



Ned Davis Research Group

**THE OUTLOOK FOR STOCKS, COMMODITIES, AND GLOBAL THEMES:
SECULAR AND CYCLICAL INFLUENCES**

Atlanta MTA & CFA Society of Atlanta | September 24, 2008

Tim Hayes, CMT, Chief Investment Strategist

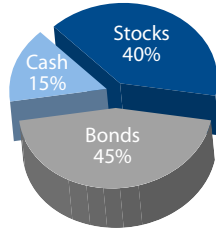
The NDR Approach

- Identify investment themes and stay with them until a sentiment extreme is reached.
- We say...
 - » "Go with the flow until it reaches an extreme and then reverses."
 - » "The big money is made on the big moves."
 - » "Let your profits run, cut your losses short."
- We develop reliable indicators and models based on...
 - » "The Tape"
 - Trend, momentum, confirmation & divergence.
 - » Investor psychology
 - Sentiment and valuation extremes.
 - » Liquidity
 - Monetary and economic conditions, supply & demand.
- In summary, NDR approach is...
 - » Objective
 - » Disciplined
 - » Risk-Averse
 - » Flexible

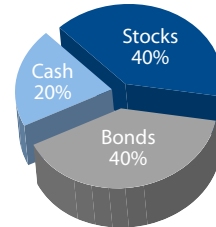


CURRENT POSITIONS

Global Allocation:



U.S. Allocation:



Styles:

Sectors:

Overweight/Bullish:

- » Bonds (by 10%)
- » Cash (by 5%)

- » Pacific ex. Japan
- » U.S.

Underweight/Bearish:

- » Stocks (by 15%)

- » U.K.
- » Japan

- » Cash (by 10%)
- » Bonds (by 5%)

- » Stocks (by 15%)

- » Growth

- » Value

- » Energy
- » Basic Resources
- » Consumer Staples

- » Consumer Discretionary
- » Financials
- » Utilities

Commodities:

- » Correction within secular uptrend

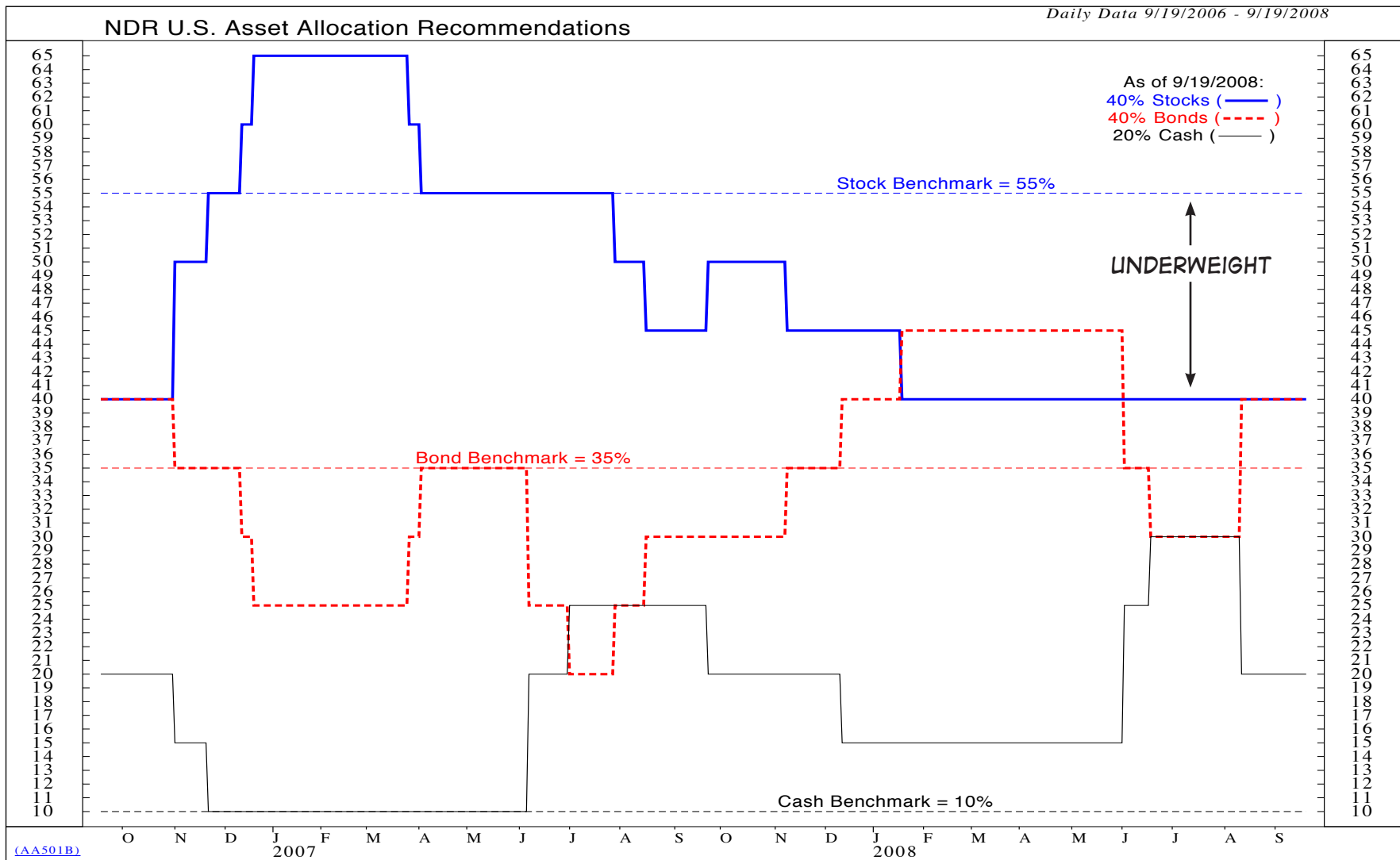
Bonds:

- » 105% of benchmark duration

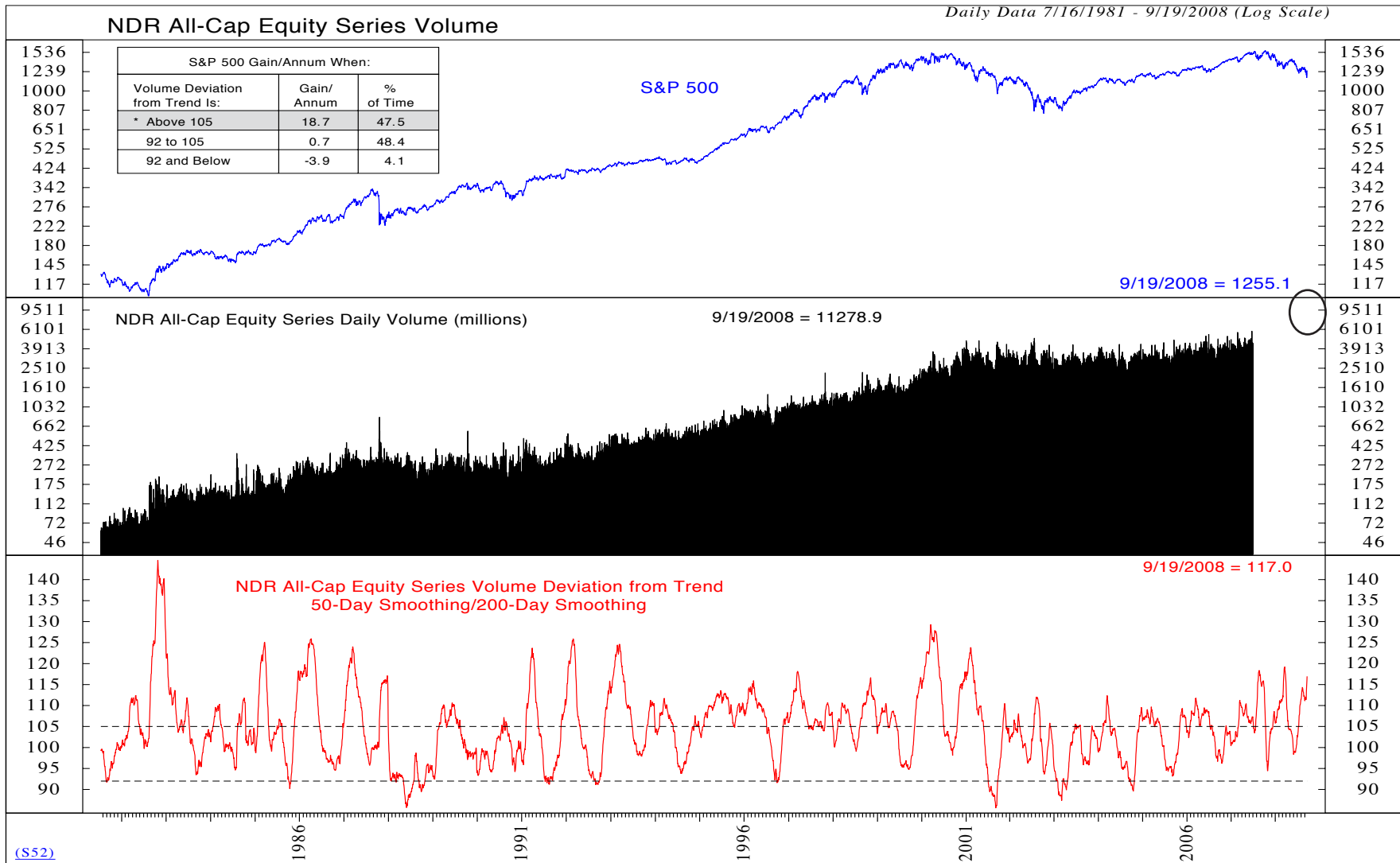
Neutral Positions:

- » Large-caps vs. Small-caps
- » Yield curve

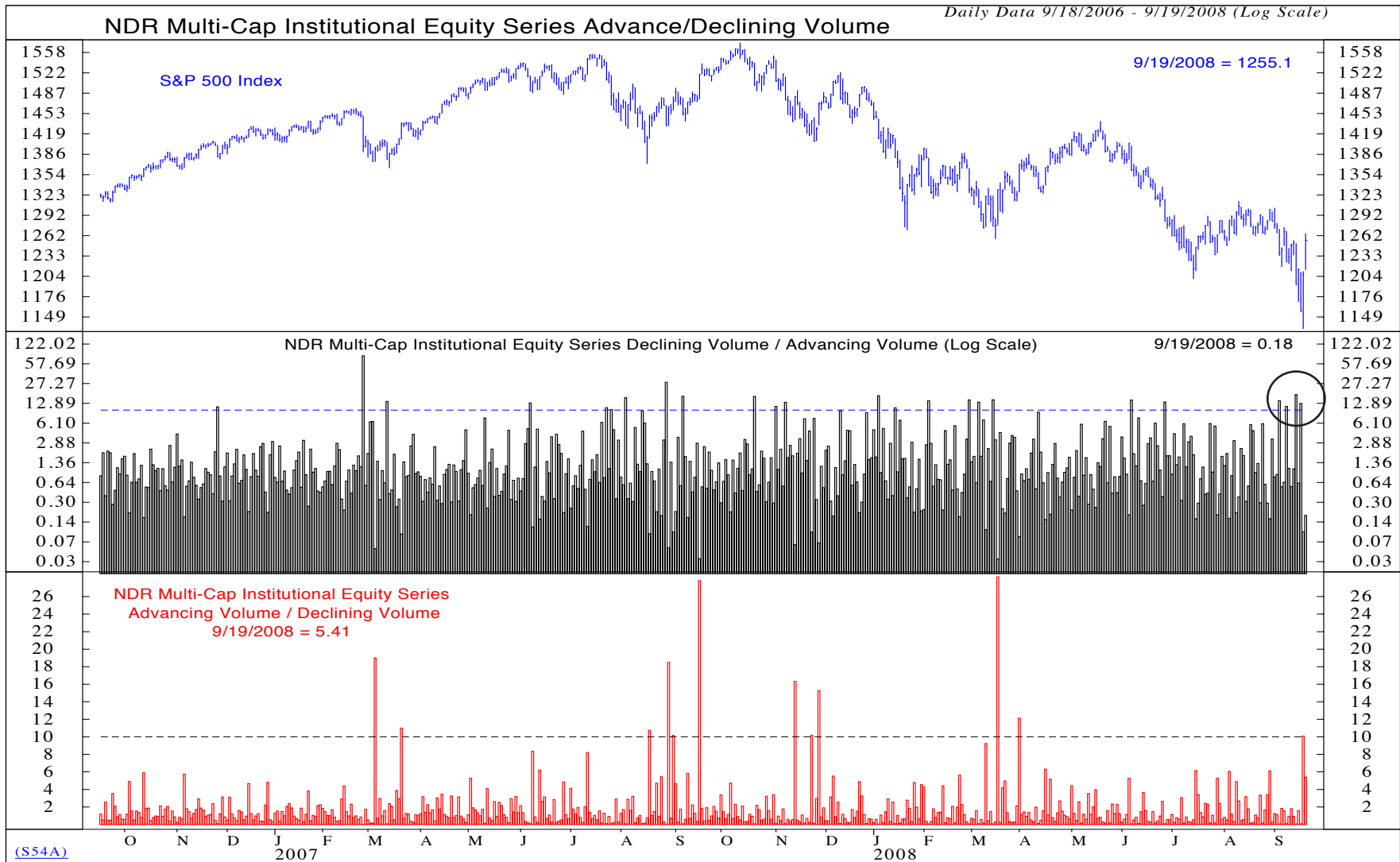
We've recommended maximum underweight exposure all year. Now we're ready to add exposure after re-test of lows.



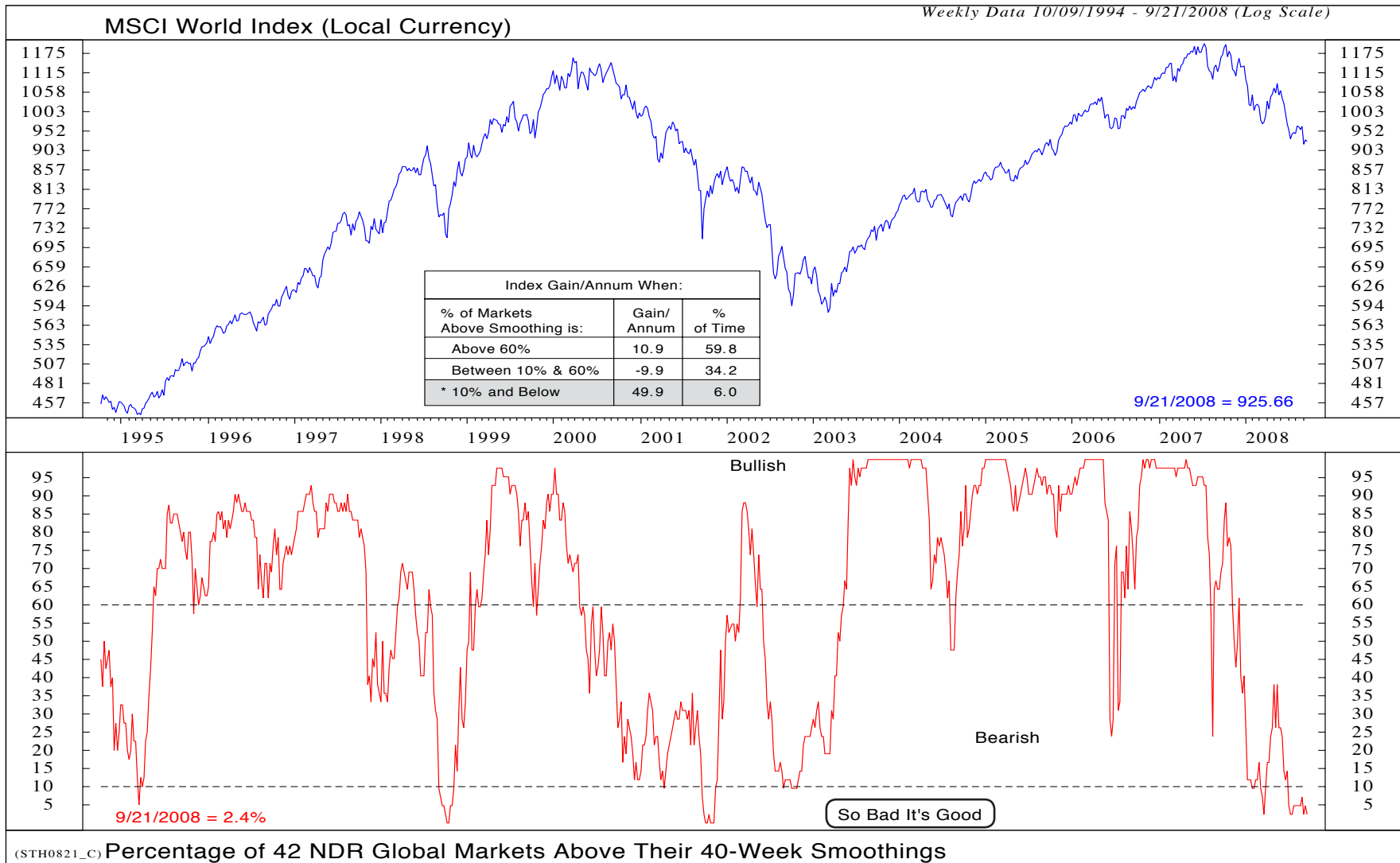
Bottom suggested by record volume...



...and it's been on the downside.



