

E.Q Trendwatch™

Global markets break down

Governments around the world are desperately attempting to shore up credit markets which have frozen in increasing distress over the past many months.

Recent US proposals for a \$700 billion bail out package have given some great hope that economic recession can be averted. But having failed to supervise and intervene intelligently as the credit bubble was forming over the past few years, government bail outs now can only hope to truncate or shorten a serious recession already underway.

While many have been focusing on the great hope of a big bail-out for the banking system, money has been flooding out of risk assets around the world and in concert.

September saw the global rout resume in the next major leg down of the bear market that began last October. Typical of the contraction phase in the economy, stocks and commodities dropped across the board and around the world. The following series of charts paint the picture.

The S&P 500 fell back to October 2005 levels evaporating the last 3 years of market gains in just the past 12 months.



Cory Venable CIM, FCSI, CMT
Technical Market Analyst



Danielle Park LL.B., CFP, CFA
Portfolio Manager

**Venable Park
Investment Counsel Inc.**

Venable Park Investment Counsel Inc.

www.venablepark.com

33 Clapperton St.
Barrie ON L4M 3E6
Tel: (705) 792-3991
Toll Free: 866-792-3991
Fax: (705) 792-3992



This publication is intended to convey information only. It is not to be construed as a solicitation or offer to buy or sell and of the securities mentioned in it. The author has taken all usual and reasonable precautions to determine that the information contained in this publication d to summarize and analyze such information are based on approved practices in the industry. However, the market forces underlying investment value are subject to sudden and dramatic changes and data availability varies from one moment to the next. Consequently, the author cannot make any warranty as to the accuracy or completeness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. You should not undertake any investment or portfolio assessment or other transaction on the basis of this publication, but should first consult your advisor. The author accepts no liability of whatsoever kind for any damages or losses incurred by you as a result of reliance upon or use of this publication in contravention of this notice. All performance data represent past performance and are no indication of future performance.

The TSX while so far still lagging the US markets in this decline, is now back at December 2005 levels. 10,300 is the next potential down side support from here. From today's level of 11,666, 10,300 would mean a further decline of some 12% for the TSX, or a total decline of 31% from the peak in May 2008. That would be a significant bear market and could be constructive to restoring reasonable valuations. Only time can tell whether the TSX will rebound from the 10,000 range and begin the next bull-market expansion, or break down further still to a lower low. We watch with great interest.



US Dollar: recent reports of its death have been largely exaggerated

Much angst has been spent on fear that the US dollar will break down further against other G7 currencies in the world. And it might. All we know for sure is that at present, the US dollar has been surprising the bears breaking out to fresh highs against other currencies. Lately there has been an apparent global realization that the Bubblesomics and credit abuse of the past 5 years were not just an American phenomenon.

While the US led into this downturn, most of the world is now in the midst of it. As a result, relative currency weakness is the key issue at hand. Most importantly for our clients, over the past year, the C\$ has broken down significantly versus the US\$. This has been good for our US dollar T-bill holdings. To reverse its downtrend meaningfully from here, the C\$ would have to break out through the resistance of 97 and then 101 as shown in the following chart of the Canadian dollar Index.

This publication is intended to convey information only. It is not to be construed as a solicitation or offer to buy or sell and of the securities mentioned in it. The author has taken all usual and reasonable precautions to determine that the information contained in this publication is to summarize and analyze such information are based on approved practices in the industry. However, the market forces underlying investment value are subject to sudden and dramatic changes and data availability varies from one moment to the next. Consequently, the author cannot make any warranty as to the accuracy or completeness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. You should not undertake any investment or portfolio assessment or other transaction on the basis of this publication, but should first consult your advisor. The author accepts no liability of whatsoever kind for any damages or losses incurred by you as a result of reliance upon or use of this publication in contravention of this notice. All performance data represent past performance and are no indication of future performance.



Meanwhile commodities have been in a free fall for several weeks.

This has been particularly true for base metals who are now reflecting the demand destruction anticipated by a serious global downturn. Dr. Copper has now fallen 28% from its peak of \$3.90 a pound last year to \$2.80 as of today. Moreover potential downside support from here is a breathtaking \$140 or some 50% more beneath present levels.



The energy sector too has exhibited capitulation over the past several weeks as oil has contracted some 36% since its peak this summer.

