



GLOBAL EMERGING GROWTH CAPITAL

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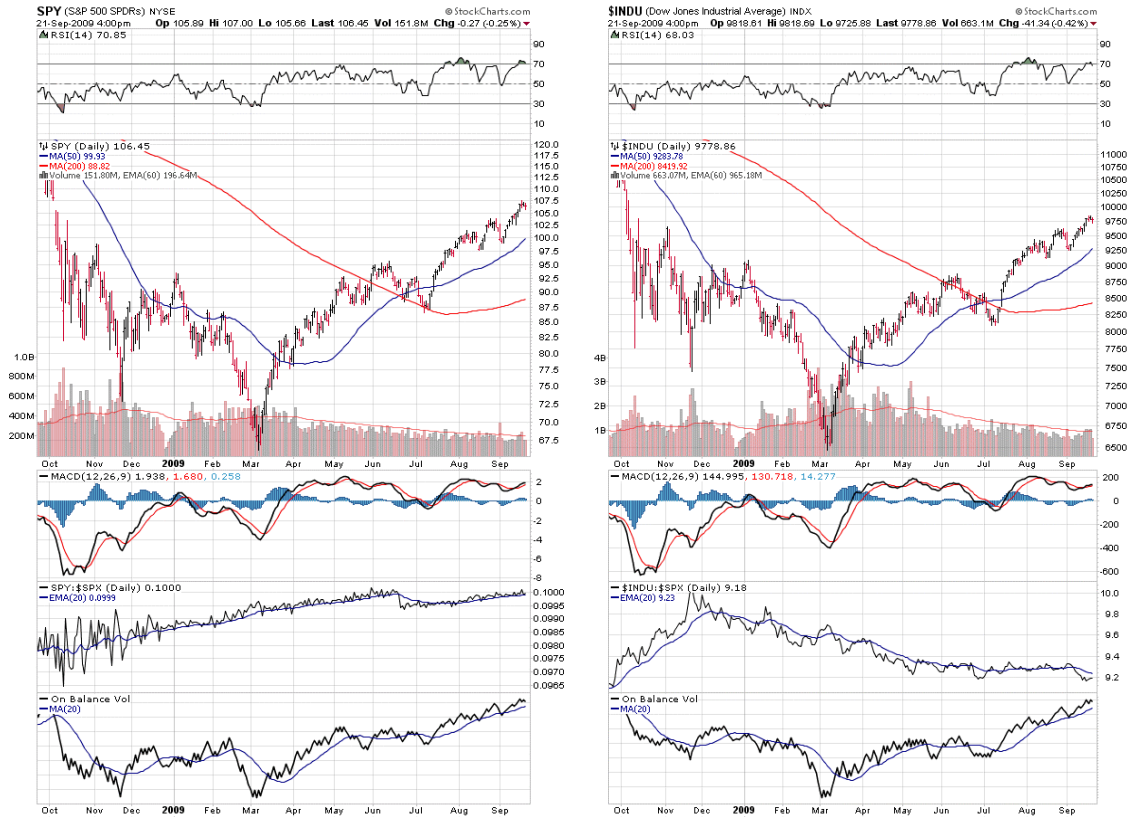
TECHNICAL OUTLOOK

GEGC is not tops down but stock oriented. Hence, I present a technical analysis approach for mostly the equity markets. Readers familiar with my prior reports can skip to the Market Outlook and Bottom Line sections below. With this report, I am leaving out much of my historical discussion as it has been repeated in my prior market outlooks.

Current Market- Since my June 28, 2007 report, I correctly forecasted that the market would top out near 14,000. I expected a drop to 10,000 and then the market would churn. I missed forecasting the even steeper swoon to sub-7000 in March 2009. The market sell-off was more severe than I expected due to the banking panic. However, a subsequent rally has left the market near the 9800, not too far from my original expectation. I expect the market to churn on its way to a lower close by year-end 2010 and thus yield lackluster results in the major averages. I expect the best sector to be the small and mid-cap stocks because of their good relative strength performance since 2000 and the March 2008 low.

I currently expect a rally to the early part of 2010 to 11,000, but first a market massacre in the fourth quarter of 2009 should cool off some of the growing speculation with a steep 10% drop. A subsequent rally to the 11,000 level would then be followed by erosion to 9000 by year end 2010. The stock market in the major averages has returned negative returns since 2000 and on top of that the weak dollar has eroded these results even more. This would indicate a generational bear market which should continue for many years. Gold's rise would indicate that the averages may hit new highs in the coming years, but only by the process of monetizing assets.

In order to evaluate the current Market Outlook below, I will review and comment on the main reasons.



Source: www.stockcharts.com

Main Reasons:

First, -- Post Bubble Hangover -- Excessive valuations in story ideas were and would be the big casualties for quite some time. This was true of Internet stocks in the late 90s and sub-prime investments a few years later. Investors have been conditioned into this thought. We have been in an emotionally controlled period for story ideas, especially since 9/11. This is a major problem as investors may not be receptive to market investing, but be very receptive to special cases, such as sub-prime. Eventually these special cases pollute the broad market averages. Investors are quick to run for cover when behavior traits of representativeness makes them associate problems in areas, such as, Chinese stocks, sub-prime lending, and private equity leverage as the start of new 1929 bear market. Thus, we had a large sell-off to March 2009 with a sub 7000 Dow. However, with massive government intervention that weakened the dollar, the markets climbed a Wall of Worry and many investors have missed the upwards rebound to almost 10,000. Thus, we have created the foundation for huge volatility swings which should distort the charts and economic policy.