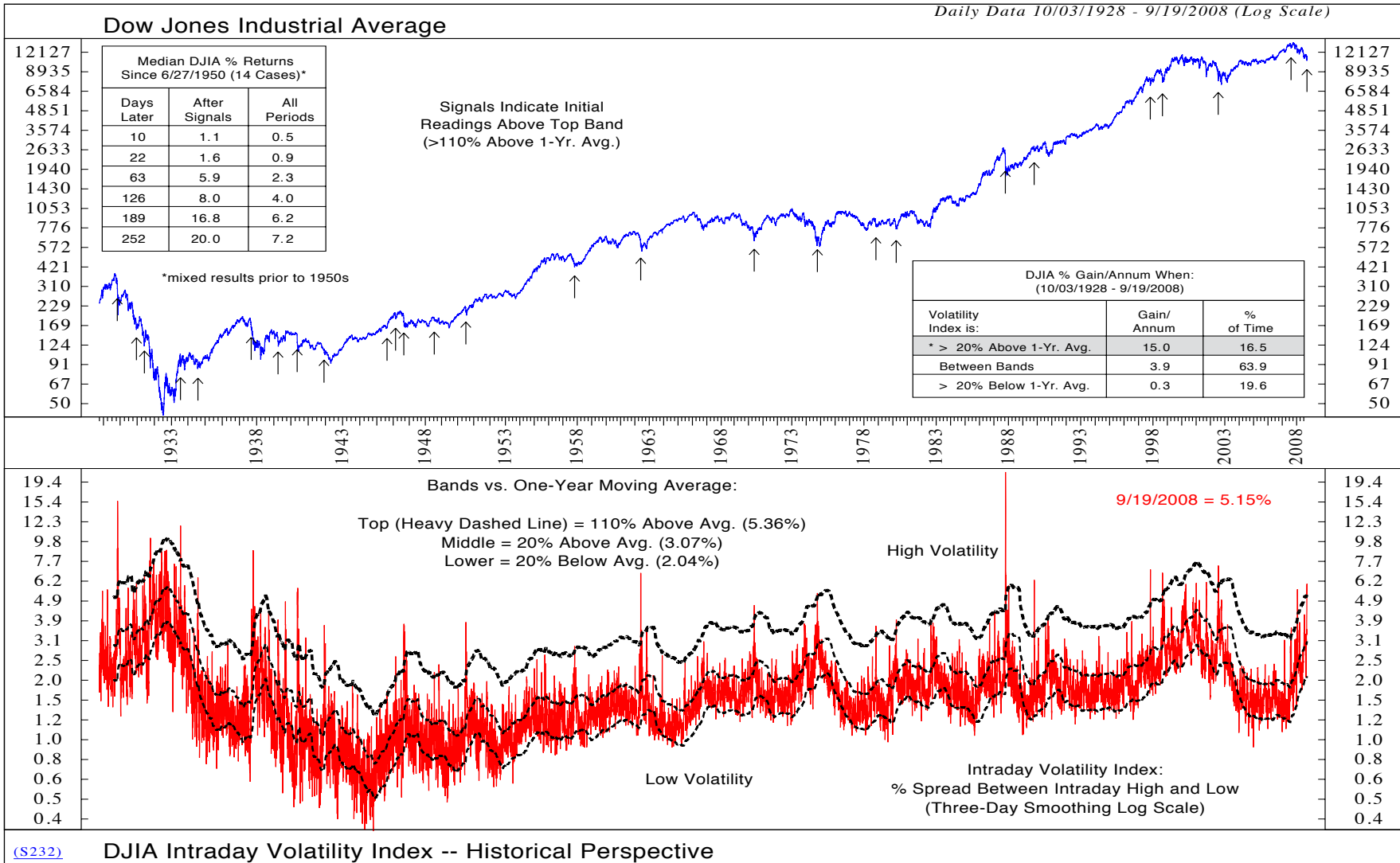
Global market breadth has gotten "so bad it's good."



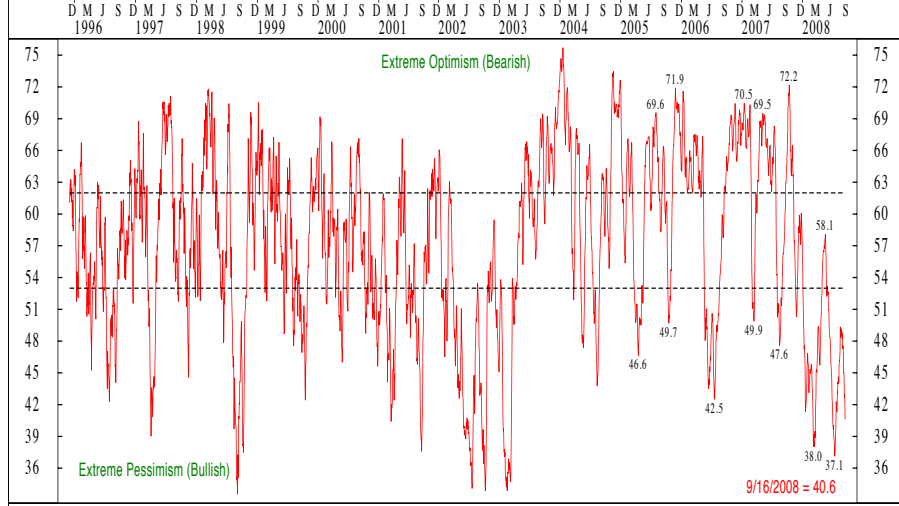
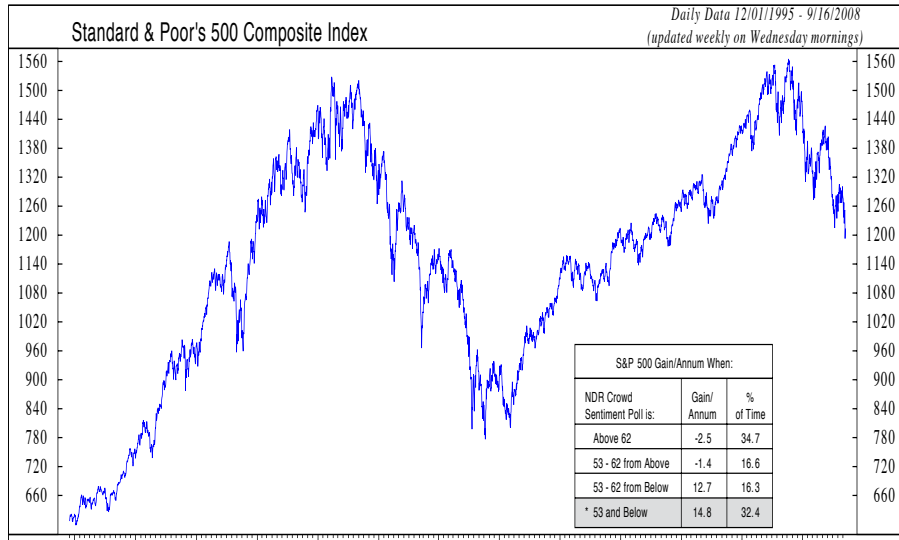
Last five bears have ended in August 31 to October 19 period.

LAST FIVE NDR-DEFINED CYCLICAL BEAR MARKETS					
---- Beginning ----		---- Ending ----			
Date	DJIA	Date	DJIA	% Gain	Days
8/25/87	2722.42	10/19/87	1738.74	-36.1	55
7/16/90	2999.75	10/11/90	2365.1	-21.2	87
7/17/98	9337.97	8/31/98	7539.07	-19.3	45
1/14/00	11722.98	9/21/01	8235.81	-29.7	616
3/19/02	10635.25	10/9/02	7286.27	-31.5	204
10/9/07	14164.53	??	??	-22.9*	342*
Median (33 bears since 1900)				-26.9	363
<p><i>A Bear Market requires a 30% drop in the Dow Jones Industrial Average after 50 calendar days or a 13% decline after 145 calendar days.</i></p> <p><i>Reversals of 30% in the Value Line Geometric Index also qualify. This applied to the 1990 and 1998 high and low. (The table uses corresponding high and low dates and values for DJIA).</i></p> <p><i>*As of 9/15/2008</i></p>					
Ned Davis Research, Inc.				T_200B (excerpt)	

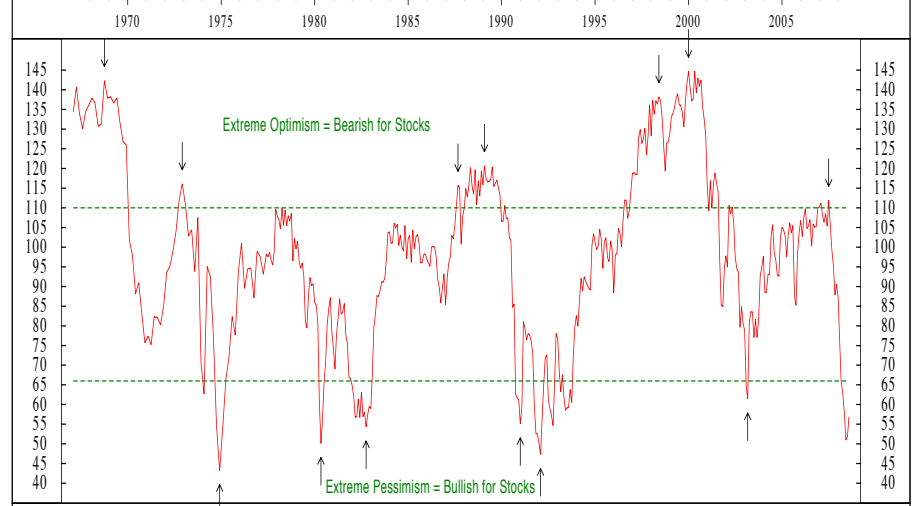
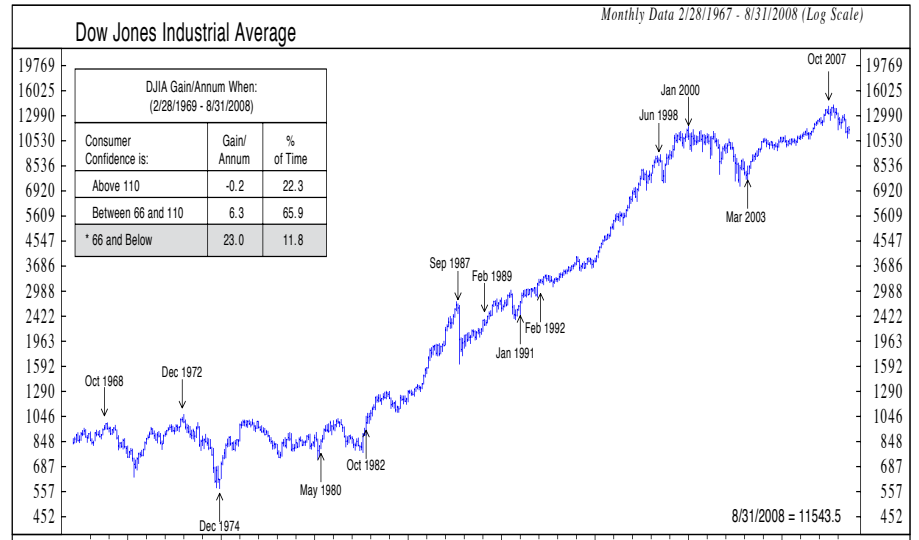
...and intraday volatility.



Upturns in crowd sentiment and consumer confidence would support a cyclical recovery...

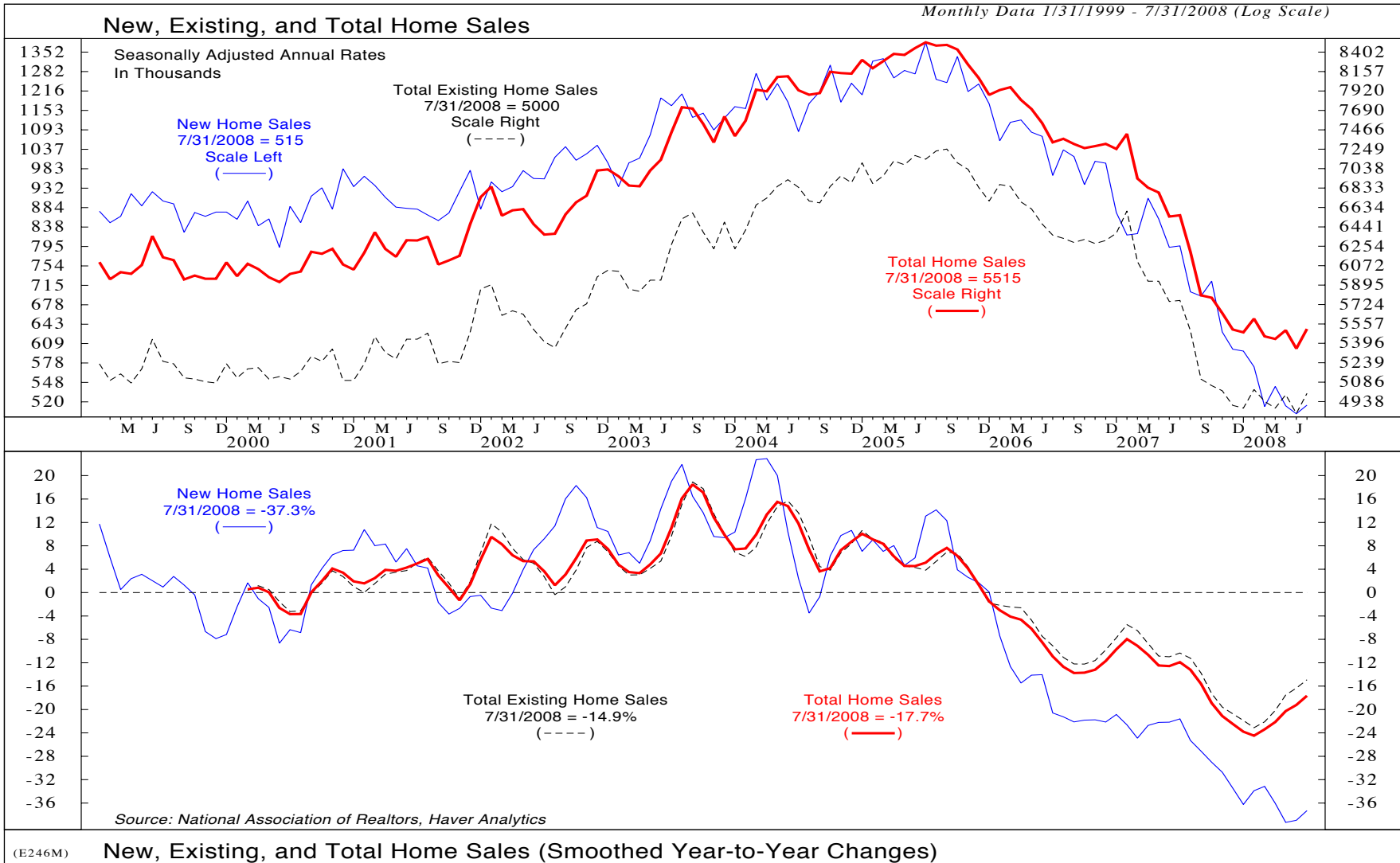


(S574A) NDR Crowd Sentiment Poll -- Transitional Mode Basis

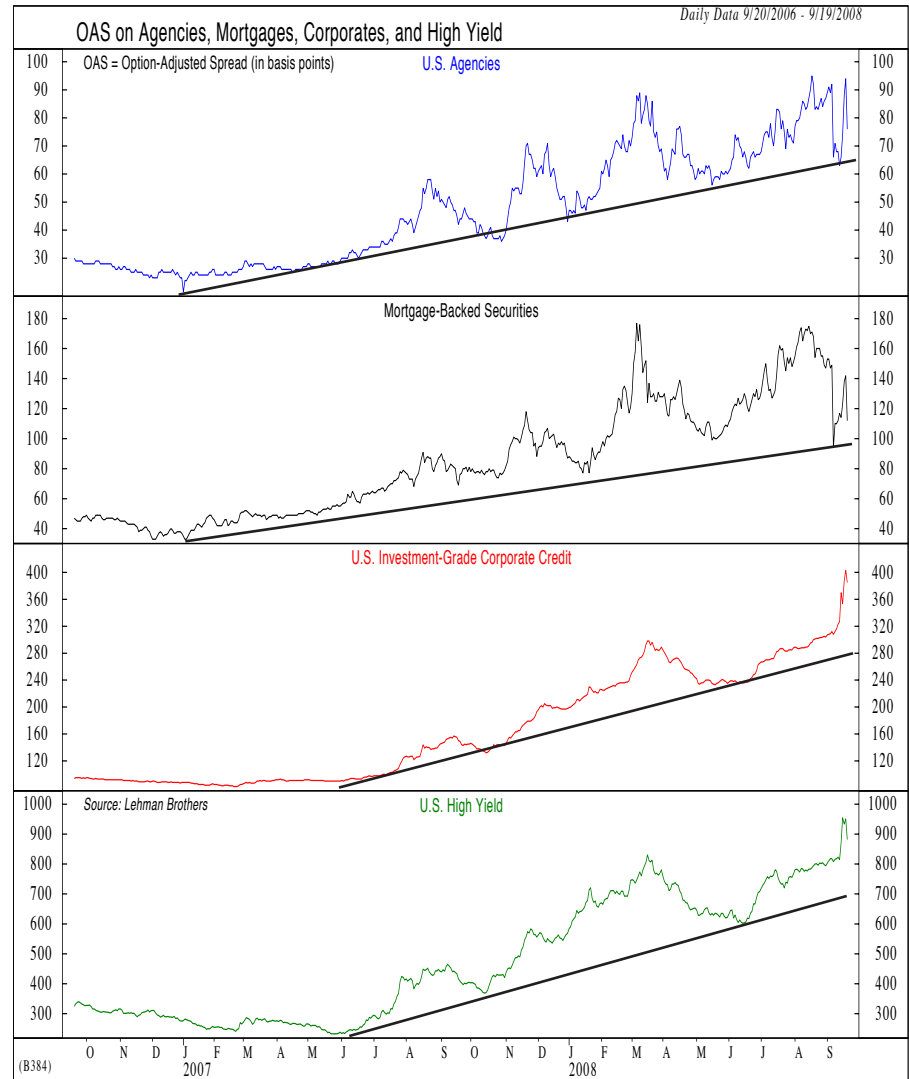
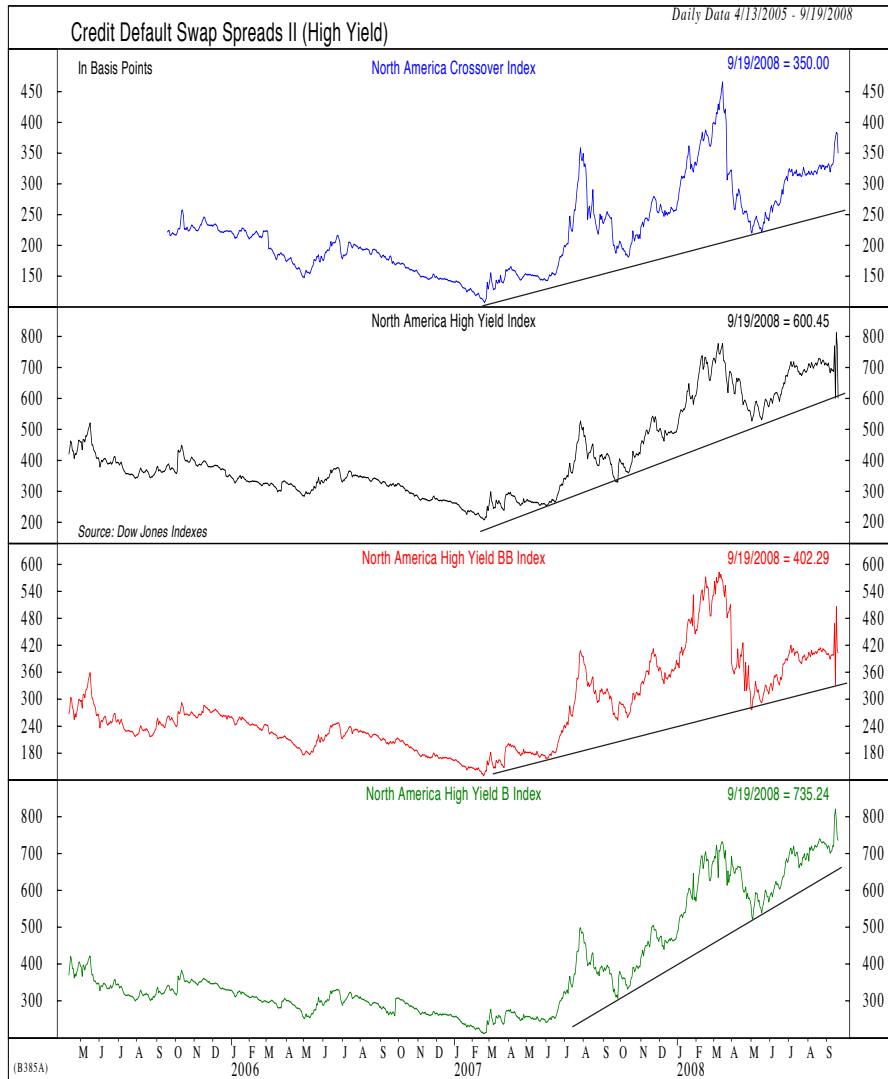


