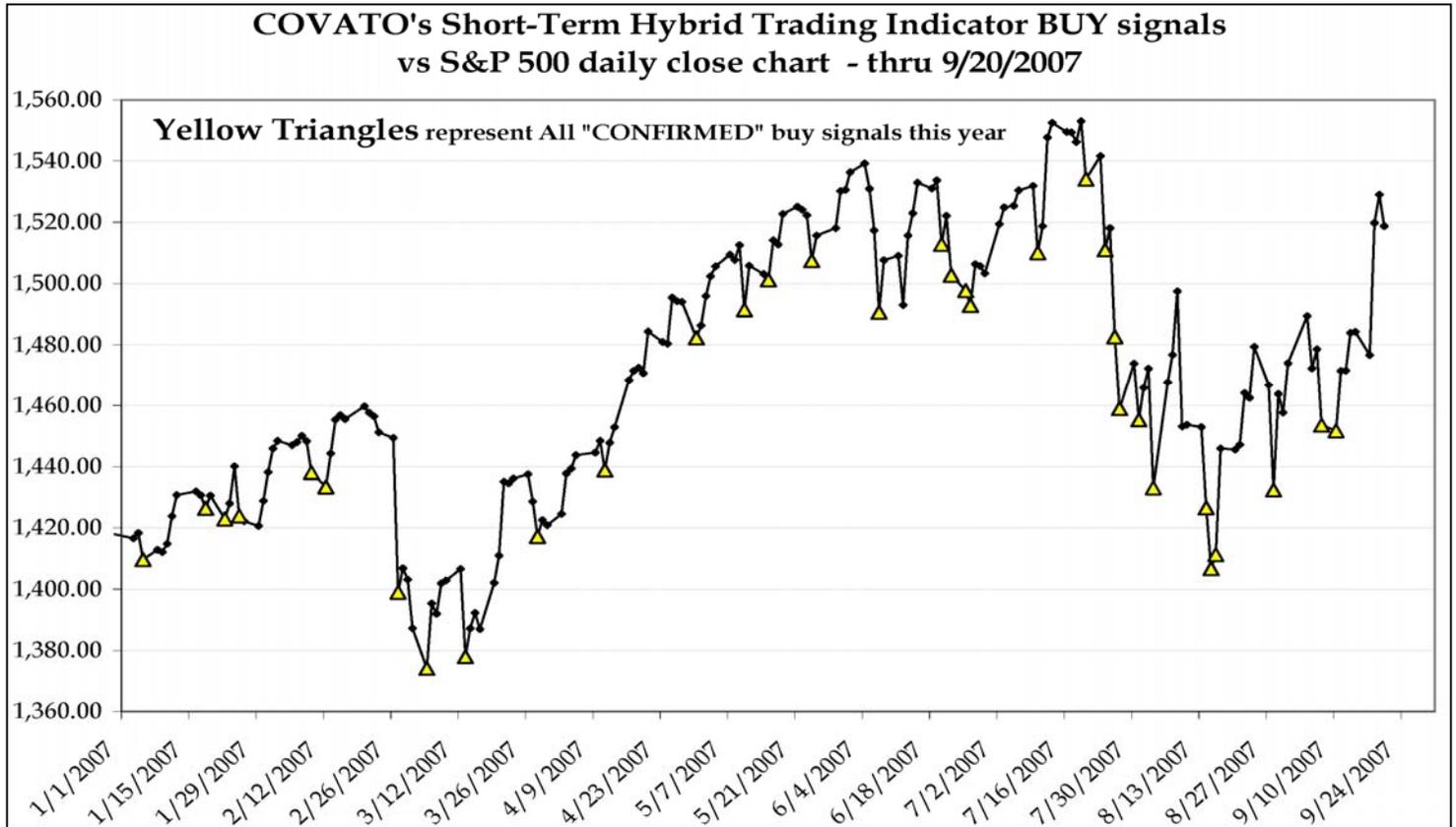


The short-term “Hybrid” Trading Indicator for short-term Traders (feature: BUY signals only)



The chart above represents ALL of COVATO’s “CONFIRMED” short-term “Hybrid” Trading Indicator BUY signals between 1/1/2007 and 9/20/2007. The BUY signals from this short-term trading system have been highly accurate and profitable. While this chart does NOT display COVATO’s Intermediate-Term Trend Ratings, which augment when and how aggressively to use the “Hybrid” Trading Indicator signals, we wanted managers to be able to visually isolate the valuable potential of the BUY signals alone. Even during the descending periods this year, the “Hybrid” Trading Indicator BUY signals typically produced at least one-day rallies creating a profitable opportunity for short-term traders. Occasionally at important short-term bottoms, two successive buy signals will develop and be confirmed, as was the case recently on 8/16 and 9/10. The result is almost always a multi-day ascent.

Managers should not confuse the “Hybrid” Trading Indicator with our Regular Trading Indicator, which we have been using since the 1960s; however, you should know that whenever both a “Hybrid” and a Regular Trading Indicator BUY signal develops, the result is expected to be even more reliable.

A “CONFIRMED” BUY signal is explained in the following simple sequence:

- 1.) On the Actual Signal Day (ASD), at about 3:45 p.m. E.S.T, an announcement is made regarding a developing BUY signal. Nimble traders are advised to take some action at that time. (More action can be taken the following morning, and some action upon confirmation of the signal.)
- 2.) The NYSE breadth reading is observed after the market closes, and double-checked against the breadth reading from the Wall Street Journal as soon as the data becomes available (that evening or the following morning).
- 3.) The following trading day, which is the Confirmation Day (CD), managers should watch the breadth for signs of improvement: This breadth improvement is required for a confirmed BUY signal. If confirmation is becoming obvious throughout the day and especially near the close, the signal should work very well.