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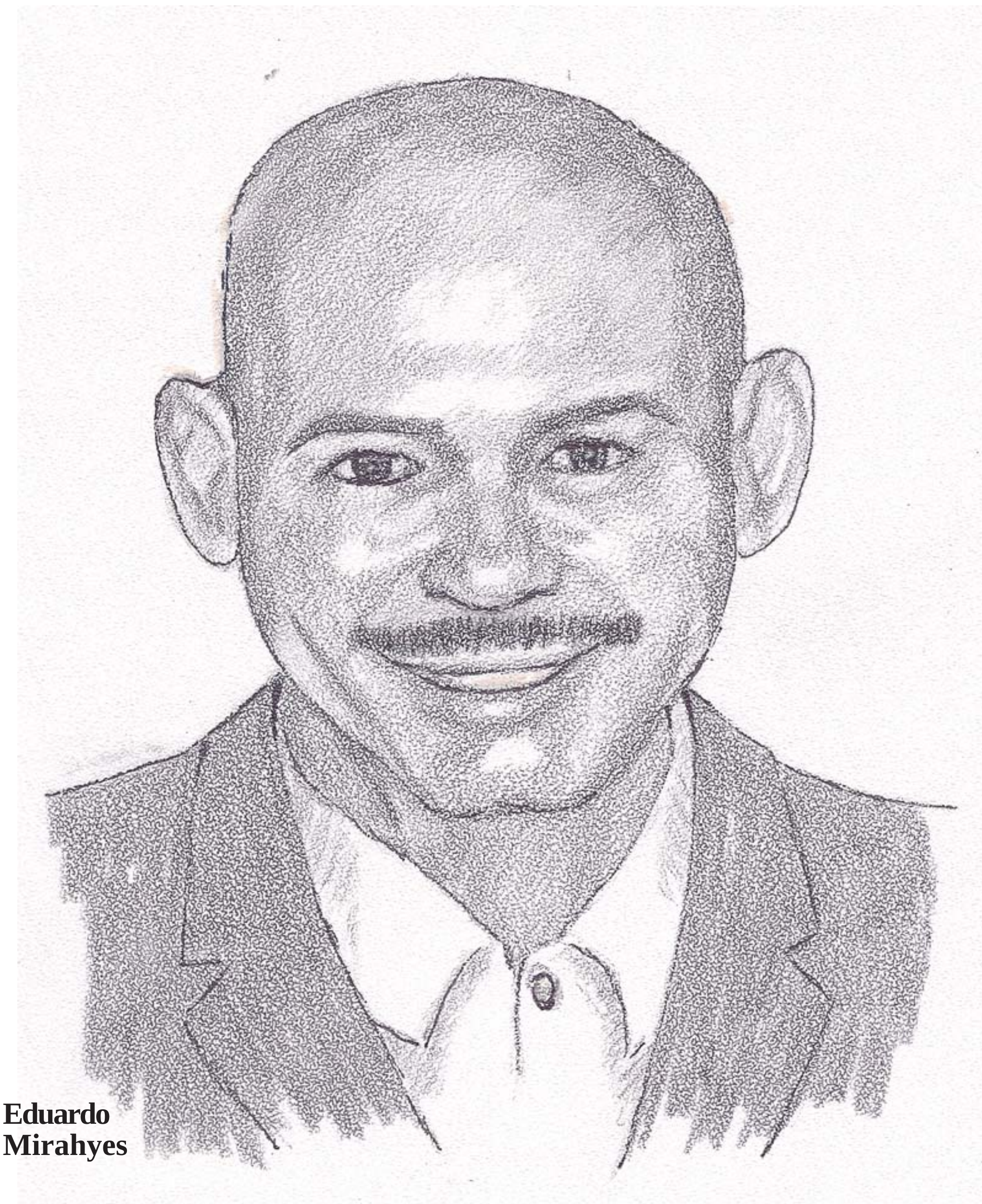

Eduardo
Mirahyes

EXCEPTIONAL BEAR MARKET LETTER

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Featured Advisor

Exceptional Bear Market Letter

Eduardo Mirahyes's investment experience spans 25 years, from vice president and portfolio manager at the #1 Money Manger in the country, to running a small hedge fund. When the Market Crashed in 1987, Mr. Mirahyes was vice president and portfolio manager at GAMCO Investors in New York City, the top-ranking money manager for six of the previous seven years. In the aftermath of the Crash, the value of assets under management dropped nearly 30%, while clients representing one third of the assets closed their accounts.