(S1060A) Consumer Confidence (Conference Board) Source: The Conference Board

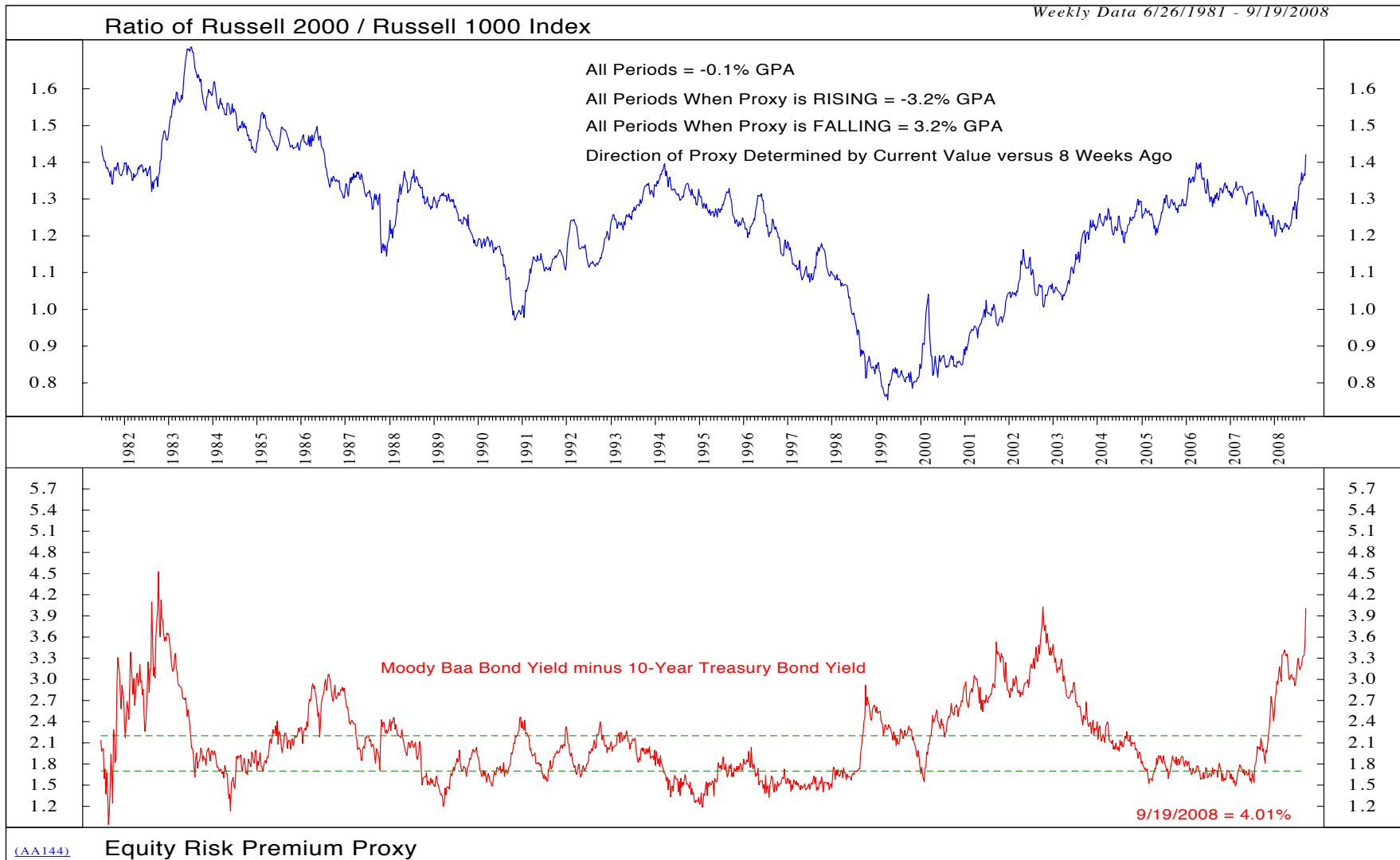
...as would more signs of housing recovery...



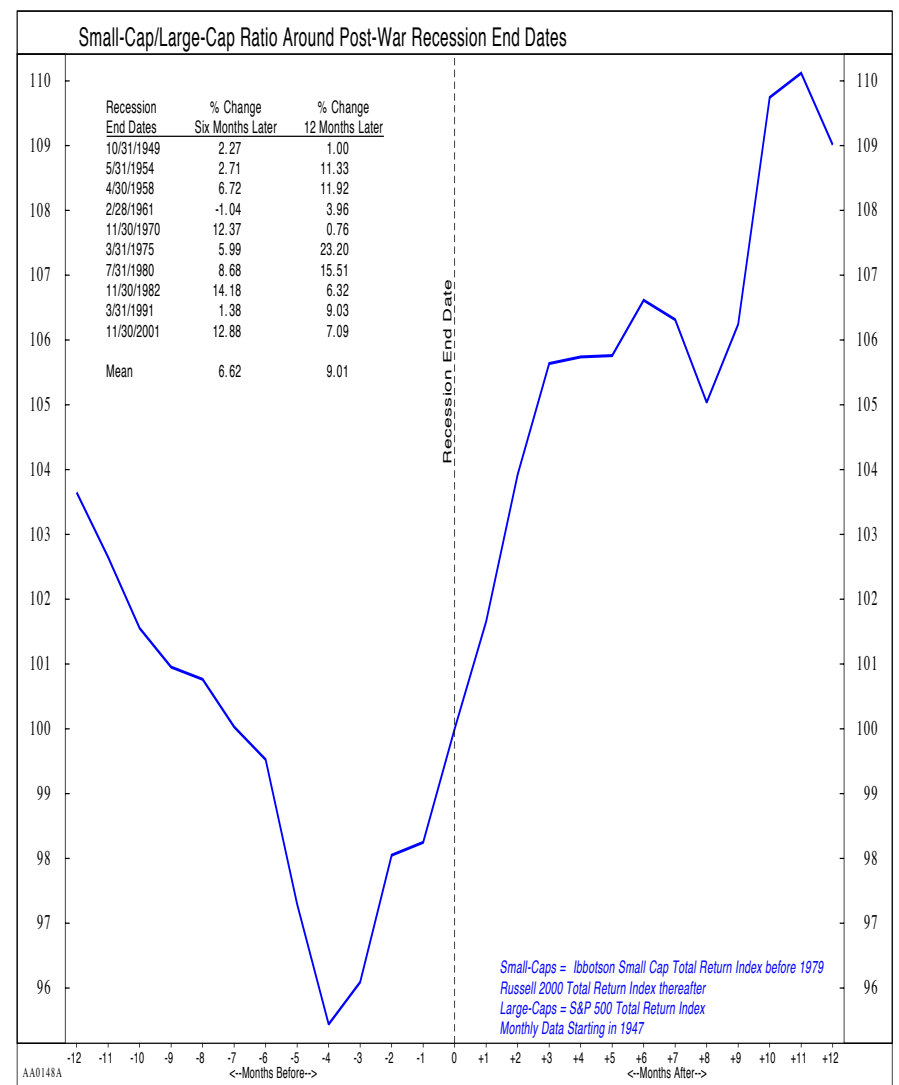
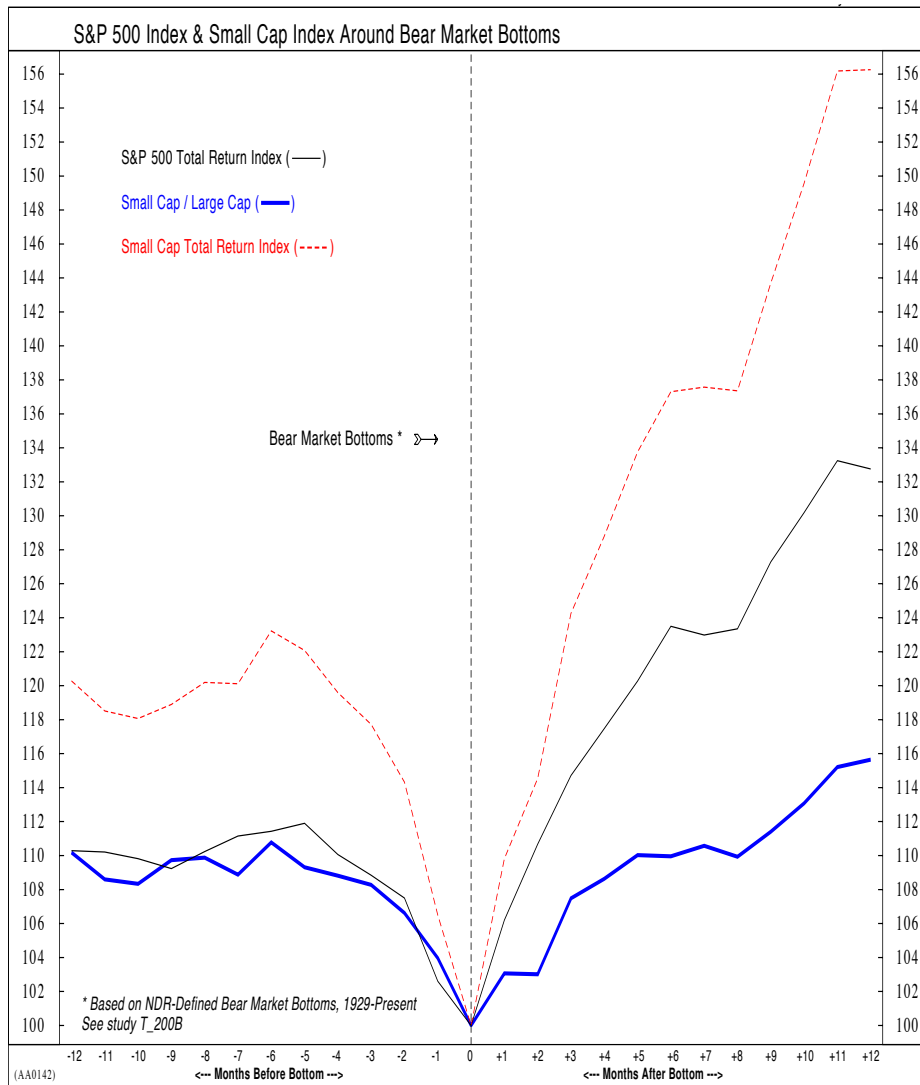
...and a persistent narrowing of credit spreads.



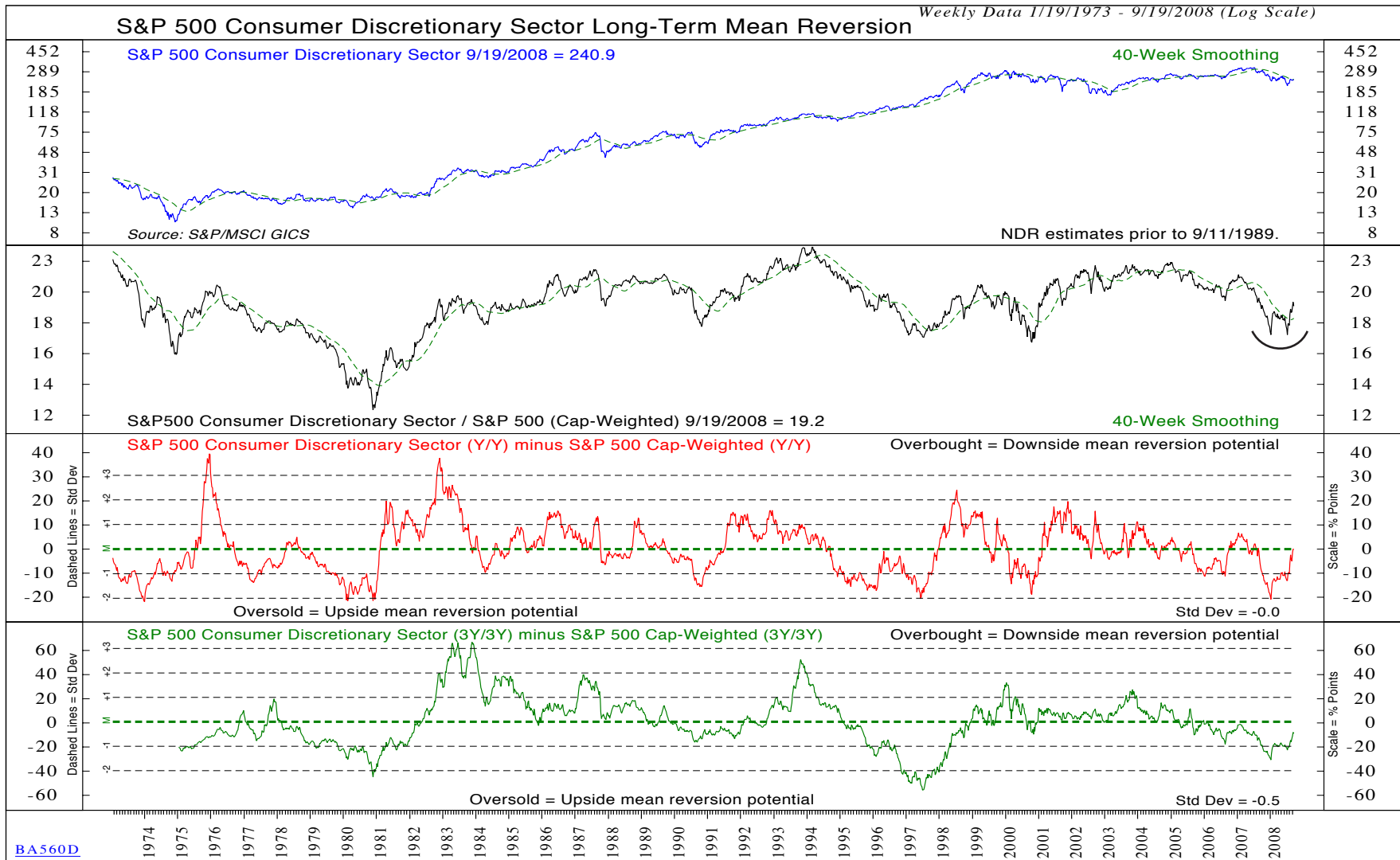
Peaks in risk premium have been especially helpful to small-caps. Sustained market momentum would also help.



