

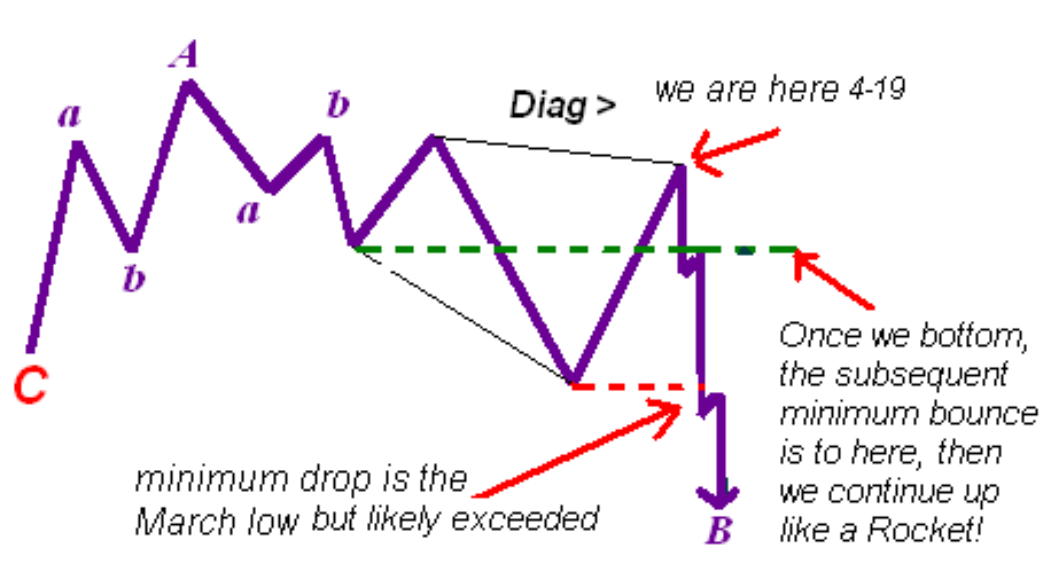


Exceptional Bear Market Letter

April 18, 2009

Precisely Positioned and waiting patiently for the other shoe to drop

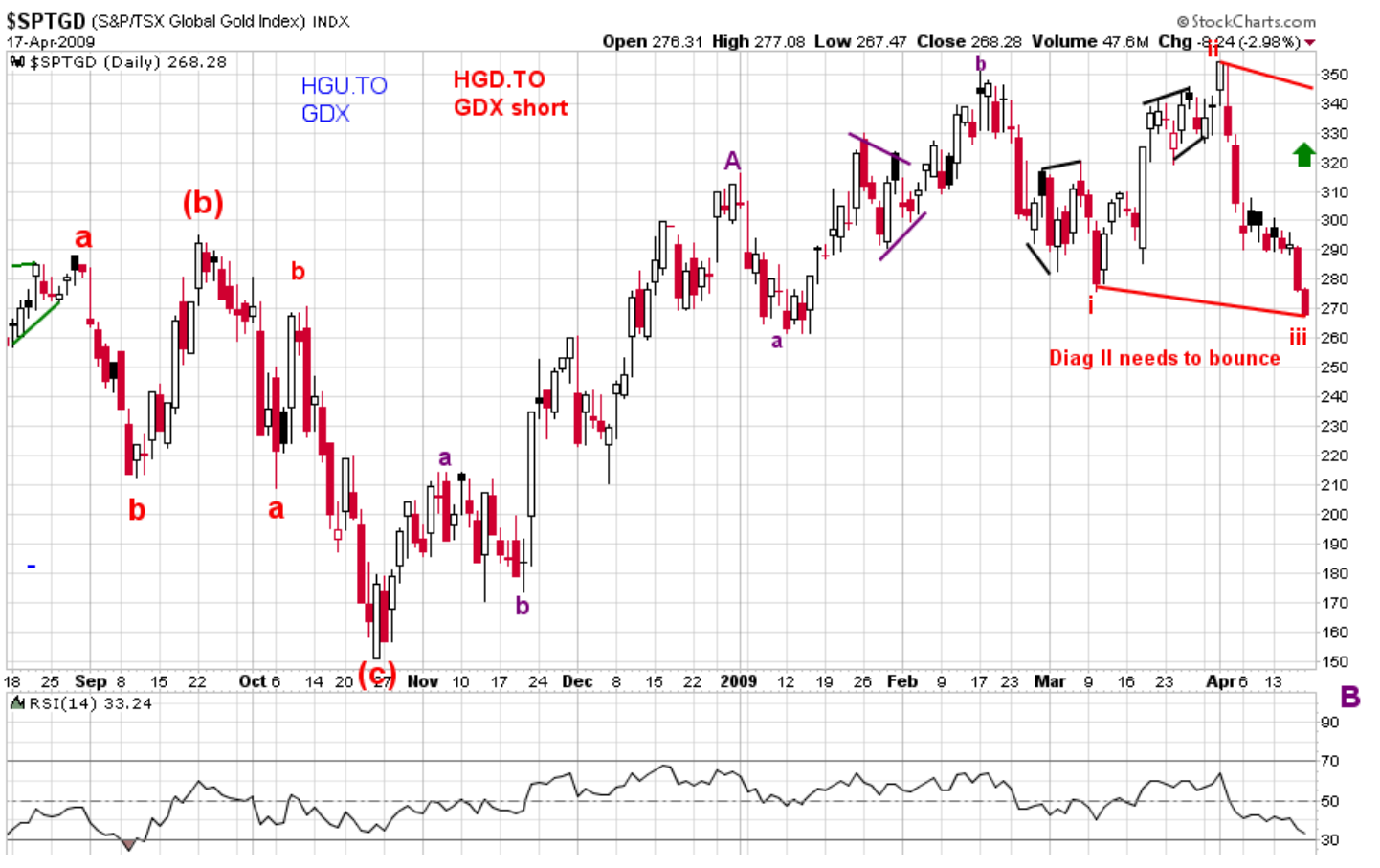
Picking up where we left off last week, as we near the end of the **A-B** transition to the upside in continuation of the "accordion-shaped" Bear Market. The Diagonal Triangle, **Diag >** indicates dramatic reversal ahead, but only after the March lows have been exceeded, likely by a third as shown below. On the bright side, the same **Diag >** points to a subsequent bounce swiftly back to where the **Diag >** began, marked my the broken green line. From there its up like a Rocket for at least two years, in the Mother of all Rallies. The **C** below corresponds with the orthodox bottom of wave **C** of an **A-B-C-D-E**, **Bear** terminating violently at price levels not see in 30-odd years. **Wave A** corresponds with the 2002 low, while **wave B** with October 2007 high.



To get your bearings, the **a** below in December 2008 corresponds with the **A** above. In this next move the **Dow** has a minimum downside of 6500 and a likely downside of 5500-5000.



