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 messages, website postings and TAP reports for more current and accurate details.

- Our 36th Annual Market Forecast –

General Comments and Price Predictions (emailed to managers 1/20/2010)

History records that years like 2010, which end with the number "zero", are typically uninspiring or weak. Our research supports "initially uninspiring", so we predict the market will close somewhat higher by the end of the year. It logically follows that a simple approach for long-side players to beat the market would be to buy at times just after[1] we have forecasted weakness during 2010 (Areas of Weakness are listed below).

Broadly speaking, managers will have to be more active and alert during 2010 than they were last year, especially during the first seven or eight months of 2010.

2010 Buying opportunities

- will occur in late 2009 as previously projected,
- the first half of March 2010,
- near late April and early May,
- near mid July to very early August, and
- in late August and early September (especially early September).

2010 Areas of Weakness

(At the very least, this year the market will struggle, hesitate, or move sideways in the regions where only "Weak Readings" are present and no "Strong Readings" appear).

- Weakness will begin to become noticeable during the second half of January and especially during February.
- Starting no later than around mid May and lasting into late July is the most noticeable area of weakness for 2010.
- Mid August will bear minor weakness.
- Mid October will bear minor weakness.
- November appears to be moderately weak.
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[1] To clarify, **"buy at times just after we have forecasted weakness"** means, for example, if weakness is predicted to develop between May 22 and mid July, then managers should wait until after May 22 to actually see some weakness (perhaps a market loss of –5 % or greater), and then prepare to add to desirable long positions.

Directional Forecasting Comment
When the majority of forecasting data for a given year is finally completed, we can usually see with a glance whether the actual writing of the forecast will be easy and rhythmical, or complicated. **2010 has a large complicated section: March through May**. From our years of forecasting experience, we know that if a year's character is slated for a bull trend, then "Strong Readings" will be very important. If slated for a bear trend, then "Strong Readings" are important, but less so. There are 16 "Strong Readings" in March, April, and May 2010, making it the highest concentration of strength for the year. Conversely; but, perhaps of lesser importance, there are 18 or so "Weak Readings" surrounding this strength. If we are going to be surprised or witness a forecast gone temporarily awry, this time period bears a mark of unique possibilities. Our alertness during this time period, especially to clues from other methods, may help us to navigate more safely and accurately.

2010 "DIRECTIONAL" DETAILS (complete list for the year)

(On **July 31, 2009**, we emailed to clients this prediction:)
"1.) Our preliminary look at January 2010 prompts us to tie in the late December 2009 upward push with prominent, early January 2010 strength; so, late December 2009 is a potential intermediate-term buying opportunity."

(During the last trading week of 2009, we telephoned managers and basically expressed the following two directional items. Predictions one through four were emailed to managers January 20, 2010.)
"2.) January will begin strong due to ample "Strong Readings" lasting into around mid month. Minor weakness just before mid month will retard the strength, and then the second half of January will be choppier, possibly drifting upward more than downward.

3.) February on balance appears to contain mostly weak readings, and it will therefore be a down month. Note: The gap between "Strong Readings" from mid January until the last day in February is the second longest period this year without "Strong Readings", so managers should not 'throw caution to the wind' as the market enters February."

Note: We will consider the comments from July 2009 and the last week of 2009 to be part of our complete 2010 Annual Market Forecast's Directional Details, and we will record them as such.

4.) As the market enters March, a quick, double bottom will form. There will be minor weakness during the final third of the month with strength just before and after month end.

Directional Details numbers 5 through 10 were NOT emailed to managers on January 20, 2010 along with the first part of our forecast: They were hard copy mailed to managers during the week of March 15, 2010, and later emailed on June 29, 2010.

5.) The second half of April will be a very choppy market environment, but it will resolve quickly upward into the first few days of May.

6.) Market strength could be stunted as early as May 5th, although it is more likely to yield to weakness no later than May 22nd, 2010. From this point the longest gap between "Strong Readings" for 2010 begins, lasting until mid July. Market weakness will be initially pronounced, ebb around mid June, and then again be more noticeable around month end before culminating near mid to late July.

7.) The time span of mid July through early September is likely to resemble a bottoming process that is possibly somewhat ascending. Strength in late July and early August will be blocked by weakness during the middle third of August. A late August rally attempt will also meet some resistance at month end. While we favor an "ascending" bottoming process, the "Weak Readings" during August could make the price low develop in September – another reason for managers to be alert this year.

8.) September will be strong. The longest time span with no "Weak Readings" for 2010 is early September through October 11th. Brief weakness follows, but strength will resume during the second half of October.

9.) The old saying, "Buy the rumor and sell the news", seems to describe the strength we see up until just before the November 2nd election, after which some weakness will develop. The market will rally again at month end.

10.) December 2010 contains little data at this time from which to prognosticate; however we predict an up month. On or very near December 13th may later be known as an important high of some sort, but it is too soon to know with confidence. Assuming that the trend is still a noticeable bull market at the end of 2010, we believe 2011 has other plans – especially during the first half of that year.