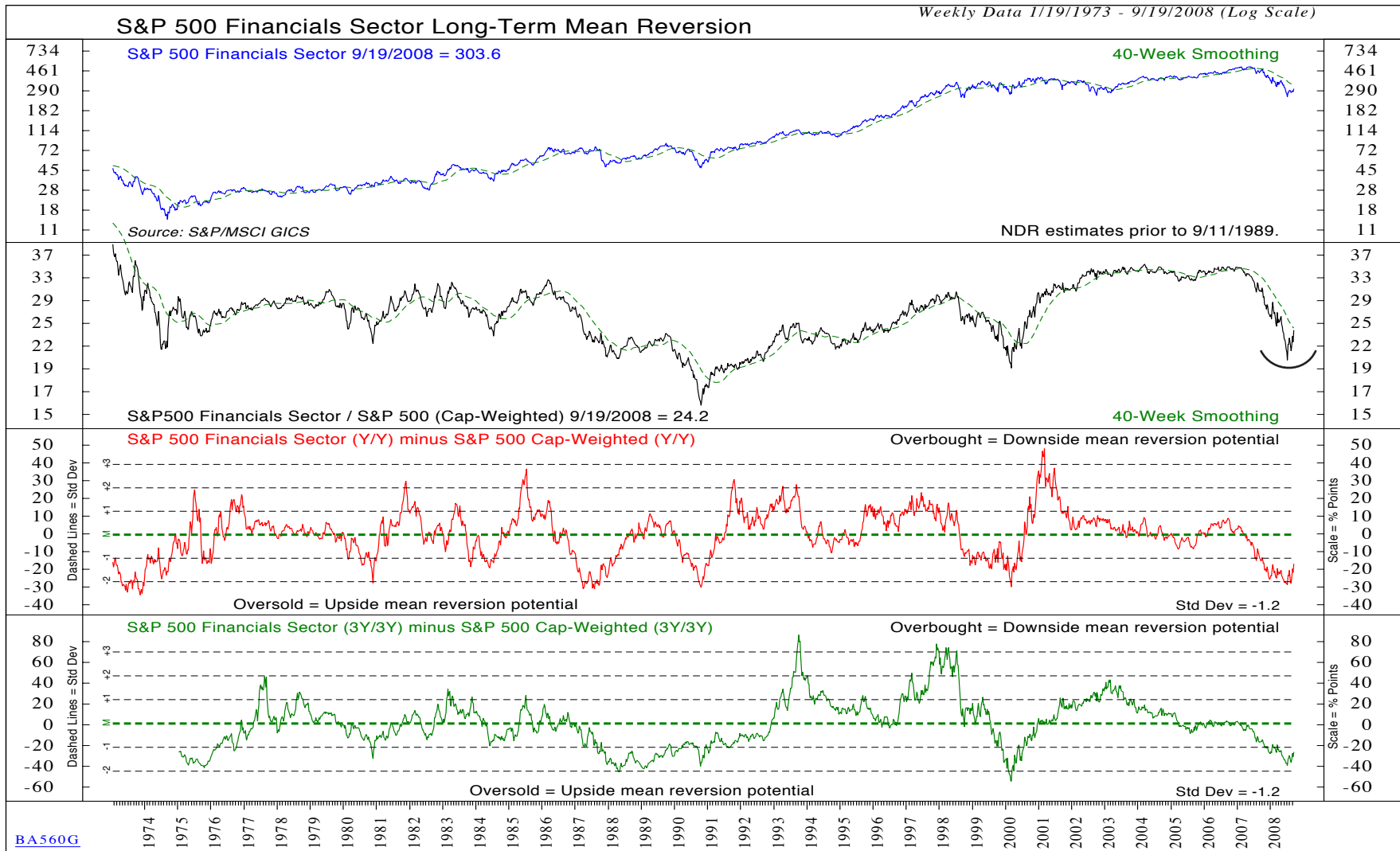
Small-caps tend to outperform after market bottoms and ahead of economic recoveries.



Sustained relative strength among Consumer Discretionary stocks would indicate improved economic outlook, boosting market breadth, and making a cyclical bull more likely.



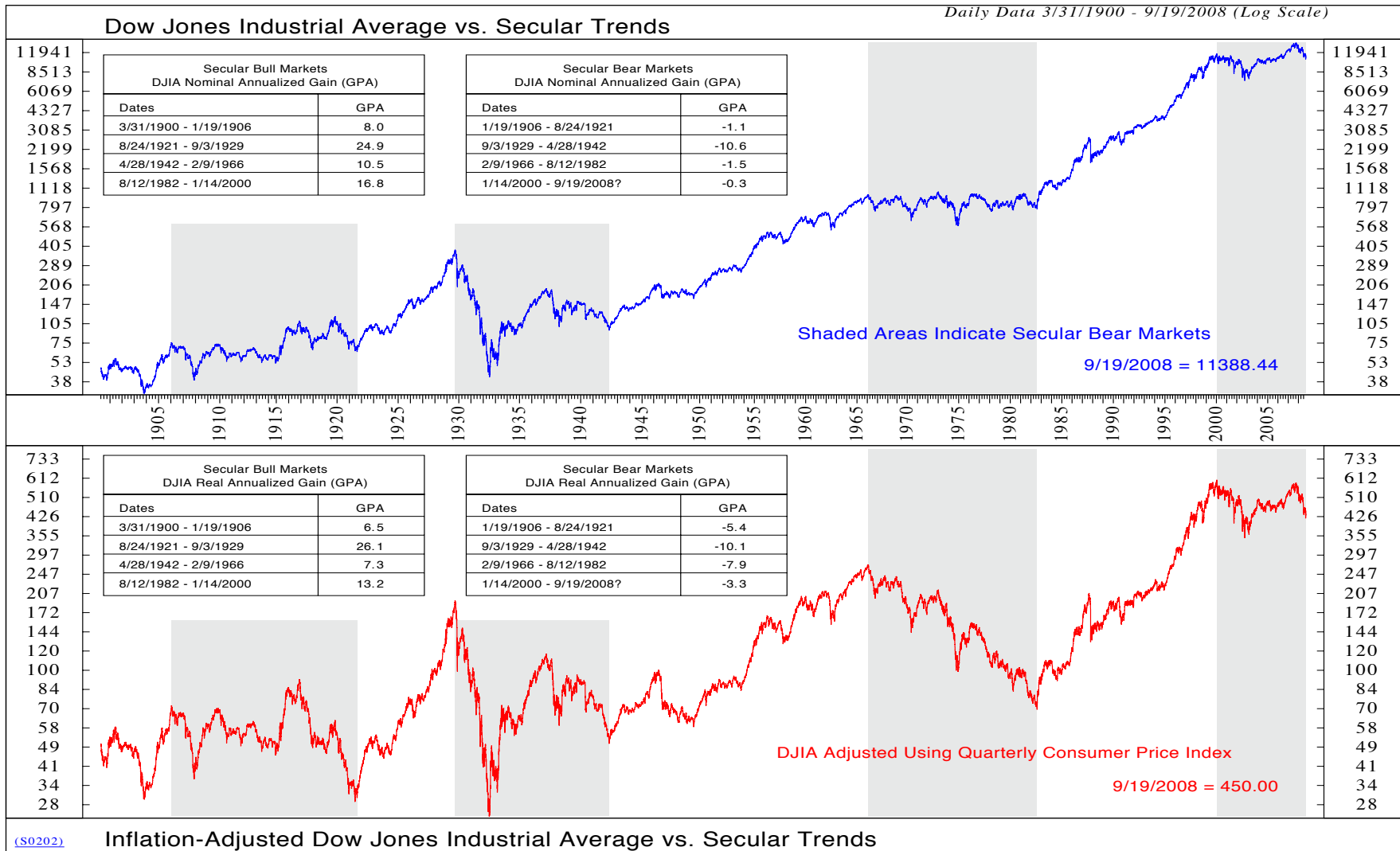
Sustained relative strength from Financials would send an even stronger message.



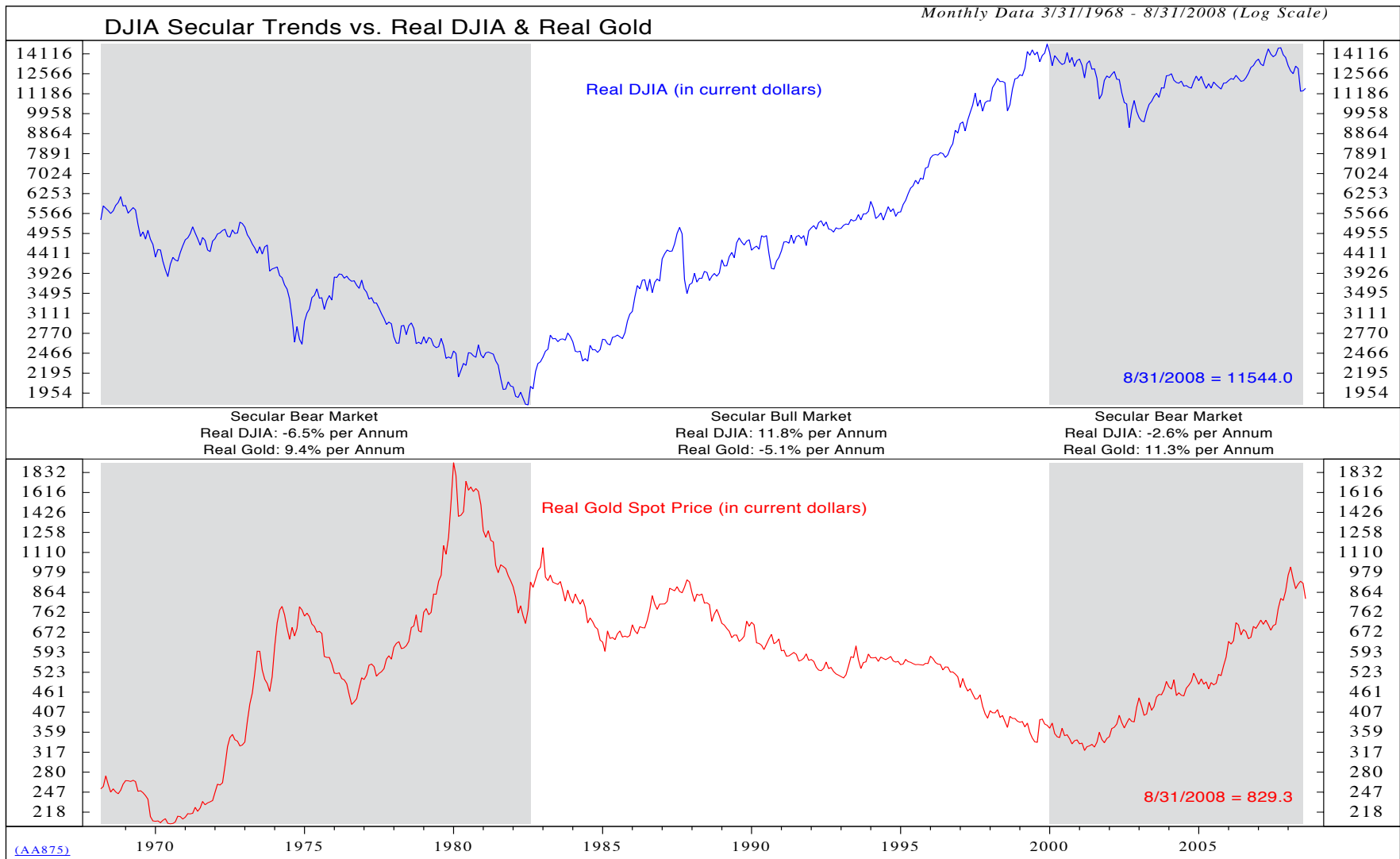
Next bull market may be shorter and more shallow than usual -- this remains a secular bear market.

NDR-DEFINED CYCLICAL BULL & BEAR MARKETS MEDIAN MAGNITUDE & DURATION BASED ON SECULAR TREND 1900 TO PRESENT			
Cyclical Bull Markets	# Cases	% Gain	# Days (Yrs)
Median - All	33	65.7	573 (1.6)
Median within Secular Bulls	16	77.2	870 (2.4)
Median within Secular Bears	17	50.6	371 (1.0)
Cyclical Bear Markets	# Cases	% Gain	# Days (Yrs)
Median - All	32	-26.1	375 (1.0)
Median within Secular Bulls	12	-19.4	245 (0.7)
Median within Secular Bears	20	-32.8	532 (1.5)
<i>NDR-Defined Secular Bear Markets: 01/19/1906 - 08/24/1921, 09/03/1929 - 04/28/1942, 02/09/1966 - 08/12/1982, 01/14/2000 - current. All other periods are secular bull markets. Cyclical Bull & Bear market data based on studies T_200A & T_200B. Current cyclical bear market excluded from median calculations.</i>			
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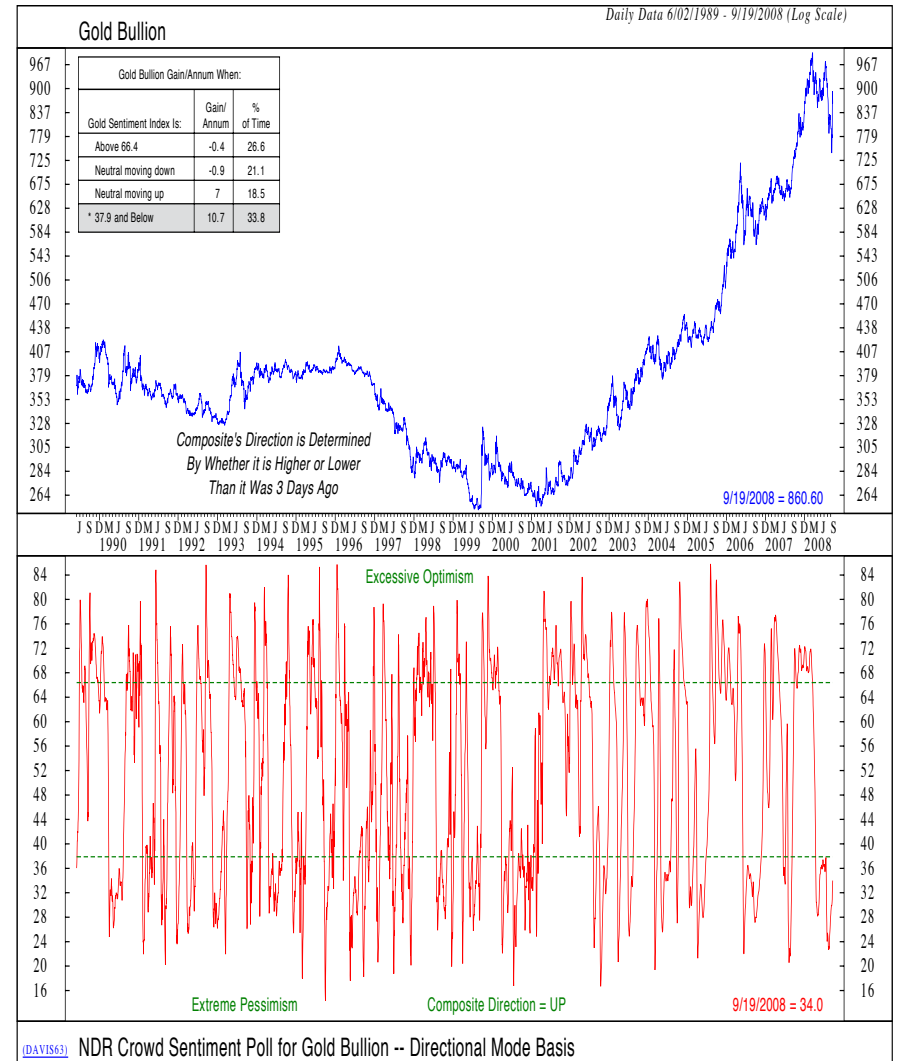
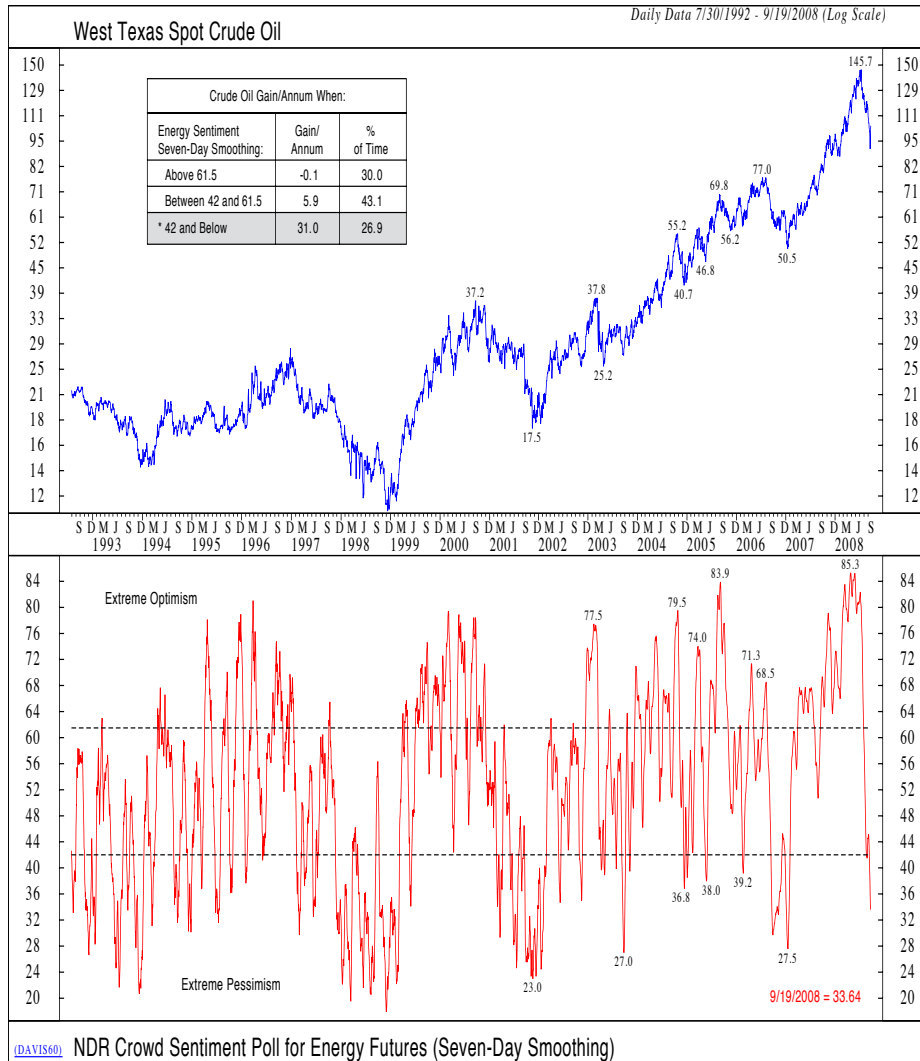
Negative per annum returns since 2000, especially after inflation.



