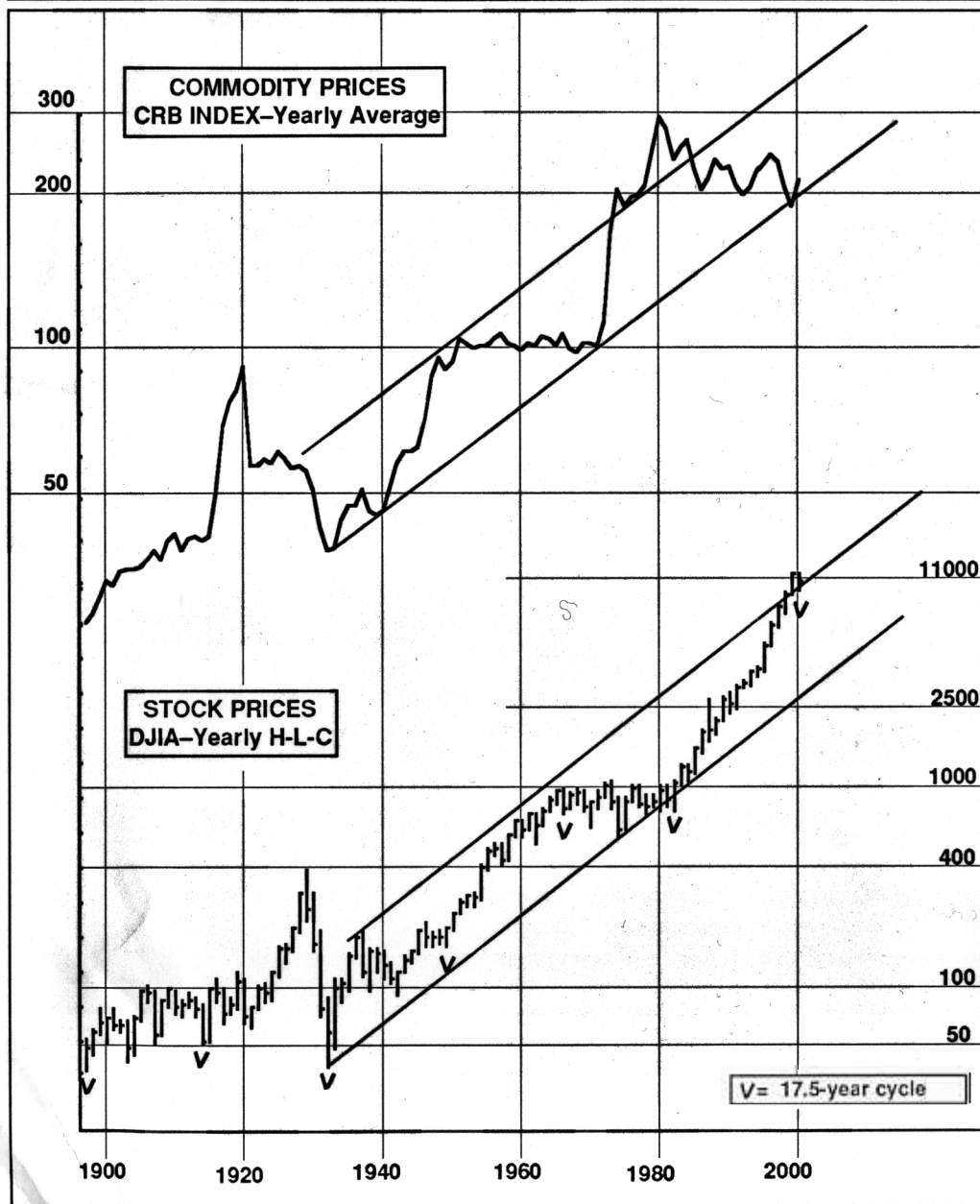


TECHNICAL REPORT OF JANUARY 2, 2001

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The U.S. stock market closed higher for nine consecutive years until turning down in 2000. There are many conflicting opinions regarding the magnitude of extremity that has been reached in the stock market. Some analysts believe last year's top marks the conclusion of a 200-year bull market. Under this scenario, the stock market's vertical rise in the 1990's is compared to the experience of the 1920's. The optimists believe the downturn in equities is a temporary phenomenon, a washout, before a tide of new buying drives the market onward and upward toward Dow 30,000. I believe the stock market is entering a wide-swinging trading range as occurred after the 1966 high. Based upon a combination of stock indices starting in 1831 and statistically spliced together through the present, the path of a 17.5-year cycle is discerned in 1842, 1859, 1877, 1896, 1914, 1932, 1949, 1966, and 1982. The ideal low of the next cycle was scheduled between August 1999 and February 2000. In many instances, the 17.5-year cycle marked the starting point of a new uptrend. After the 1914 and 1966 cycle lows, however, the market held in a broad correction for several years. The cycle low made last year seems the beginning of a similar correction. There may be brief new highs as occurred between 1966-1982 but no sustained uptrend. Previous corrections in 1937-1942 and 1966-1974 caused the Dow to depreciate 52% and 43% in value. In coming years, a 50% drop in value from last year's high at 11750 would put the Dow at 5875. Commodity prices declined during the 1980-1999 rise in equities. The sell-off in 1999 washed out the 1986 and 1992 lows in the CRB Index and led to an impressive turnaround in the last seventeen months. Although there may be another year or two of lateral movement in commodities, a much larger upwave is expected. The long-slumbering gold market should come to life. Corrections in financial assets usually occur during periods of rising commodity prices. This was most evident during the 1900-1920 and 1968-1980 bull markets in commodities. As shown here, the trends of stocks and commodities are in opposition. Commodities are turning up on the uptrend line and the Dow is overbought in its upchannel.