

Chinese Cycles Outlook 2008

(7th January 2008)

The New Chinese Year of the Yang Earth Rat will start next February 4.

A brief recap of the predictions we made last year:
(see <http://www.ChineseCycles.com/pdf/year2007.pdf>)

While we didn't get the predicted down year for Nasdaq, I don't think that those who took our advise to stay out after April-May regret it. It has been very rough sailing in the second half of the year.

Our prediction for gold stocks panned out pretty well. Gold did stay flat in the first half, and ended the year up nicely.

Euro/Dollar did rise into summer, but kept going up where we had expected consolidation in the second half of the year. Not the best of predictions.

Our commodity pick Cotton did well.
It ended the year up by about 30%

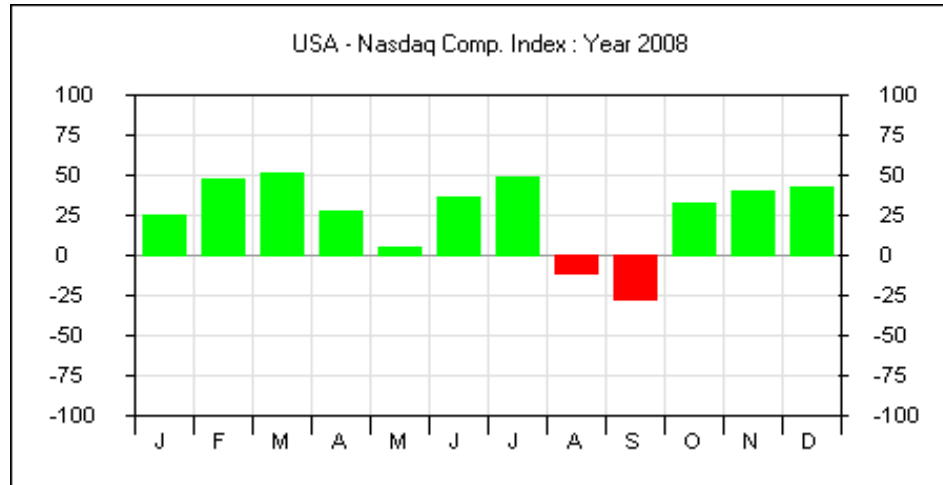
We also suggested to stay out of oil stocks. Which was easily the worst prediction one could make last year.
That's just to remind you that Chinese cycles are as fallible as anything else out there.

Overall perhaps not our best of years, but one could have easily done worse than this.

So now on to the crystal ball for 2008..

Predictions for 2008

Here is the Nasdaq prediction chart for 2008:



(Predictive chart made with FPF 1.1 software, available at <http://www.ChineseCycles.com/fpf.php>)

As you can see the prediction chart looks pretty green.

Both Earth and Water elements have historically been positive for the Nasdaq market, so in a year of Earth Rat the odds favor a rising market.

But where it will come from?

Well, if you look at a longer term chart, you can see that the Nasdaq already rose above the 2000 level back in the year 1998 And that was before the dotcom mania.

Now we are 10 years later and the Nasdaq trades near 2500, hardly above its level of 10 years ago.

Meanwhile, the size of the economy has nearly doubled over this period (in nominal GDP terms).

So that means the average Nasdaq stock is now about 50% cheaper than it was in 1998...

That doesn't mean things can't get worse before they get better, but for a patient investor current price levels are attractive, no matter what.

Just because a few people have problems to pay their mortgage or other debts, doesn't mean innovation stops.

We look for Nasdaq index to surprise to the upside, and climb towards 3500 by the end of 2008 or in early 2009.

Here is our rough prediction chart for Nasdaq in 2008:



Other markets:

Gold stocks: Probably putting in a peak right now. Next expect weakness into summer and a recovery of prices in autumn and winter. I have taken the profits here and am staying out of this market for now. Too risky.

Euro/US dollar: the Euro is probably close to a top as well. We may see another high for Euro by May, but look for the US dollar to start strengthening this year.

Commodity picks for 2008:

Cotton we already picked last year. Still looking very good for 2008, so we hold on to it..

Also looking strong for the next 2 years: Coffee.

Oil put us on the wrong foot last year, but still doesn't look good from the Chinese Cycles perspective. Oil may hold up till March, but don't be surprised if it crashes next, possibly all the way down to the \$50-60 area.

We regularly update our predictions via the blog on our site and the free monthly newsletter. See links at the bottom of this article.

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No experience in Chinese astrology is needed in order to use this program.

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