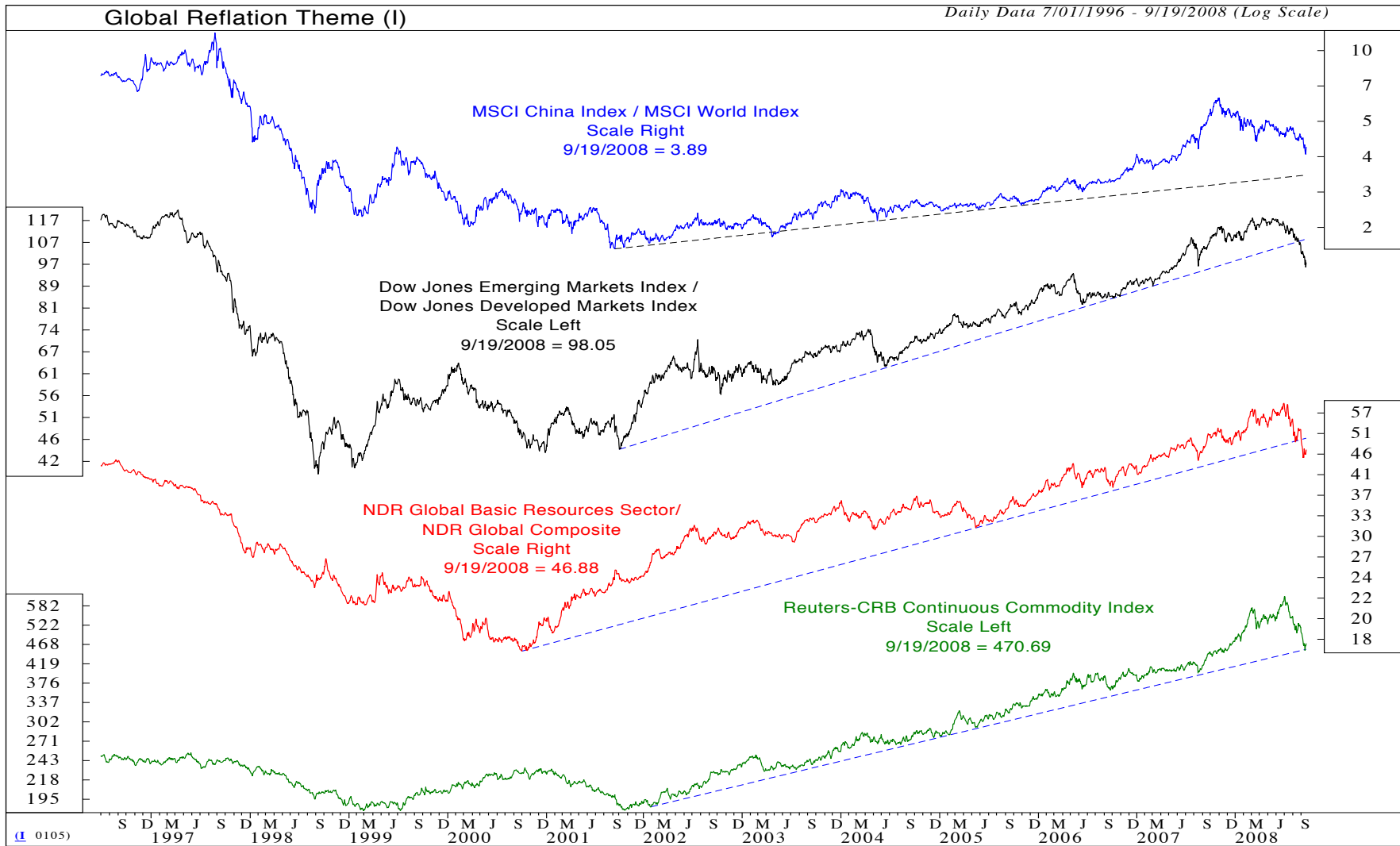
In tandem with secular bear in U.S. equities, gold and commodities have remained in a secular bull.



For oil and gold, sentiment points to recoveries from corrections.



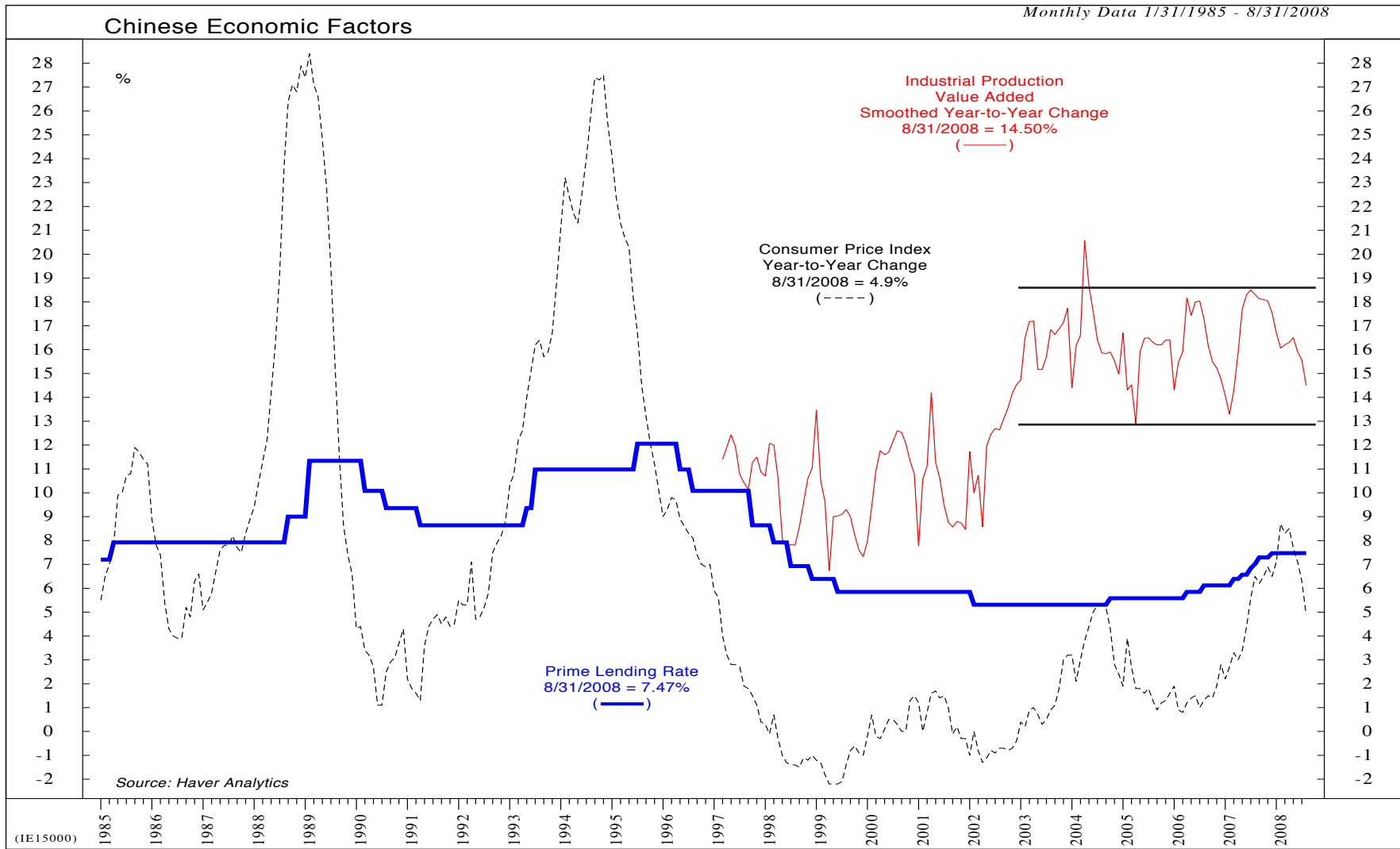
The China-driven commodity demand theme may soon resume.



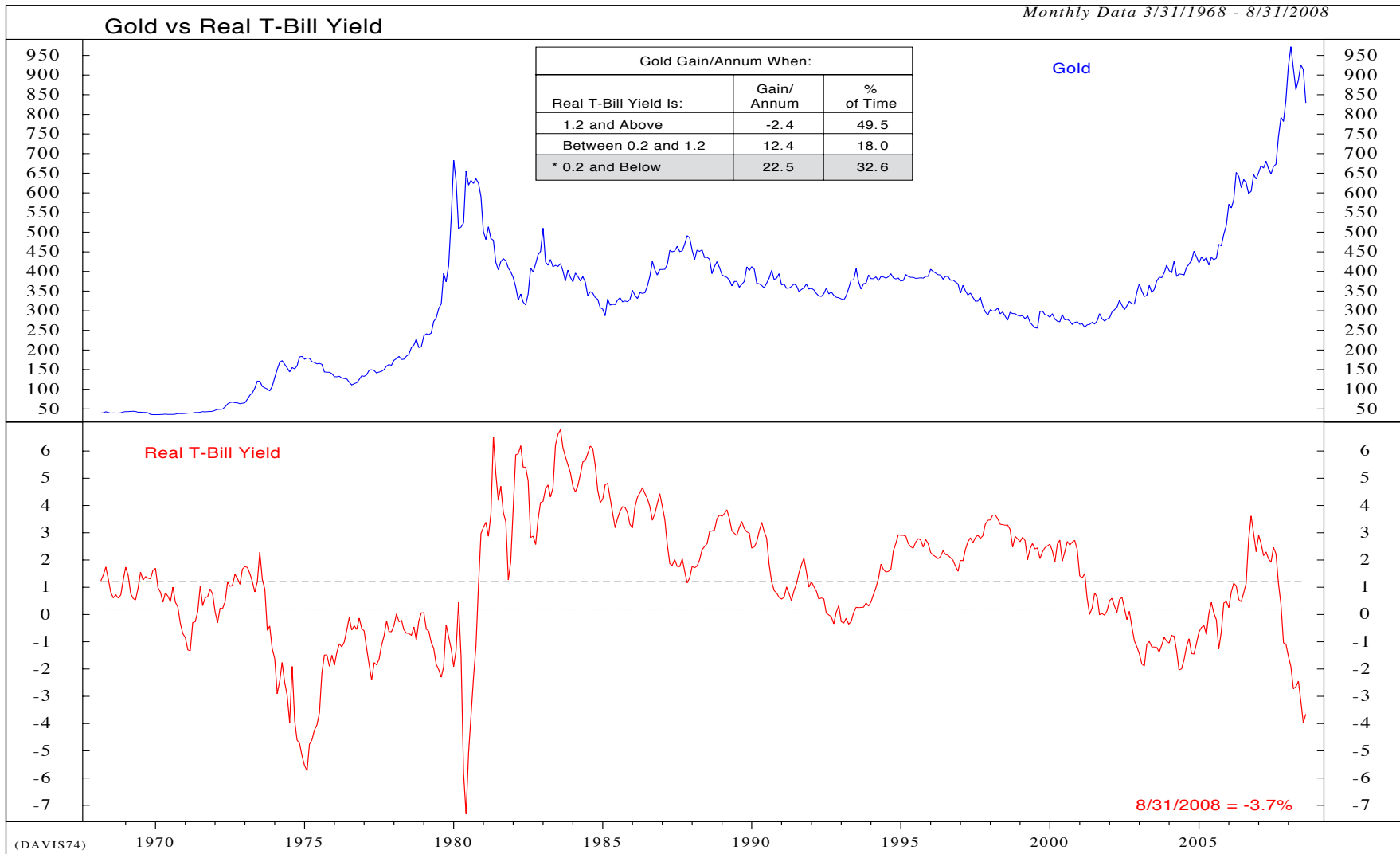
Olympic host countries have usually performed well after the games.

PERFORMANCE OF HOST COUNTRY'S STOCK MARKET DURING AND AROUND SUMMER OLYMPICS SINCE 1988									
Absolute Performance									
Year	Country	Stock Market ¹	Start Date	End Date	One Year Prior	Six Months Prior	During	Six Months Following	One Year Following
1988	South Korea	South Korea Composite Index	09/17/88	10/02/88	33.73	4.65	1.97	48.06	38.68
1992	Spain	Madrid General Index	07/25/92	08/09/92	-20.91	-16.41	0.96	11.83	26.68
1996	U.S.	Dow Jones Industrial Average	07/20/96	08/04/96	16.15	3.29	5.26	19.95	44.48
2000	Australia	All Ordinaries Index	09/15/00	10/01/00	15.19	2.51	-0.98	-3.30	-6.57
2004	Greece	Athens Exchange Index	08/13/04	08/29/04	3.85	-8.81	2.81	36.24	38.02
2008	China	MSCI China Index	08/08/08	08/24/08	-10.11	-15.28	-3.39	n/a	n/a
Mean					6.32	-5.01	1.11	22.56	28.26
Median					9.52	-3.15	1.47	19.95	38.02
Relative Strength ³									
Year	Country	Stock Market ¹	Start Date	End Date	One Year Prior	Six Months Prior	During	Six Months Following	One Year Following
1988	South Korea	South Korea Composite Index	09/17/88	10/02/88	48.26	3.07	1.35	30.82	9.99
1992	Spain	Madrid General Index	07/25/92	08/09/92	-12.86	-8.08	0.73	1.79	3.82
1996	U.S.	Dow Jones Industrial Average	07/20/96	08/04/96	1.30	0.94	2.59	6.69	7.96
2000	Australia	All Ordinaries Index	09/15/00	10/01/00	-1.25	4.10	1.05	17.62	31.79
2004	Greece	Athens Exchange Index	08/13/04	08/29/04	-4.75	-4.36	0.19	23.38	20.53
2008	China	MSCI China Index	08/08/08	08/24/08	7.56	-11.67	-1.55	n/a	n/a
Mean					6.38	-2.67	0.73	16.06	14.82
Median					0.02	-1.71	0.89	17.62	9.99
1. All data is in local currency terms except for MSCI China Index, which is in U.S. dollars.									
2. Relative strength based on stock market index / MSCI World Index ratio.									
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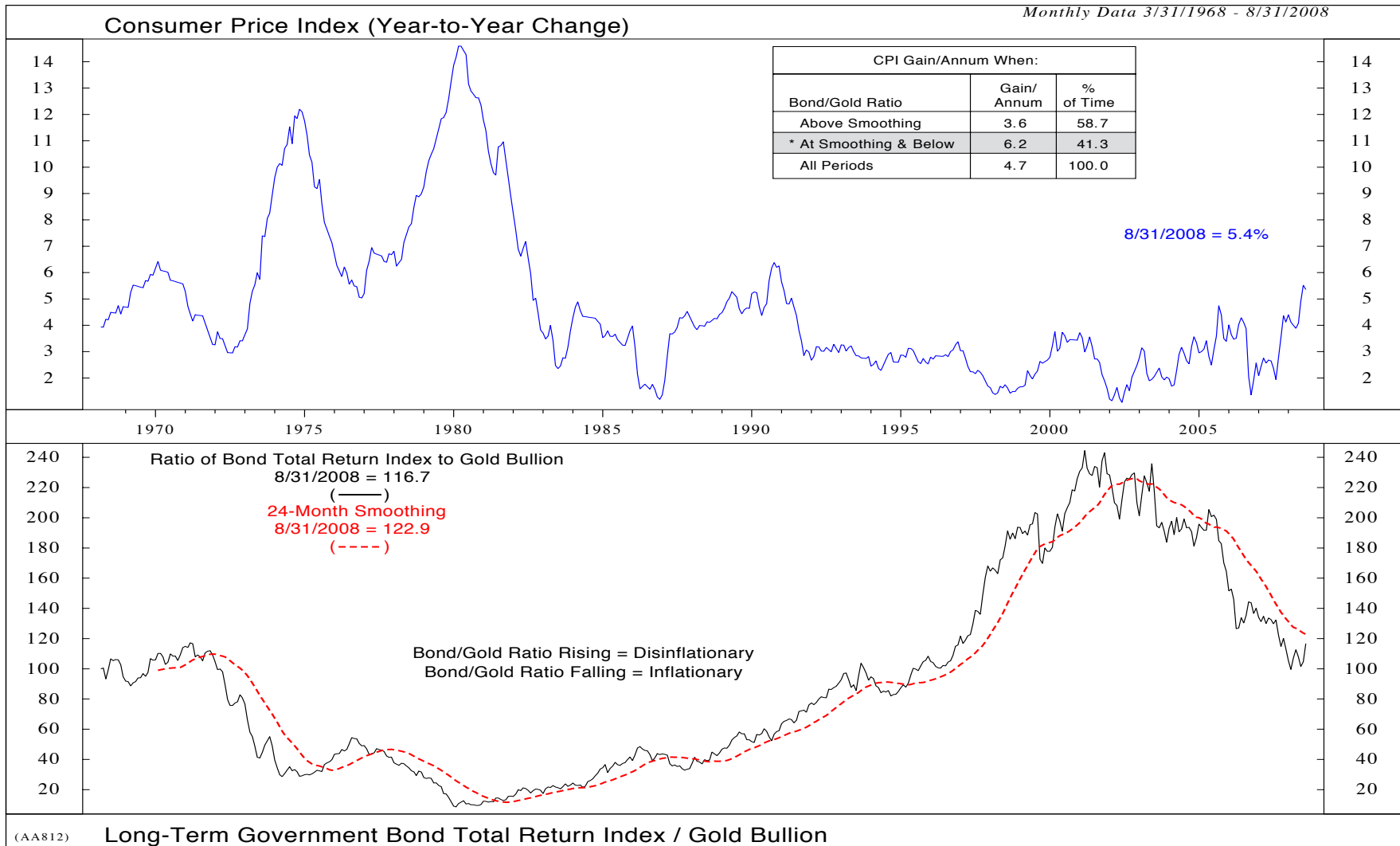
While economic deceleration global in scope, China has had needed soft landing.