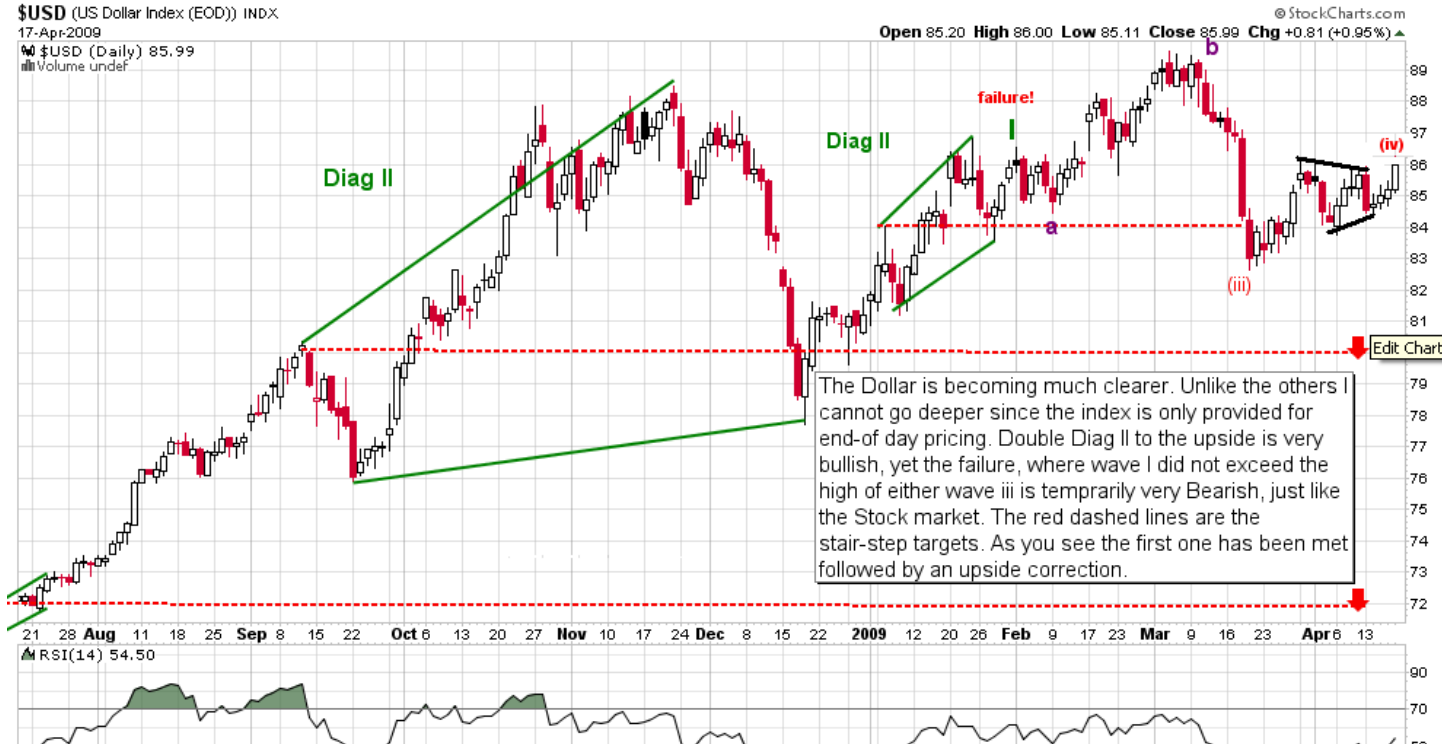
Gold is the contrary commodity, on this next plunge in stocks it will spike up deceptively to complete a **Diag II**, as you know a **Diag >** signals the end of a move followed by a dramatic reversal. On the contrary a **Diag II** means the start of a big move down. That's right gold has likely peaked, and with stocks going into the mother of all rallies, it will lose much of its appeal as risk appetite returns to the market. Gold will likely peak in a double top concurrent with a bottoming in stocks. The same goes for high grade corporate bonds, in this drop bonds should appreciate in capital gains as the deflationary scenario is accentuated with the plunge in stocks. If you are still holding bonds the time to bail out is at the trough in stocks. Gold is our only "long", other than inverse funds.



Oil's pending plunge is accentuated by a second **Diag >** further accentuating the violent move ahead.



Finally the **Dollar** will move down at least until this trough in stocks completes, and then will likely diverge. With the market headed for a phenomenal rally, forcing investors will want to get in on the action and they must buy dollars. This **Diag II** is huge by hourly standards and it is further compounded by a smaller second **Diag II**. The failure is what's indicative of the short-term loss of confidence to an extreme. The upside does not look complete yet, however in the larger scheme of things we can expect the dollar to plunge to the the red dashed lines in a stair-step fashion. The first target is 80 on the index...the second is 72. Afterwards like stocks the Dollar will soar for at least 2-3 years, as gold continues to plunge.



There you have it, there's no better guide! Subscribers receive 10-12 charts detailing the moves ahead for our entire portfolio along with daily updates.

Regards,

Eduardo Mirahyes



"Opportunistically timed investments that maximize wealth"