President's letter

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"FOOD FOR THOUGHT"

As you may be aware, I have recently expressed a note of caution with regard to equity prices and US interest rates. I have also suggested that investors consider diversifying a portion of their financial assets away from the traditional debt, equity and real estate markets.

Having never been much of a follower of technical analysis, a recent article caught my attention. Below I have "excerpted" portions of that article:

The stock market has been in a bull cycle since the October 2002 low. One of the more reliable cycles may be the four-year cycle, also known as the presidential cycle. This cycle falls in the middle of a presidential term and gets its name from its close correlation to the economic and political actions of a president in general. Historically, in the first couple years of a presidential term, the president attempts to initiate his policies and in the last two years he may pump money into the economy to make things appear good for the election. The four-year cycle has a history of accuracy, with some very significant bottoms such as 1974, 1982 and the recent bottom in 2002. The cycle is due to bottom in the fourth quarter of this year.

There is another meaningful cycle that may assist in pulling stock market prices down into this period. This was initially pointed out to me by cycle analyst Peter Eliades (www.stockmarketcycles.com). It is the 25-year cycle and has a remarkable history of significant lows. Beginning with the Panic of 1907, and followed 25 years later by the most significant low in US stock market history – the Great Depression low in 1932. This was followed by the low in 1982, which launched the bull market leading to the 2000 top. The next cycle low is due in early 2007 and could easily coincide with the four-year cycle low due in late 2006.

Just something to think about!

Thank you for your time.

Note: The views expressed above are those of Michael C. Jordan and not that of PICI. The material presented is based upon information believed to be accurate, but not guaranteed.