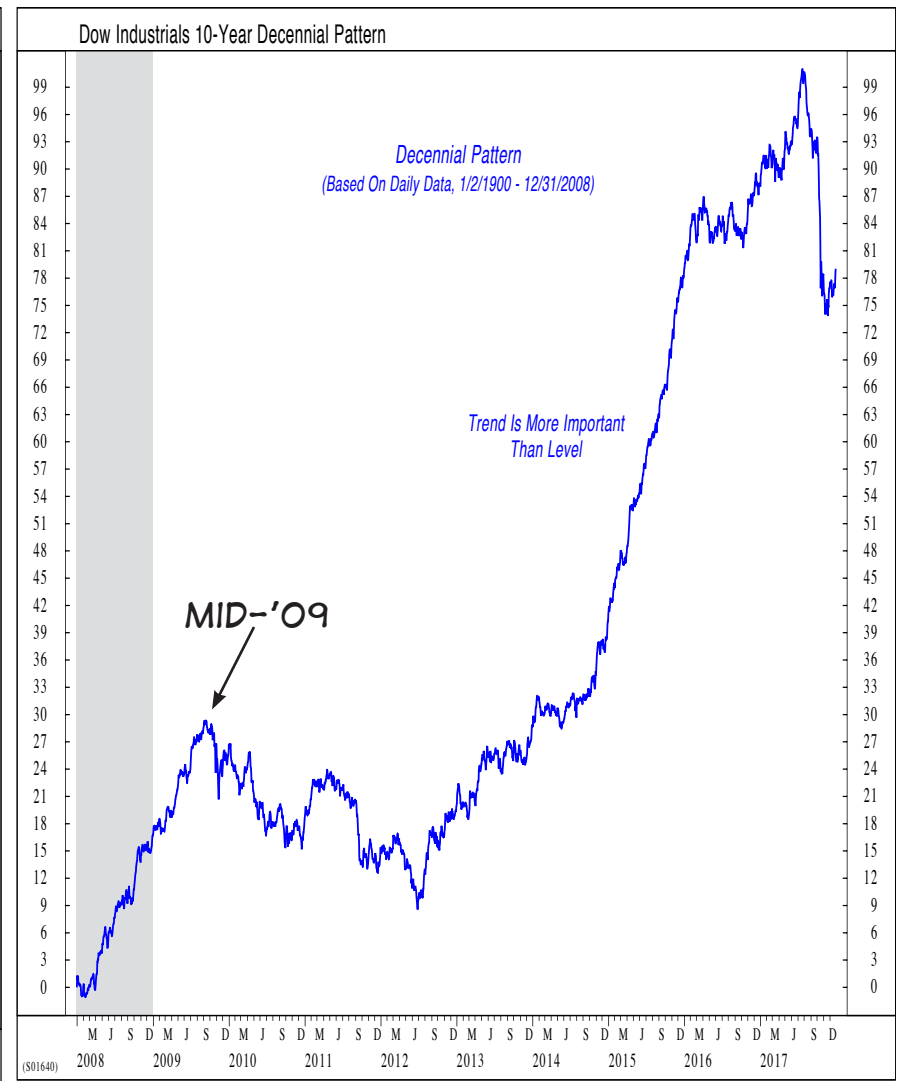
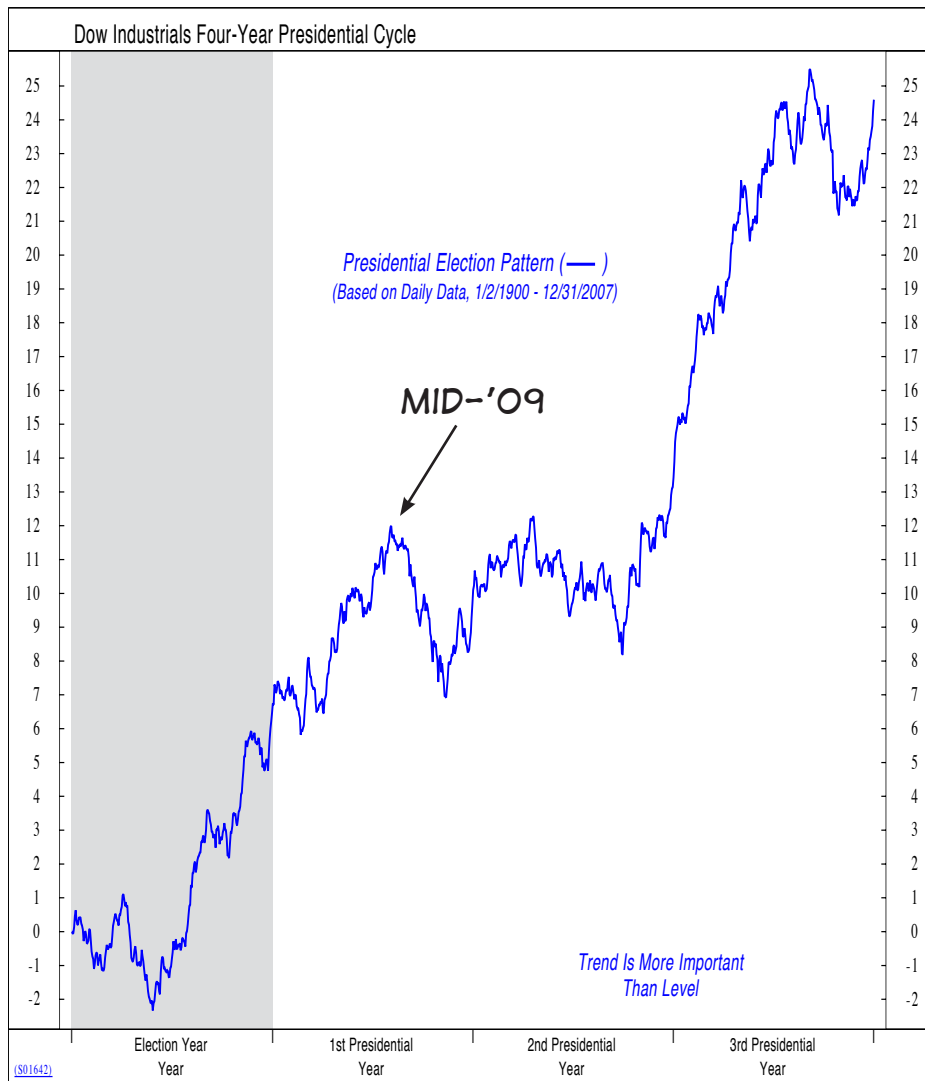
In 2009, watch for renewed economic growth globally, but also the return of inflation and interest rate pressures.



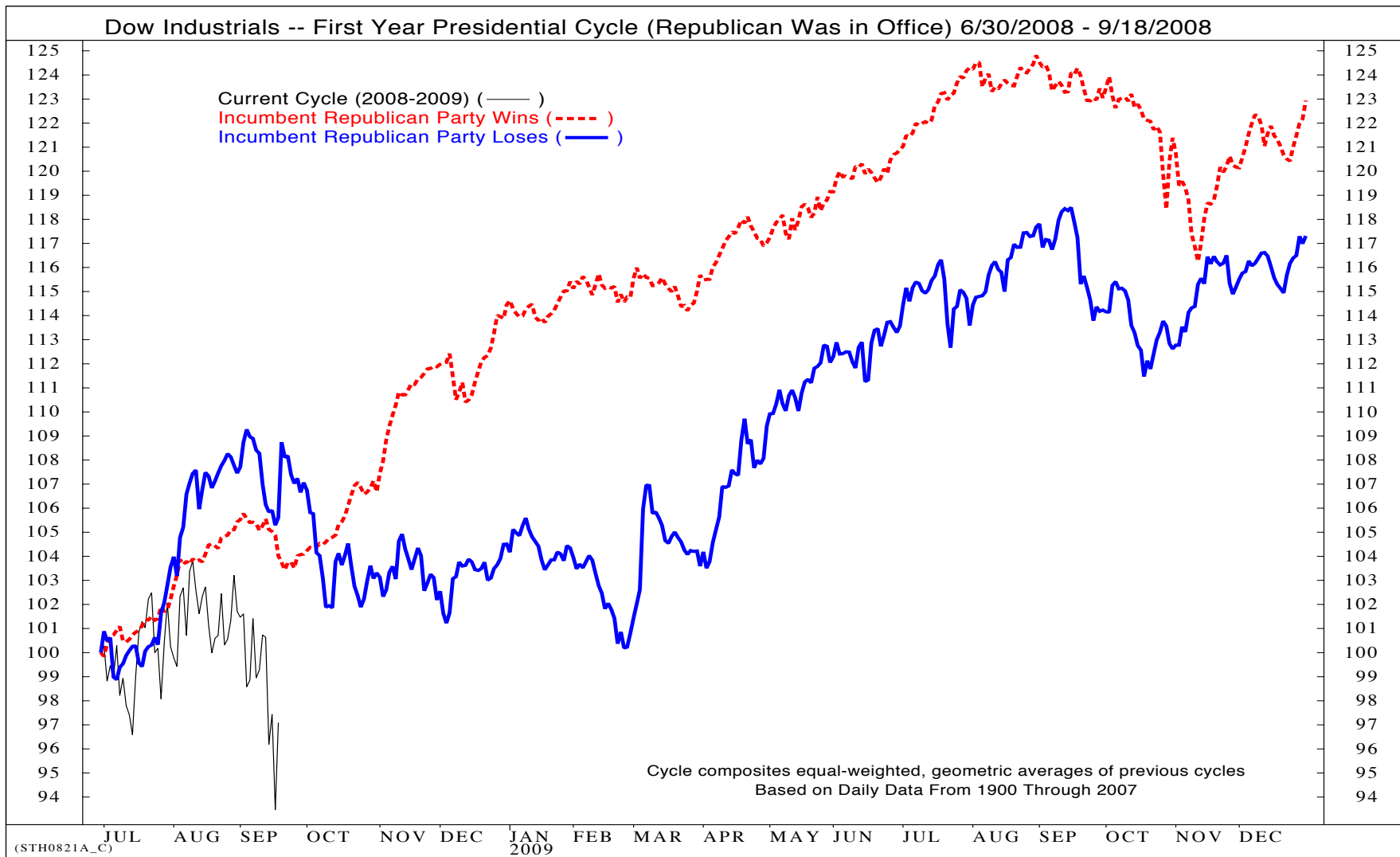
Despite economic contraction, bond/gold downtrend intact -- inflationary pressures stronger than disinflationary forces.



Cycles show rallying in first half of '09.



Election anticipation and outcome could also have an influence.



BOTTOM LINE

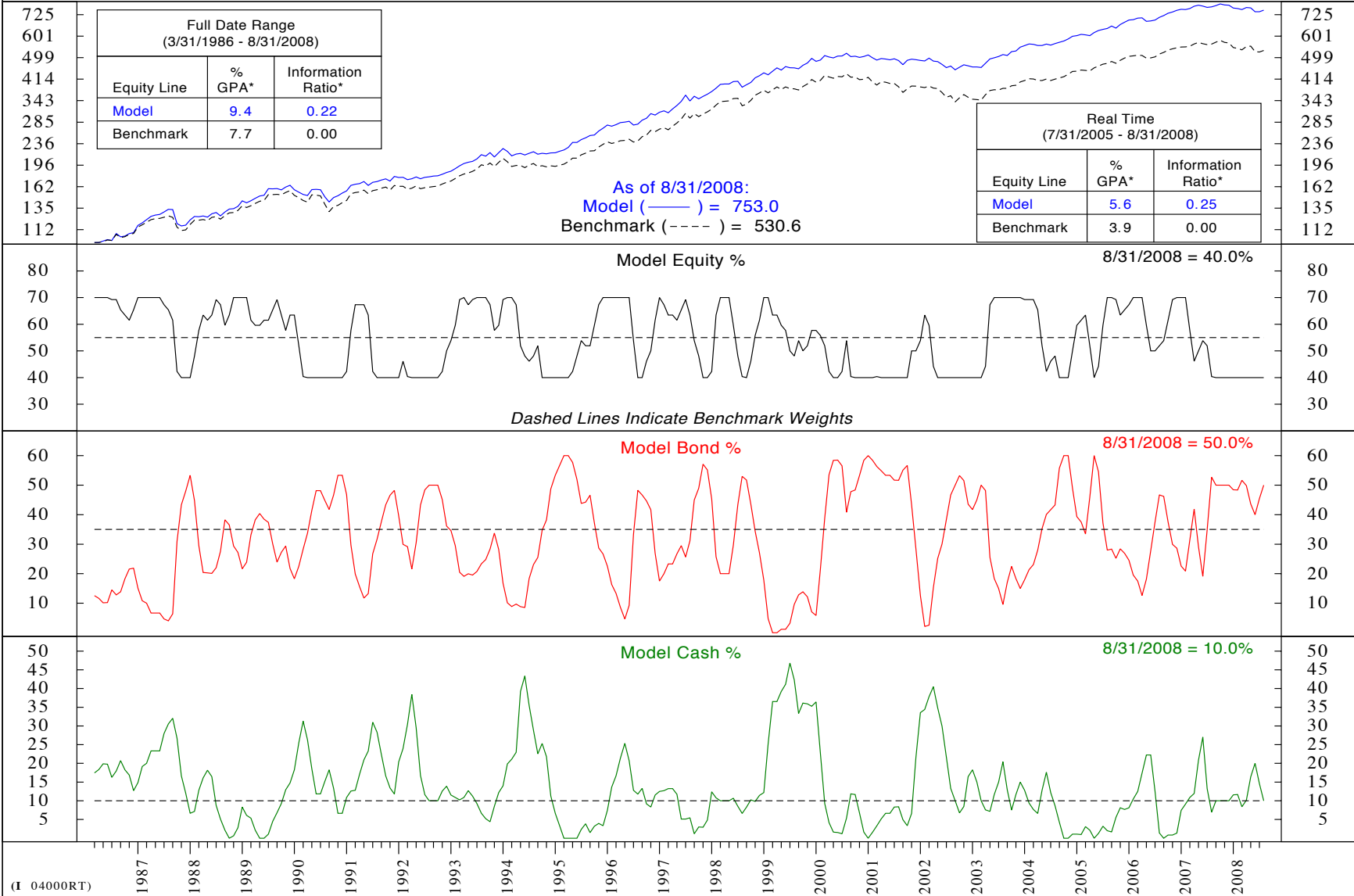
- Watch for confirmation of cyclical bear market bottom.
- Stock market likely to advance ahead of economic recovery in 2009.
- But secular forces to limit equity gains while supporting continuation of China-driven commodity demand theme.
- Commodity corrections likely to give way to resumption of long-term uptrends.



ADDENDUM

NDR Global Balanced Account Model (Constrained) -- Real Time

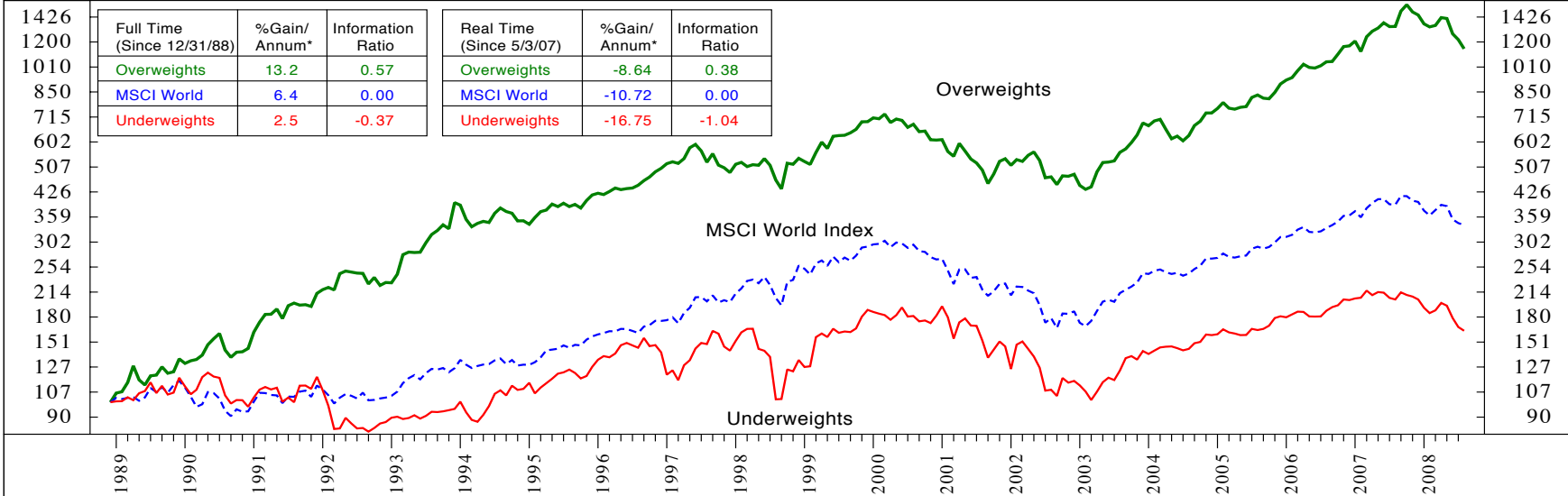
Monthly Data 3/31/1986 - 8/31/2008 (Log Scale)



*Transaction Costs Not Included

Six-Way Global Equity Allocation Model -- Real Time

Monthly Data 12/31/1988 - 8/31/2008 (Log Scale)