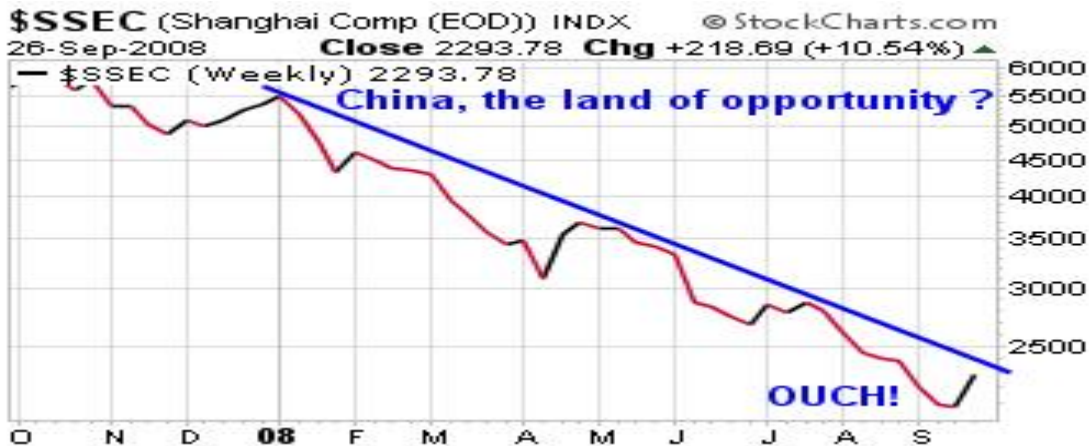
This publication is intended to convey information only. It is not to be construed as a solicitation or offer to buy or sell and of the securities mentioned in it. The author has taken all usual and reasonable precautions to determine that the information contained in this publication is to summarize and analyze such information are based on approved practices in the industry. However, the market forces underlying investment value are subject to sudden and dramatic changes and data availability varies from one moment to the next. Consequently, the author cannot make any warranty as to the accuracy or completeness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. You should not undertake any investment or portfolio assessment or other transaction on the basis of this publication, but should first consult your advisor. The author accepts no liability of whatsoever kind for any damages or losses incurred by you as a result of reliance upon or use of this publication in contravention of this notice. All performance data represent past performance and are no indication of future performance.



Decoupling now a distant dream, international markets have fallen hard on their hopes.

Technology was touted as having abolished the business cycle in 1999 just as Chindia was touted as abolishing it in 2005-2007. Turns out neither hope had merit. The most defining characteristic of every business cycle is the credit cycle and that has prevailed once again. Now that consumers are staggering under their debt load and credit availability has contracted, projects and spending of all kinds has come to a sudden end.

China, once hoped as the bastion of endless demand, is now a shell of its former self, its stock market down more than 70%.



This publication is intended to convey information only. It is not to be construed as a solicitation or offer to buy or sell and of the securities mentioned in it. The author has taken all usual and reasonable precautions to determine that the information contained in this publication and to summarize and analyze such information are based on approved practices in the industry. However, the market forces underlying investment value are subject to sudden and dramatic changes and data availability varies from one moment to the next. Consequently, the author cannot make any warranty as to the accuracy or completeness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. You should not undertake any investment or portfolio assessment or other transaction on the basis of this publication, but should first consult your advisor. The author accepts no liability of whatsoever kind for any damages or losses incurred by you as a result of reliance upon or use of this publication in contravention of this notice. All performance data represent past performance and are no indication of future performance.



All other international markets are down most by greater than 30%. So far, they are still dropping.



Where to now?

Cash and the US dollar are so far still king. Happily we have both. There are other assets on our buy radar but they have to stop freefalling first. Meanwhile managers that appeared “hot” for the past couple of years have been imploding at a startling pace. As Warren Buffet says, “you can’t tell who has been swimming naked until the tide goes out.” The tide has been going out for the past year now. It seems that patience, prudence and discipline are back into favour. We are grateful.

One housekeeping note on our US dollar short term bond ETF

For anyone that has noted the demise of Lehman Brothers in the news of late, we wanted to clarify something. The Lehman Short Term Bond ETF held on the US side of our accounts is in fact not a Lehman product at all. Lehman is the company that created the short term bond index which that ETF tracks, but they are not holding or managing the trust unit in any way. Just in case you were wondering.

Remember you can visit our blog: www.jugglingdynamite.com for our weekly commentary and media interviews.

This publication is intended to convey information only. It is not to be construed as a solicitation or offer to buy or sell and of the securities mentioned in it. The author has taken all usual and reasonable precautions to determine that the information contained in this publication is to summarize and analyze such information are based on approved practices in the industry. However, the market forces underlying investment value are subject to sudden and dramatic changes and data availability varies from one moment to the next. Consequently, the author cannot make any warranty as to the accuracy or completeness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. You should not undertake any investment or portfolio assessment or other transaction on the basis of this publication, but should first consult your advisor. The author accepts no liability of whatsoever kind for any damages or losses incurred by you as a result of reliance upon or use of this publication in contravention of this notice. All performance data represent past performance and are no indication of future performance.