2007 ANNUAL MARKET FORECAST (Completed before December 31, 2006)

PREFACE

Our forecasting technique utilizes George Lindsay's "Mirror Image" charts and several other research methods that provide data for predetermining market reversals and trends, often years before they occur. Some data may not become available until weeks or sometimes days before an event. We expect some of our predicted highs and lows to arrive slightly early or late. Consequently, we abide by the following important rule that helps us to avoid serious mistakes: "Do not make a decision about a forecasted market trend until all available relevant evidence becomes clear beyond any reasonable doubt."

We produced our first Annual Market Forecast in 1975. Over the years our directional predictions have been at least 75% accurate. Since, any long-term stock market forecast should be considered tentative, we advise clients to carefully read our periodic email/facsimile messages and TAP reports for more current and accurate details.

GENERAL COMMENTS and PRICE ESTIMATES

Notes: We may add to this list of General Comments and Price Estimates during the year. If we do so, then we will date then accordingly. Most of statements 1, 2, 3, 7 and 9 were previously published in our January 3rd, 2007 message to clients. Statement 6 was mentioned in our March 22nd, 2006 message to clients.

1. 2007 will yield a profit by year-end for investors, and it will also be a productive year for traders. Buying opportunities are likely near February and near July. We may not see a meaningful nor obvious intermediate-term correction until about midway through 2007, specifically, during May/June and early July with most of the weakness appearing in June. (Inspired by Mirror Image charts and Directional Indicators Analysis).

2. There may a be a high point of significance in early 2007, possibly as early as January 5th, but the evidence supporting this prediction stands alone. (Inspired by Counts from the Middle Section on the New York Stock Exchange Composite).

3. Most of the remaining gains of the current bull market might be realized by late 2007. The bull market will top in 2007 or 2008 – our best guess at this time is 2008. We are rarely theatrical when it comes to forecasting; however, some of our very long-term forecasting methods strongly suggest that 2007 will not be nearly as interesting as 2008 or 2009, such that the market during late 2008 or early 2009 will be amid a time zone where we can expect a severe bear market or stock market crash to unfold. The final low of a "Long" bear market is due in late 2009 or 2010 – our best guess at this time is 2010. (Inspired by Mirror Image charts, Directional Indicators Analysis, Price and Time analysis of Basic Advances and Basic Declines, the Long Intervals of History, other long-term George Lindsay methods, and our proprietary research).

4. Our "conservative" price targets for the current basic advancing period are 13,300 and 15,300 for the Dow Jones Industrial Average (DJIA). These are conservative estimates because, by comparison, the average ascent for a Basic Advance is a gain of about +71%. If +71% is added to the lows of 2005, then an average upside target equals around 17,000 to 17,300 for the DJIA. (Inspired by our estimate that the average DJIA bull market rises about +71%).

5. Time Comparison and Assumption: For several years we have been referring to the three-part ascent of 1932 to 1937 and comparing it with the ascent from 2002 to date. Another fairly similar three-part ascent was from 1982 to 1987. One of the important similarities of the two earlier completed ascents was that they were each visibly interrupted by a relatively minor descent. The ascent from 2002 to date has also been interrupted by a minor descent, and the third part of the three-part ascent seems to be in progress. If we assume that the current ascent will be three parts and last about as long as the earlier three-part ascents, then the end of the current three-part ascent is due around the second half of 2007 or the first half of 2008.

6. We would like to remind managers of a danger mentioned a long time ago by **George Lindsay**. He said, **"Disaster looms when a Basic Advance starts at the end of a Sideways Movement which lasts eleven months!"** This quote can be related currently to the Dow Jones Transportation Average (DJTA) and the DJIA. After fairly uninterrupted rallies from the 2003 lows, the DJTA and DJIA moved sideways eleven months between November 2004 and October 2005, and then resumed (or began a new) a strong, steady upward course. One of George's examples of this type of disaster was after the 1926 Sideways Movement, which led to a Basic Advance topping in 1929 and then, as we all know, a big disaster. (Note: We mentioned this concept in our 3/22/2006 message to clients.)

7. There is a 95% probability that the current bull market will end while displaying the basic shape of either a Three Peaks followed by Domed House (3PDH) pattern or a Domed House followed by Three Peaks (DH3P) pattern. It is possible that the beginning of such a pattern will be upon us before the middle of 2007. (Inspired by Three Peaks and Domed House analysis).

8. The NASDAQ may finally recover 50% of its previous bear market down trend during the present market ascent. (Inspired by Price analysis and Basic Advances and Basic Declines analysis).

9. Gold will test its 1980 all-time high of around 850, gaining more than +30% in the process. The mining companies will realize significantly larger gains. (Inspired by trend-line analysis).

DIRECTIONAL DETAILS

Note: Statements 1, 2 and 3 were previously published in our January 3rd, 2007 message to clients.

1. January will display a continuation of 2006's year-end expected choppiness. Specifically, early January strength will be quickly thwarted by some weakness, yielding a bumpy, sideways bottoming process into month-end.
2. Strength in late January will produce a rally into February that loses strength around mid-month.
3. Another bottom reversal is expected in early March. The subsequent rally may lose some strength near month-end.
4. April will contain early volatility but ultimately resolve upward and possibly sharply upward into month-end.
5. A high tide of sorts is expected during May that will ebb near month-end, leading into the year's most potentially obvious descent. There is currently no apparent strength expected between late May and early July.
6. A down-up-down pattern will define the shape of July as a low tide becomes apparent.
7. August will begin strongly as it ushers in the most difficult part of this year to directionally interpret. Our best guess is that a choppy ascent will be interrupted by some weakness between late September and the middle of October.
8. The market will strengthen during the final third of October.
9. Mild weakness will develop during the first half of November. There will be some strength around the weekend of November 17th. More weakness will begin near Thanksgiving, and continue into the first week of December.
10. December will be choppy and sideways with a down-up-down-up-down pattern into year-end.