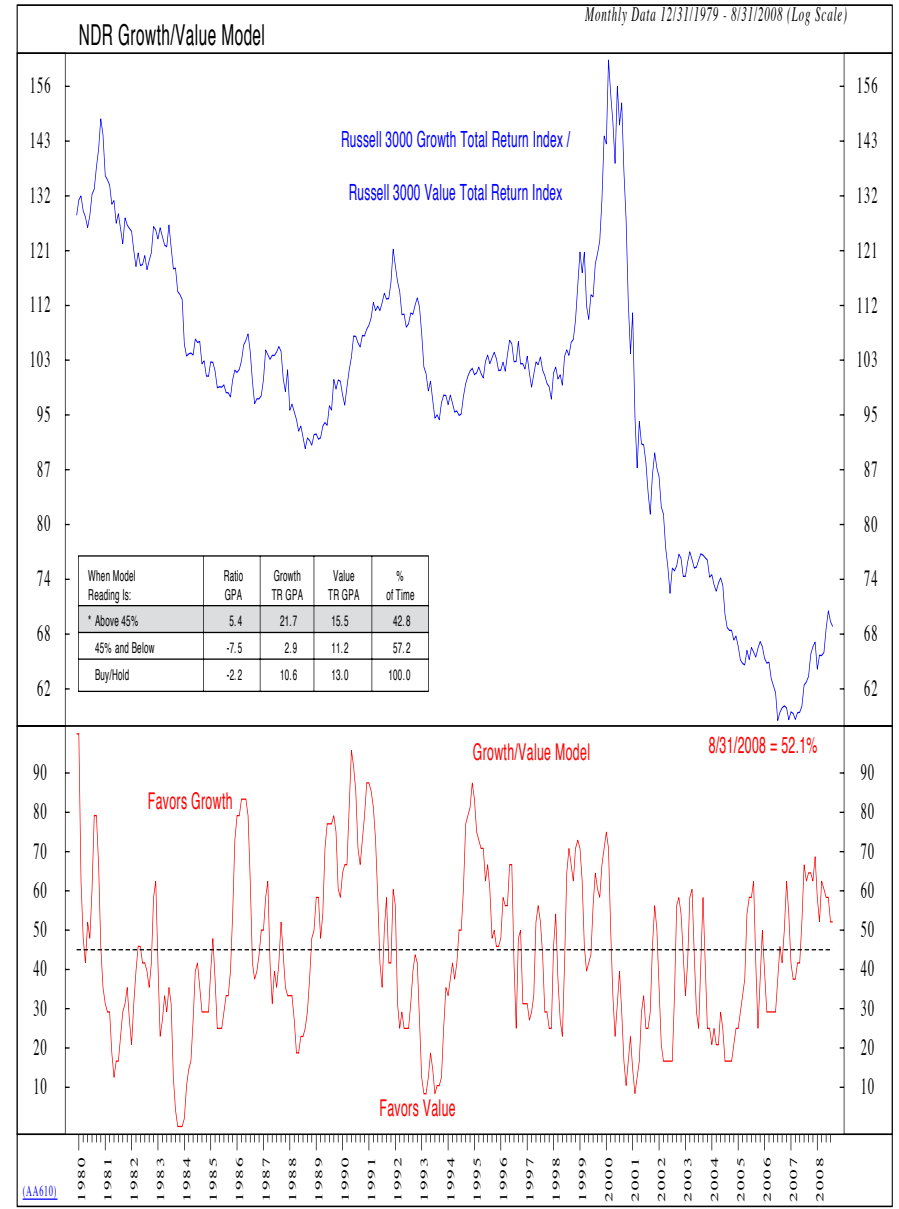
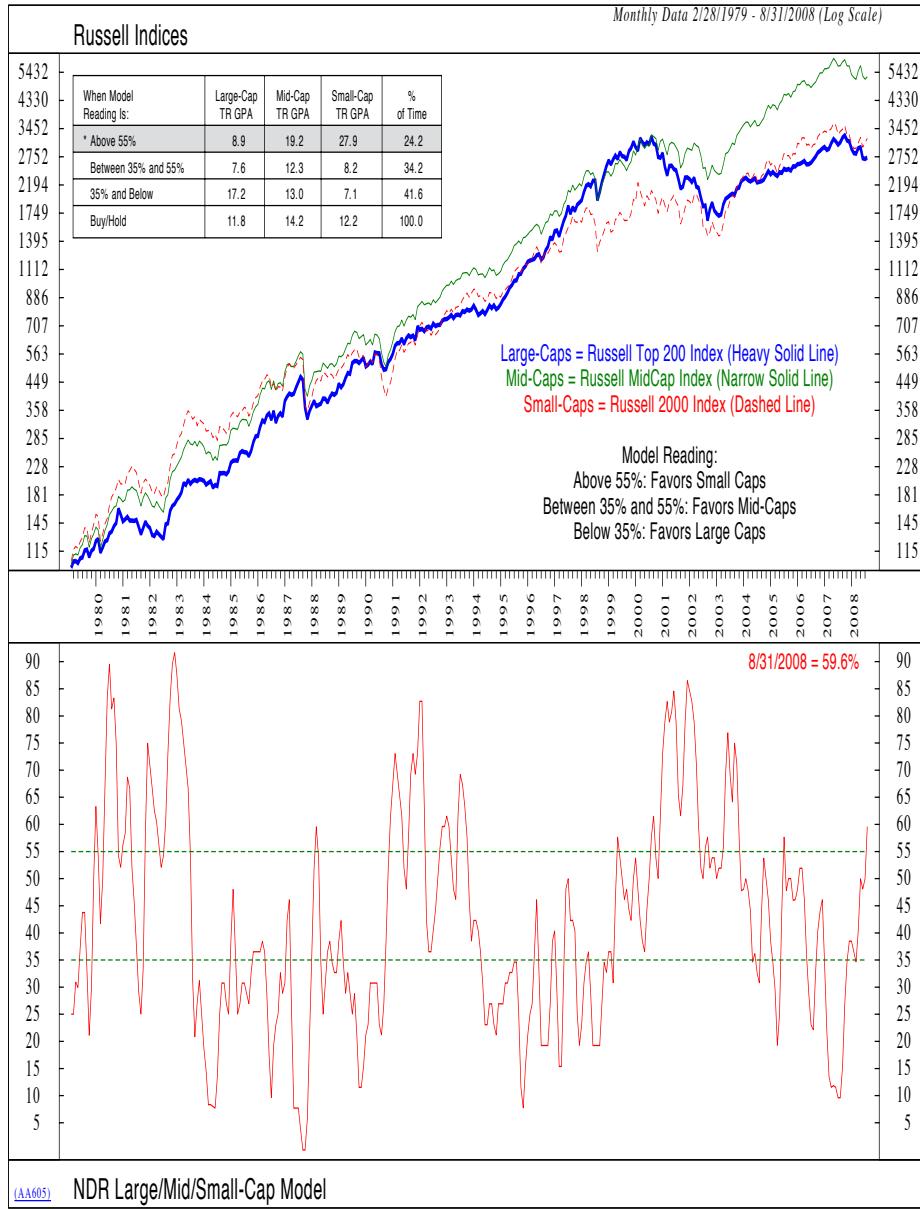


(I 6000RT) Six-Way Model Recommendations

*Transaction Costs Not Included.

NDR GLOBAL MARKET INDEX RANKING									
Rank	Previous Week	Four Weeks Ago	Market	Composite Reading	Position Entry Date	Entry Price	Current Price	Current Gain/Loss (%)	Chart
OVERWEIGHT									
Ranked 1-3 — Buy/Overweight:									
1	1	1	Indice D.C. Bursatil	13.73	06/29/2008	37147.82	38975.28	4.92	I5092
2	2	13	IBB General Index	-6.40	09/07/2008	9440.32	9331.77	-1.15	I5026
3	5	3	S&P/TSX Composite	-7.56	06/08/2008	14969.55	12912.99	-13.74	I5020
Ranked 4-13 After Reaching Ranks 1-3 — Hold/Continue to Overweight:									
4	3	2	IGPA Index	-15.90	06/22/2008	14706.88	12772.98	-13.15	I5022
8	4	5	Colombo Exchange Index	-26.37	03/23/2008	2536.18	2250.32	-11.27	I5078
PREVIOUSLY OVERWEIGHT									
NONE									
PREVIOUSLY UNDERWEIGHT									
Ranked 14-29 After Reaching Ranks 30-42									
NONE									
UNDERWEIGHT									
Ranked 30-39 After Reaching Ranks 40-42 — Continue to Underweight:									
33	32	30	Warsaw WIG Index	-58.15	01/20/2008	47128.67	38360.99	-18.60	I5068
35	37	38	BSE 100	-60.72	08/31/2008	7621.40	7285.77	-4.40	I5042
38	40	41	Athens Exchange Index	-65.39	06/22/2008	3619.11	3209.26	-11.32	I5038
Ranked 40-42 — Sell/Underweight:									
40	39	32	Helsinki HEX General	-68.27	04/20/2008	9446.89	7753.71	-17.92	I5032
41	42	33	Jakarta Exchange Index	-68.55	09/14/2008	1804.06	1891.73	4.86	I5044
42	41	42	ISEQ Overall Index	-88.62	07/01/2007	9306.25	4136.32	-55.55	I5046
FULL RANK									
Rank	Previous Week	Four Weeks Ago	Developed Market (**)	Market	Country	Composite	Current Price	Chart	
1	1	1		Indice D.C. Bursatil	Venezuela	13.73	38975.28	I5092	
2	2	13		IBB General Index	Colombia	-6.40	9331.77	I5026	
3	5	3	**	S&P/TSX Composite	Canada	-7.56	12912.99	I5020	
4	3	2		IGPA Index	Chile	-15.90	12772.98	I5022	
5	6	10	**	Swiss Performance Index	Switzerland	-22.04	5898.23	I5082	
6	10	6	**	KFX Copenhagen	Denmark	-22.23	398.80	I5030	
7	11	8	**	S&P 500 Index	U.S.	-23.55	1255.08	I5090	
8	4	5		Colombo Exchange Index	Sri Lanka	-26.37	2250.32	I5078	
9	7	7		Johannesburg All-Shares Index	South Africa	-27.39	25402.11	I5072	
10	18	17		Bovespa Index	Brazil	-27.42	53055.38	I5018	
11	9	11	**	London FTSE 100	U.K.	-27.78	5311.30	I5088	
12	14	9		Bolsa Index	Mexico	-29.13	25701.03	I5056	
13	17	23	**	Paris CAC 40	France	-33.90	4324.87	I5034	
14	15	22	**	Frankfurt Xetra DAX	Germany	-34.64	6189.53	I5036	
15	13	4	**	OBX Stock Index	Norway	-35.78	320.70	I5062	
16	8	14	**	NZSX 50 FF Gross Index	New Zealand	-37.16	3187.13	I5060	
17	25	35	**	Madrid General Index	Spain	-40.12	1238.18	I5076	
18	22	21	**	Stockholm All-Share Index	Sweden	-41.20	268.01	I5080	
19	12	12	**	Amsterdam AEX All-Share	Netherlands	-41.65	590.36	I5058	
20	19	19	**	TOPIX Index	Japan	-42.05	1149.12	I5052	
21	21	36	**	Brussels Bel-20 Index	Belgium	-42.17	3052.83	I5016	
22	31	31		Merval Index	Argentina	-44.57	1662.52	I5010	
23	16	26		Seoul Exchange Index	South Korea	-44.78	1455.78	I5074	
24	20	25	**	All Ordinaries	Australia	-45.53	4840.70	I5012	
25	28	28	**	Straits Times	Singapore	-46.96	2559.07	I5070	
26	24	34	**	Milan MIBtel Index	Italy	-48.34	21227.00	I5050	
27	33	15		Prague PX-50 Index	Czech Republic	-48.60	1316.20	I5028	
28	26	24	**	Austrian Traded Index	Austria	-50.72	3212.98	I5014	
29	30	16		Mishtanim 100	Israel	-51.90	836.20	I5048	
30	27	29		Budapest Exchange Index	Hungary	-53.76	19062.34	I5040	
31	38	39	**	Hong Kong Hang Seng	China	-56.19	19327.73	I5024	
32	36	40		Lima Exchange Index	Peru	-57.88	11841.43	I5064	
33	32	30		Warsaw WIG Index	Poland	-58.15	38360.99	I5068	
34	23	18		Bangkok SET Index	Thailand	-59.50	624.83	I5086	
35	37	38		BSE 100	India	-60.72	7285.77	I5042	
36	35	37		Kuala Lumpur Composite	Malaysia	-60.81	1025.70	I5054	
37	29	27		Manila Exchange Index	Philippines	-64.05	2462.79	I5066	
38	40	41	**	Athens Exchange Index	Greece	-65.39	3209.26	I5038	
39	34	20		Taiwan Trade-Weighted Index	Taiwan	-65.69	5970.38	I5084	
40	39	32	**	Helsinki HEX General	Finland	-68.27	7753.71	I5032	
41	42	33		Jakarta Exchange Index	Indonesia	-68.55	1891.73	I5044	
42	41	42	**	ISEQ Overall Index	Ireland	-88.62	4136.32	I5046	
** = Developed Market									
Real-Time Performance Results 8/15/1999 - 9/21/2008 (Weekly Rebalancing); Top Category Has Gained 16.0% Per Annum; Equal-Weighted Universe Has Gained 6.8% Per Annum; Bottom Category Has Gained 7.4% Per Annum									
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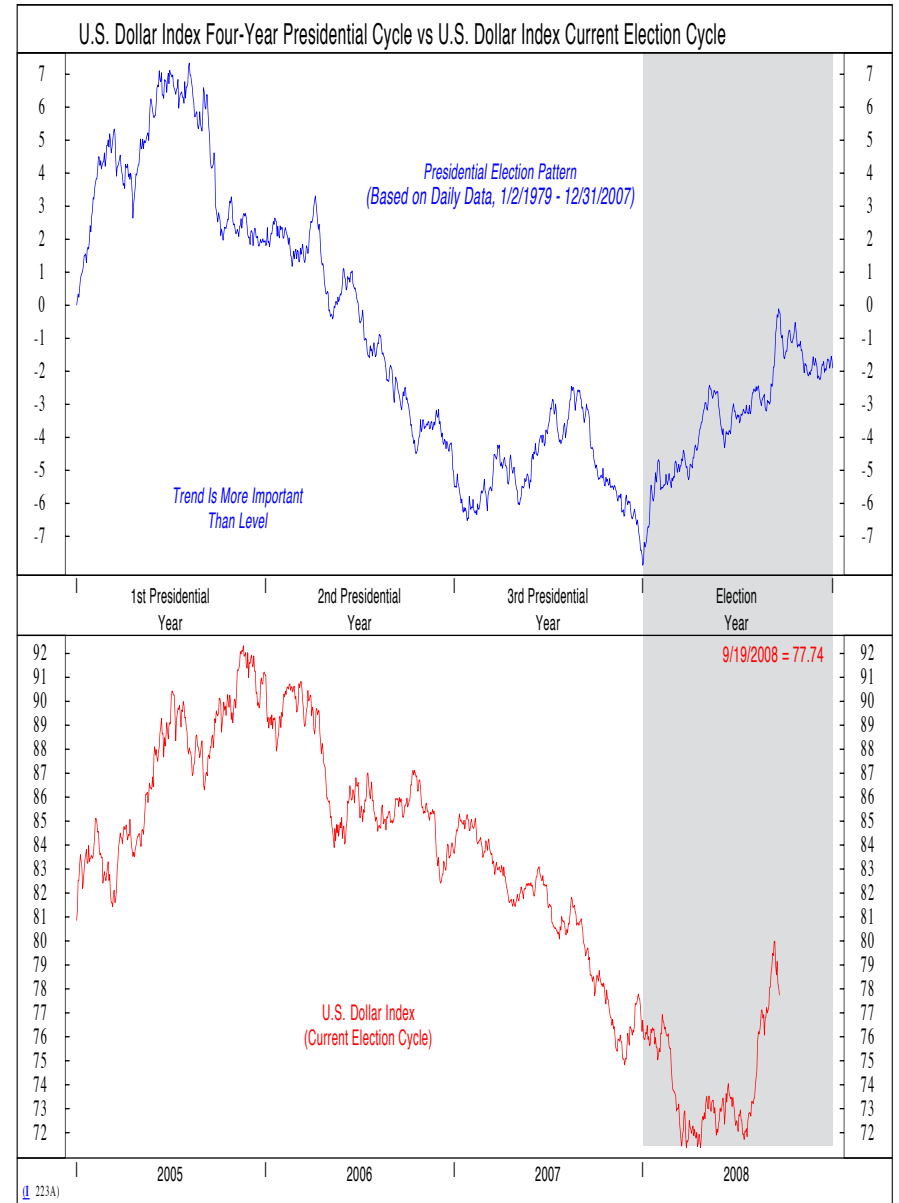
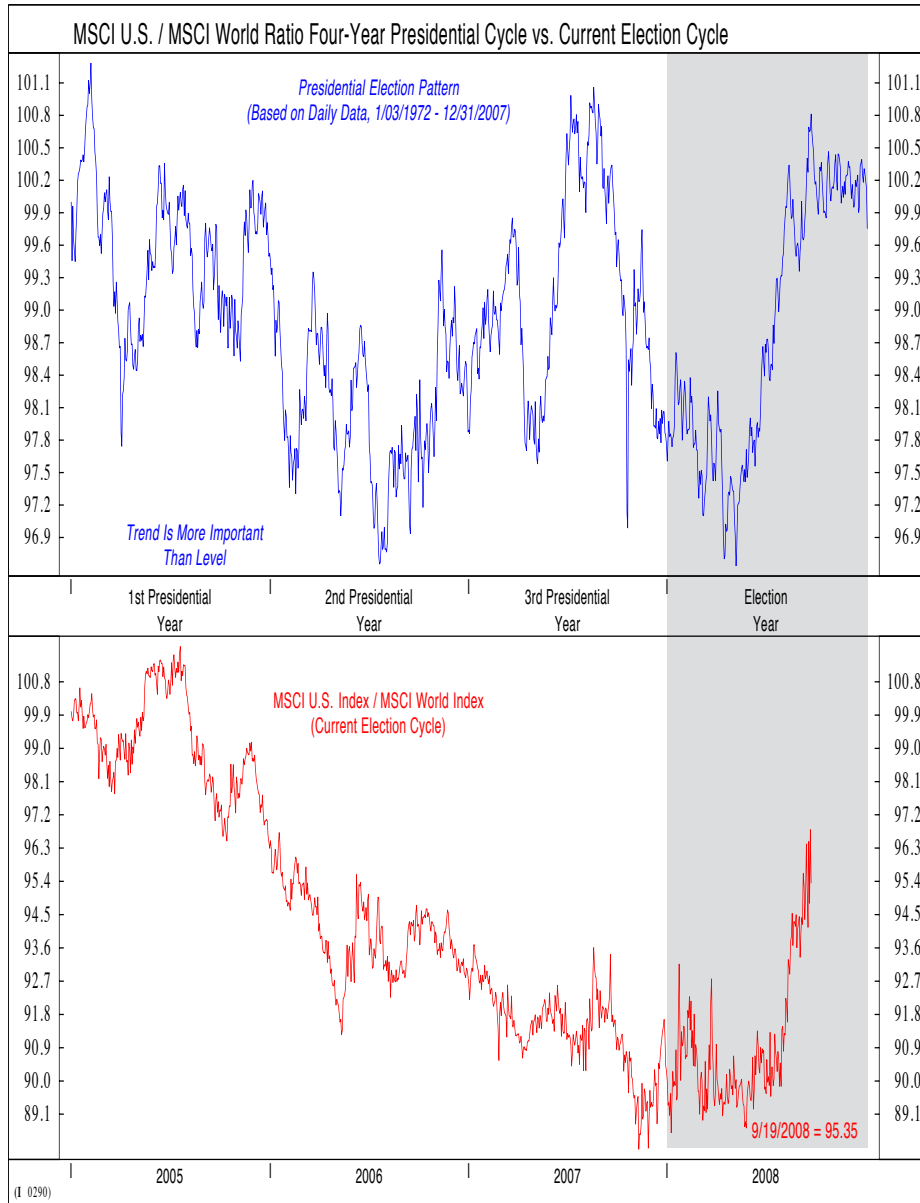
NDR GLOBAL SECTORS - MEAN RANK BY SECTOR					
Rank	Previous Week	Sector	Mean of Individual Sector Ranks	Sectors Ranked	Rank History Charts
100	100	Health Care	79.9	8	IG38A IG38B
94	72	Insurance	68.1	9	IG42A IG42B
88	33	Food & Beverage	68.1	8	IG34A IG34B
83	38	Automobiles & Parts	62.4	4	IG20A
77	44	Telecom	60.5	7	IG50A IG50B
72	94	Chemicals	59.1	6	IG28A
66	83	Media	58.5	9	IG44A IG44B
61	66	Personal & Household Goods	54.9	8	IG46A IG46B
55	61	Retail	53.9	8	IG48A IG48B
50	55	Utilities	53.2	8	IG54A IG54B
44	77	Technology	48.6	7	IG52A IG52B
38	22	Travel & Leisure	48.4	8	IG26A IG26B
33	16	Banks	43.3	12	IG22A IG22B IG22C
27	88	Oil & Gas	37.9	5	IG32A
22	50	Industrial Goods & Services	36.1	13	IG40A IG40B IG40C
16	27	Construction & Materials	35.5	7	IG30A IG30B
11	11	Financial Services	30.0	10	IG36A IG36B
5	5	Basic Resources	16.2	6	IG24A
<p>* = New Overweight or Underweight Performance Results 2/17/1985 - 9/21/2008 (Weekly Rebalancing); Overweight Category Has Gained 15.4% Per Annum; Equal-Weighted Universe Has Gained 8.5% Per Annum; Underweight Category Has Gained 1.1% Per Annum</p>					
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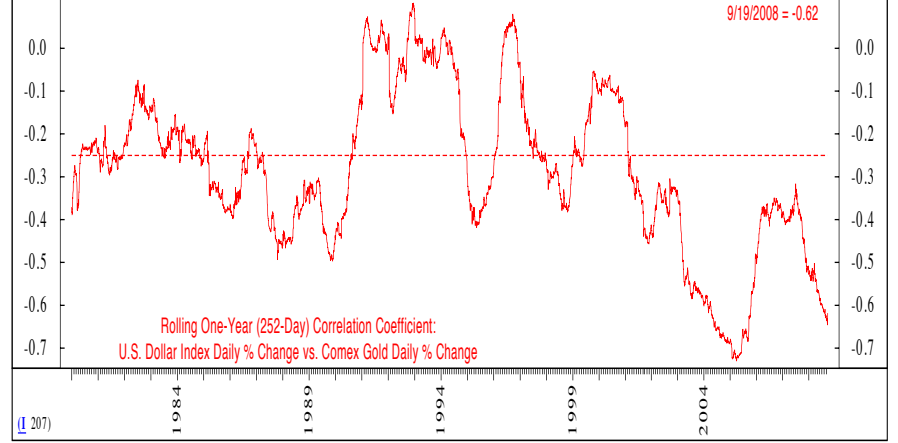
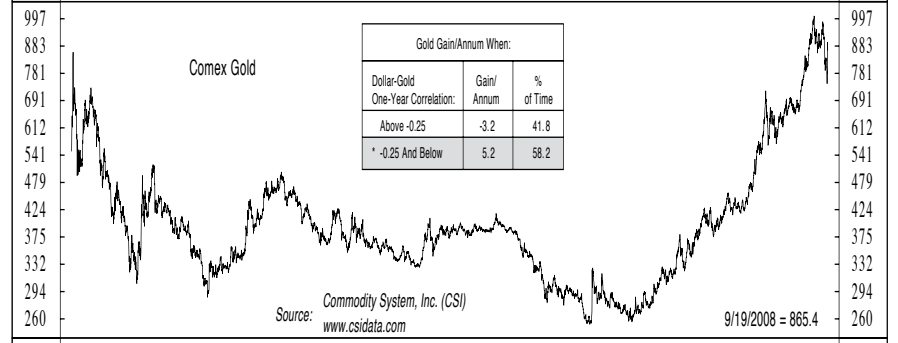
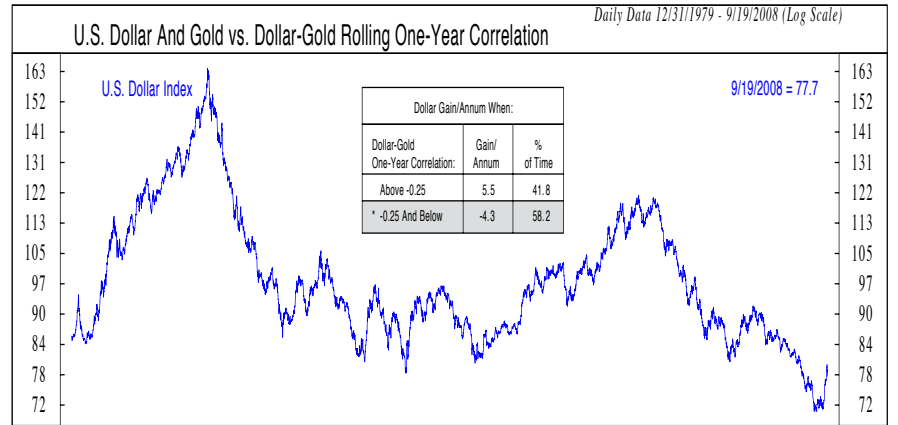
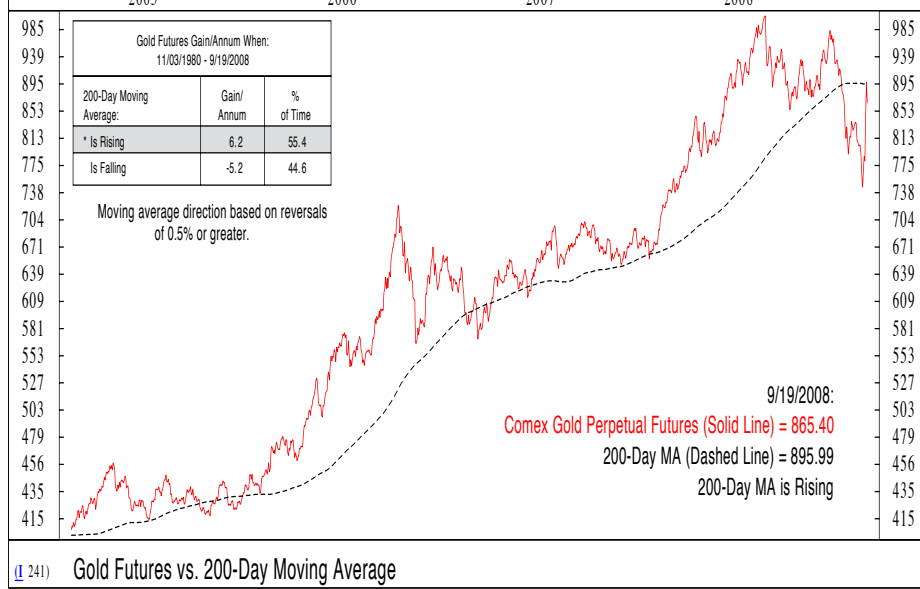
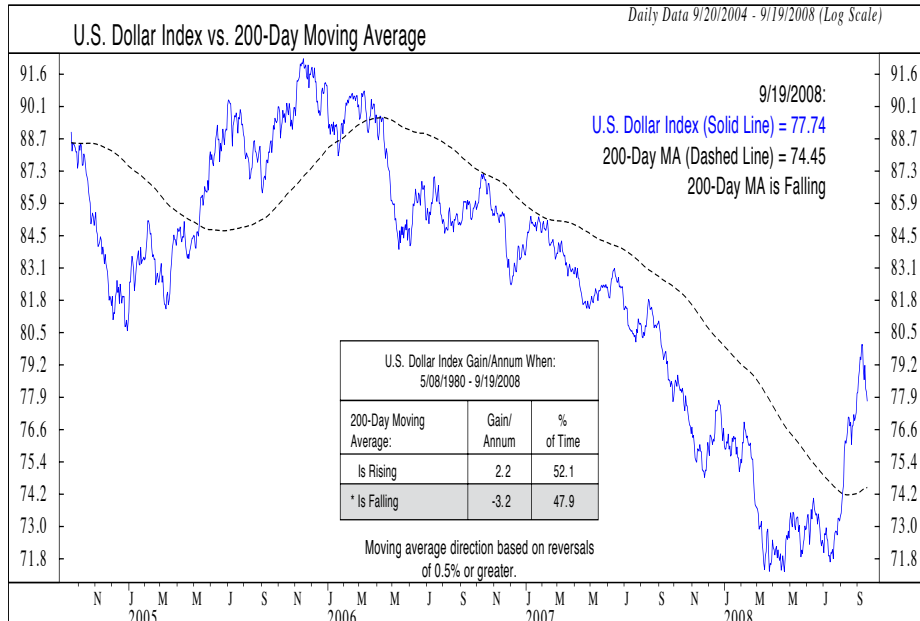