Obviously, the value approach had not had much predictive worth when it came to a Market Crash. After that excruciating experience, Eduardo set out to learn everything he could, so that it would never happen again. He began that quest by studying the Great Depression and after several years arrived tangentially at Market Wizards and its sequel, Market Wizards II. The only common thread linking five of the top traders was the Elliott Wave Principle, applied either as a primary or confirmatory tool.

Mr. Mirahyes completed the Elliott Wave Advanced Tutorial taught by Elliott Wave International, in 1990. To date, he is still the only individual who has ever skipped-over the Basic Course on the first go-around, and gone right into the Advanced Tutorial, without any previous knowledge of Elliott. The fact that five individuals, who were interviewed in Jack Schwager's 1989 "Market Wizards", attributed their success to Elliott, as either the primary, or a confirmatory tool, was all the convincing he needed to register for the $2500 (in 1990) plus expenses, to fly to Gainesville, Georgia for the 3-day course.

At Exceptional Bear, we analyze bonds just like any other asset class. We start with the big picture monthly candle chart, and work our way down to at least the hourly candles. Because of their high liquidity and low spreads we utilize levered funds. As an added advantage, they allow subscribers to eliminate all, or part of the leverage by simply including more cash in the allocation.

The Great Bear Market in Stocks began in 2000, its equivalent in bonds just kicked-off in 2009. Since then, we have been transitioning to a major reversal. This time, bonds and stocks will most likely plummet in lock step. Since a-b transitions are proportional to the subsequent move, we know that the next drop in both stocks and bonds will be substantial. In the meantime, there will continue to be trading opportunities with and against the one larger Bearish trend. Although Timer Digest is not set up to accommodate charts, a detailed explanation including charts worth a thousand words, can be found at the very top of the Exceptional Bear website.

Bonds are dollar equivalents, so with the dollar now being devalued by $85bn per month by the Fed, it should not be long before lenders, who are fast losing purchasing power, will force interest rates higher. Over 60% of our T-bonds are held by foreign entities, namely the Chinese and Japanese governments. Similar to the way the Kings of England would reduce the gold content of coins to fund wars, Operation Twist compounded by QE3 are in essence doing the same. Sooner or later lenders will revolt.

The Critical Degree of Trend While Elliott dissects the market into 5 waves regardless of the time frame, it's of paramount importance to understand the relative perspective provided by the degree of trend. To illustrate, five waves of Cycle degree require between 60 and 70 years to complete. Of these five, the "corrective waves" 2 & 4 become Bear Markets, each lasting 8-12 years. One degree higher, at Supercycle degree, the same five waves require over 300 years! Therefore, it should come as no surprise that a Supercycle Bear Market requires no less than 25 to 30 years to fully run its course, this one began just 12 years ago.

The Bear Market that ended in 1932, thought to have come out of nowhere in 1929, actually had its origins in 1908-1909, as confirmed by the record low P/E & q ratios in recent work done by Smithers & Co. on historical "valuations". Therefore, those who claim to have out-performed in good markets and bad, are kidding themselves. No one actively investing today has experienced a Bear Market of Supercycle Degree.

Although two Bear Markets of Cycle degree occurred since 1932, these were a log step smaller in degree and wealth destruction. As in 1932, a portfolio of stocks held from now to the trough, will lose at least 90% of its value. Meanwhile, the opportunity for profit is just as great.

Our service provides daily charts and trading allocations of the three ETF most likely to outperform in a 2008-style plunge, along with T-bonds and the S&P. Once a week we go into analysis of the dollar, the VIX and other relevant market data. We offer a 30-day risk-free trial. If you are dissatisfied for any reason, you get 100% of your money back. What's more, our "online-only" service accommodates new subscribers by entertaining questions to aquaint them with our unique approach and annotations.

Exceptional-Bear.com is $300 for the first quarter and $360 for each subsequent quarter.

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