15-17th through January 8th. The Russell 2000 and its options will be the optimum means of participating in this trade.



ChartWorks

PUBLISHED BY INSTITUTIONAL ADVISORS

December 2, 2004

Mining Complex Divergence Becoming Worrisome

Technical observations of RossClark@shaw.ca

The underperformance of mining shares relative to the bullion and base metals prices over the past few months has been quite noticeable. Yesterday was an extreme example with gold making new highs for the move, silver up 30 cents at \$8.01 and copper at new recovery highs. In the recent past (September 2001, January 2002 & January 2004) such divergence has been the precursor to a significant price correction. In the case of the bullion it has been back to the breakout point. In our present environment this will mean a test of \$430.



The XAU and HUI both have excellent rising support lines in place from the July bottom. If these remain unviolated then there is a chance that the divergence will be negated. However, if the support lines are broken, the corrective phase is underway and will take centre stage. As you can see from the previous three examples of the XAU any violation of the support line resulted in an immediate decline.

For traders, stops should be raised to the recent lows. For longer term investors, a pullback to \$430 should present the next low risk entry opportunity.

BOB HOYE, INSTITUTIONAL ADVISORS
EMAIL bobhoye@institutionaladvisors.com
WEBSITE www.institutionaladvisors.com