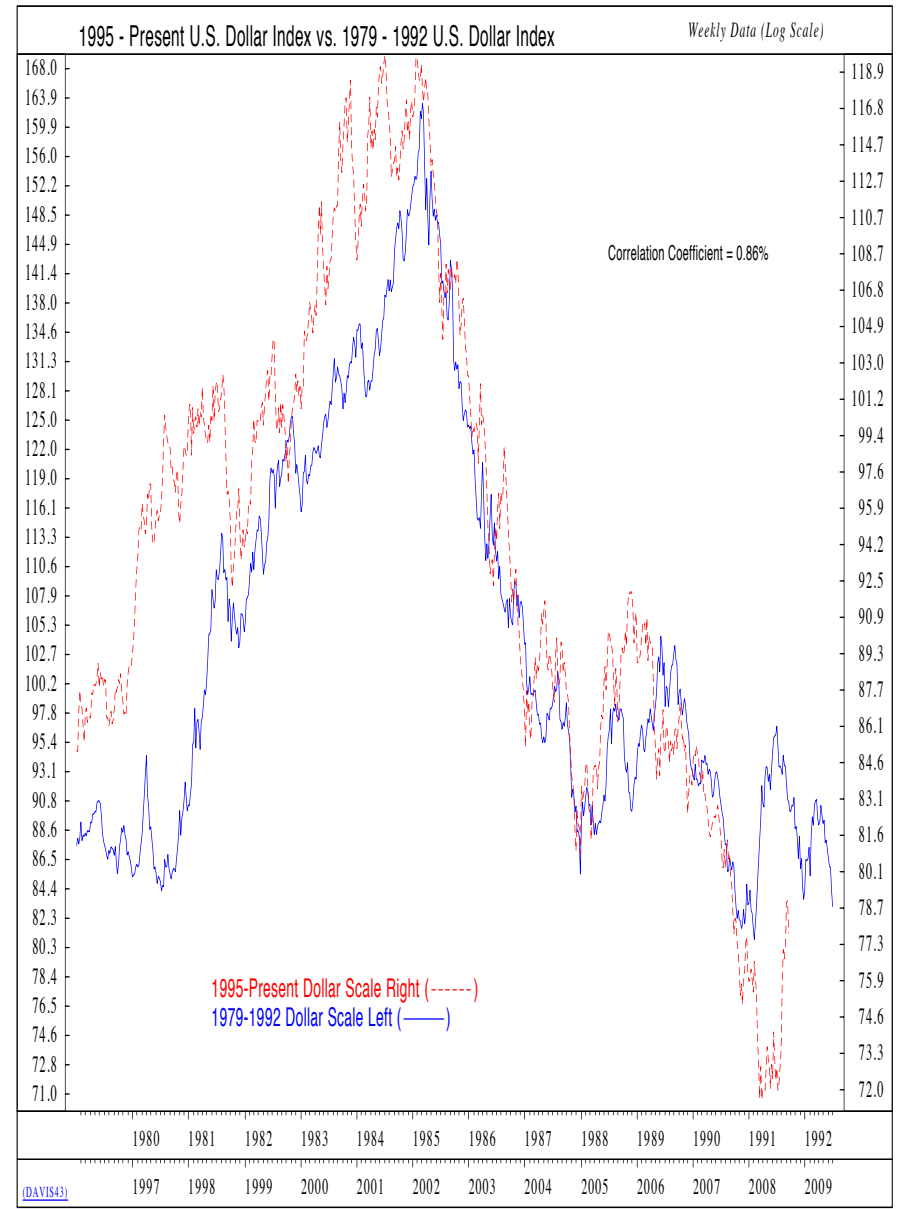
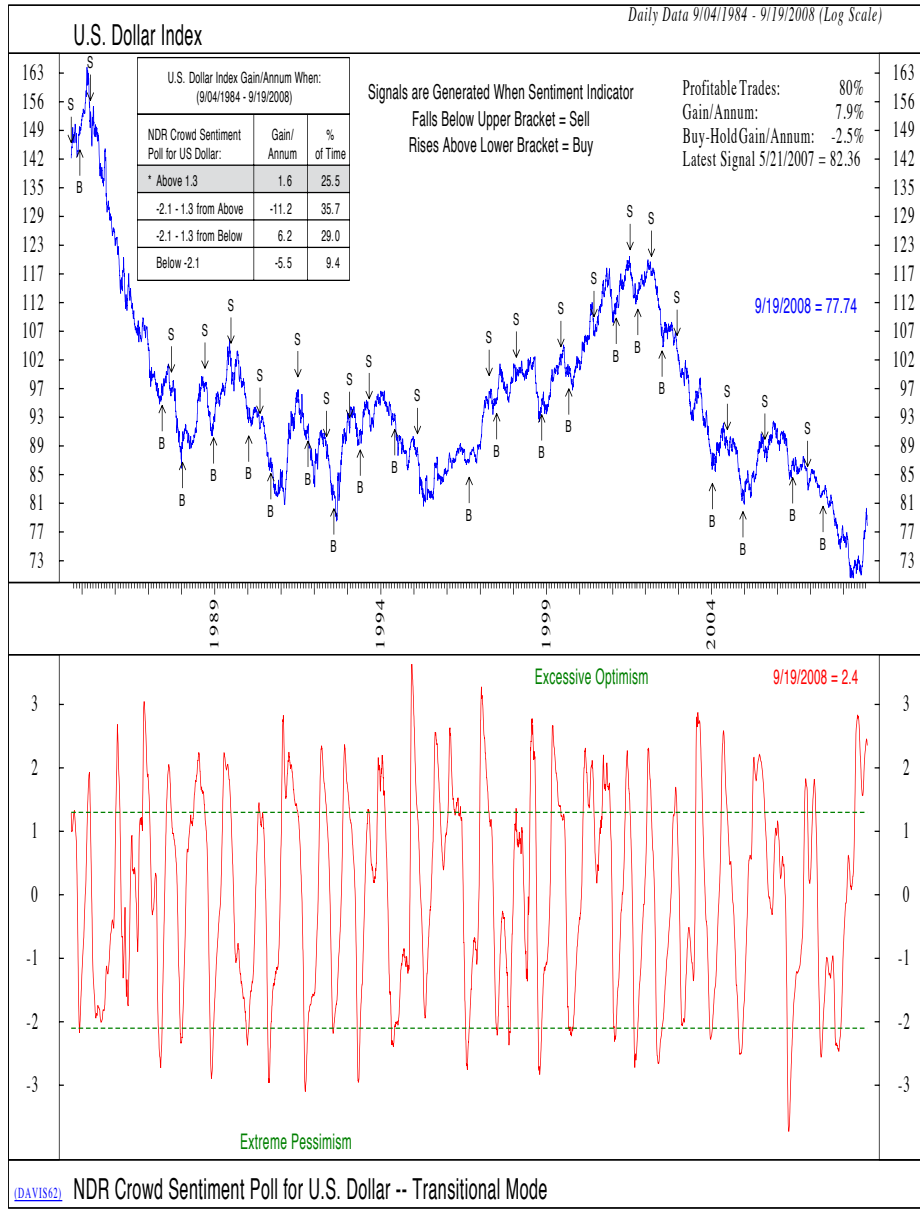
CURRENCY MARKET RELATIVE STRENGTH RANKING							
Rank	One Week Ago	Four Weeks Ago	Currency Market	Total Composite	Short-Term Model	Intermediate-Term Model	Long-Term Model
1	1	1	U.S. Dollar	69.81	50.00	94.44	65.00
2	2	2	Japanese Yen	63.19	83.33	50.00	56.25
3	5	7	Canadian Dollar	25.00	30.00	20.00	25.00
4	4	4	Australian Dollar	22.22	33.33	8.33	25.00
5	6	5	British Pound	19.58	40.00	0.00	18.75
6	3	3	Swedish Krona	18.61	33.33	10.00	12.50
7	7	6	Swiss Franc	16.67	25.00	0.00	25.00
8	8	8	Euro	0.00	0.00	0.00	0.00

Model readings represent the percentage of indicators in the model that are positive scaled from 0% to 100% (100% = all indicators positive); Total Composite is an arithmetic mean of the Short-Term, Intermediate-Term and Long-Term model readings; Model readings are linked to corresponding charts. For example, to access the Daily Euro Short-Term Model chart, click on the "Short-Term Model" reading for Euro.

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BIOGRAPHICAL SKETCH

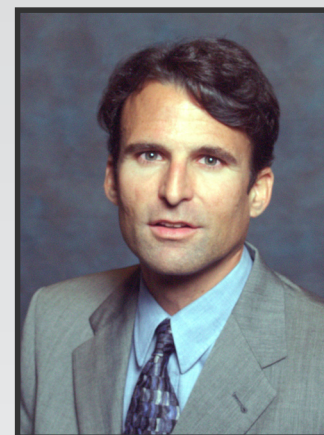
Timothy W. Hayes, CMT, is NDR's Chief Investment Strategist. Tim joined the firm in 1986 and currently heads up the firm's global and U.S. asset allocation services. He serves as Research Council coordinator and oversees NDR's quarterly *Investment Strategy*, writing sections on strategy, asset allocation, U.S. stock market and style allocation, and global allocation.

Tim writes the *Stock Market Focus*, which features top-down stock market perspective, quantitatively based analyses, asset allocation recommendations, and sector rankings. Tim also writes *Global Focus*, which focuses on the most significant global themes in addressing global asset allocation and the outlook for the world's various stock markets and global sectors. His team also produces a complementary *Global Chart of the Day*.

Tim is featured regularly on CNBC and Bloomberg TV, and his market commentary is often quoted in *The Wall Street Journal* and other financial media in the U.S. and globally.

He has written a book, *The Research-Driven Investor*, published in November 2000. He has contributed to several other books, and his research articles have appeared in the *Journal of Technical Analysis*, *Technical Analysis of Stocks and Commodities*, and other publications.

In 1996, Tim won the Charles H. Dow Award for groundbreaking research in technical analysis. Sponsored by Dow Jones Telerate, the Market Technicians Association, and *Barron's*, the award recognizes an outstanding original work that best expounds on the principles of technical analysis.



Timothy W. Hayes, CMT
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