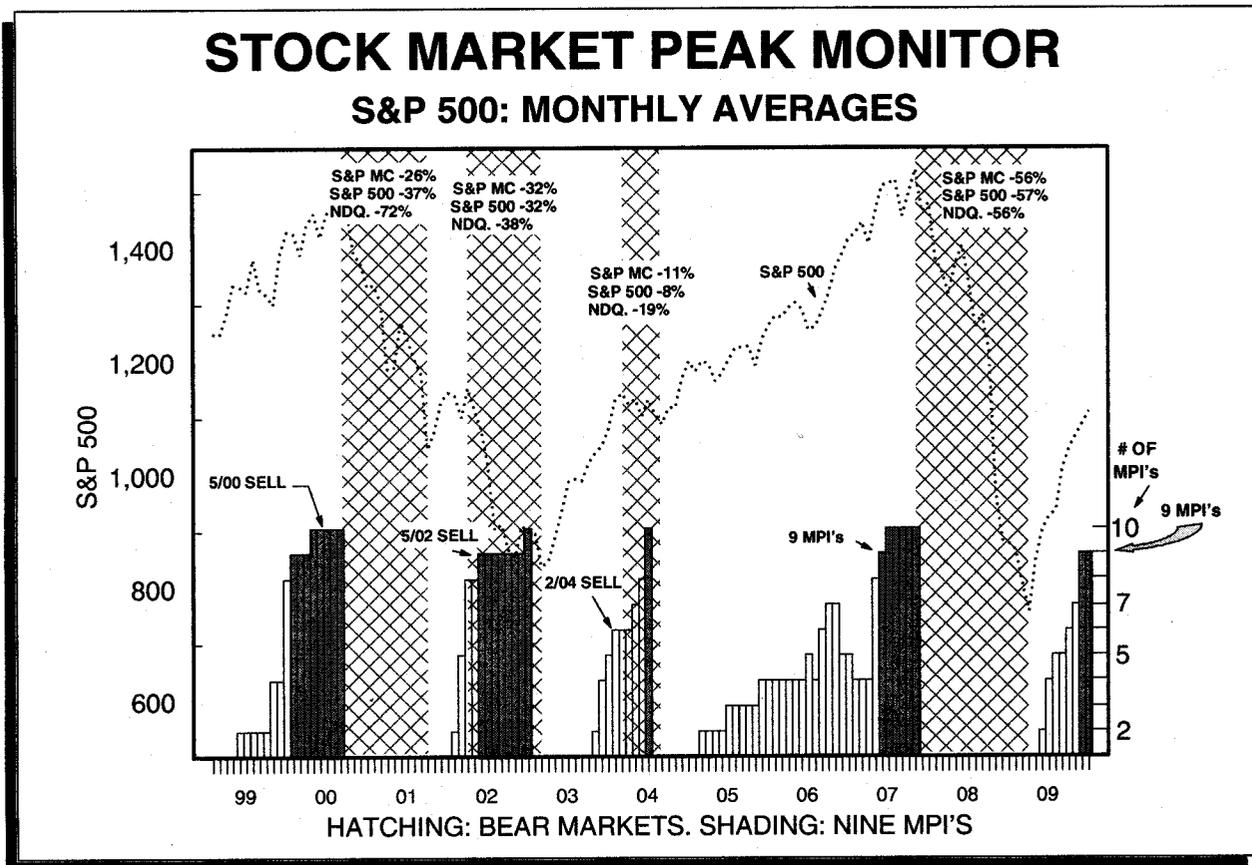


BUSINESS CYCLE DEVELOPMENTS

The 9th of 10 **Market Peak Indicators (MPI)** to signal was *Leading Indicators*, which occurred in 11/09. The average lead-time from the 9th **MPI** has been seven months (+/-5 mo.), which centers the expected peak in June '10 (Jan. '10 thru Nov. '10). The average percentage gain from the 9th **MPI** has been +12% (+/-10%). The S&P *monthly average* - from the date of the latest **MPI** to signal in 11/09 - was 1088, which projects the expected peak at the 1219 level (1097 thru 1340). An early or sudden change in Fed policy,



a war outbreak or any financial rupture, etc., would be a catalyst for a market top, as the fundamentals of consumer spending and liquidity measures are positioned and pointing to market weakness ahead. Currently, the daily close levels of 1135 are 7% below the expected center point of 1219 and it's only five months to 6/10. For investors who believe the Fed will not change policy, then the S&P will deliver nominal gains (vs. real) through a longer drawn-out, two-tier top, as discussed in previous *BCD* updates.

Sell stocks on strength and/or structure the portfolio defensively.

Bill Weissert

#1/10

January 6, 2010