Sector/Geographic Manias- Ironically, there was no place to get quick juicy returns as the EMBI and the junk market provided relatively low returns only too recently. Then, there was a feeling that the 2000 sell-off was only a memory, and a chase into seemingly lucrative areas, such as sub-prime, emerging markets and commodities would not show much downside risk. There was initially a healthy dose of skepticism on how long bandwagons would continue. However, sell-offs in these areas created a quick panic. This hot and cold attitude show further damage longer-term bull market prospects.



200-Day Trend Strong, and... OBV and MACD Strength- The current market shows that the NASDAQ, S&P 500 and the Dow are trading solidly above their 200-day moving averages. The 50-day moving averages are showing positive crossovers of the 200-day moving averages (see above charts). Also, the MACD made a positive divergence as recent average lows were not confirmed by the MACD. Likewise we have good OBV trends with confirmations of subsequent rally highs. This supports my idea of going to rebounding higher levels of 11,000 in the first quarter of 2010.

Other Bullish Signs- The bond market showed the true market capitulation by spiking in December 2008 in a bond price buying panic. Also, the TED spread was eased since that date. The bond price spike has created the fear and finally reversed my prior bearish outlook for debt-associated activities such as private equity lending. As I predicted, private equity returns got crushed but now is a good time to get back in.



Second, -- Sentiment Got Giddy – In late 2007 when we got negative on the market, bullish readings of Investors Intelligence bumped over 60% and then fell to under 20% in

the March 2009 lows. Current readings are very high near 80% and thus inviting the market massacre. Also, IPO parades in China and retail playing the trash and still distressed financials indicate a speculative tone in the market.

Third, -- Event Triggers -- The TV business programs and newspaper ads by financial institutions are showing a return to normalcy and government statistics indicate “Green Shoots” theories of economic rebound. This is leading to complacency and the return of more speculation in real estate REO buying.

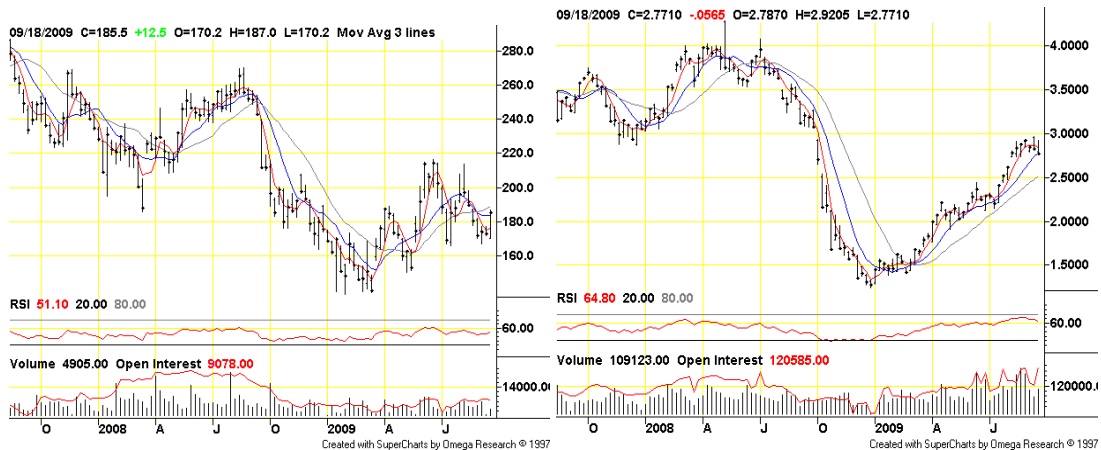
Fourth, -- Breadth Weak -- The Advanced-Decline trend for NYSE stocks is in an uprend. The NASDAQ and NYSE are above their moving averages, although RSI is showing a slight negative divergence and extremely overbought. This would support higher highs to 11,000 but with near-term market weakness. Hot money outflows that ignited the emerging, commodity markets, and alternative investments, have reversed as the prices of their assets have risen.



Fifth, -- Shadow Markets -- Parallel markets in real estate showed speculative tops. Feeding frenzies, as measured by multiple bids and gap bidding (above the market bids) made us cautious on real estate. Some real estate conferences had record turnouts, reminiscent of the Internet IPO road shows of the late 90s. Since we turned bearish on

real estate, homebuilder stocks have sharply corrected and the mood then changed to one of fear. Of more concern were the narrow margins on commercial debt over government paper and high REIT AFFO ratios. This indicated little credit concern and invited rampant speculation in the synthetic credit default instruments. The Zell Sell coincided with the crack in commercial real estate in the first quarter of 2007. Flippers are gone and so is the notion that real estate is a sure thing, not just in the US but globally. However, slow returns to speculation are coming back in the buying of distressed properties by speculators. Art heated up with contemporary art breaking records, a warning of upthe subsequent weakness. Recent large Wall Street layoffs which were only a memory a year ago, as the financial community was hiring aggressively (a bearish indicator) then changed with large layoffs. However, recent returns of Wall Street hirings with juicy up front bonuses indicates market caution.

On the commodity front, lumber and copper are off their bottoms and creating an uptrend, thus supporting a stock market rise. This would indicate that there is sufficient economic demand that would translate to acceptable GDP growth. However, the massive resistances of 2008 will pose a formidable challenge.



Market Outlook: -- Market Should Soon See a 10% Massacre before resuming its climb to 11,000 by early 2010. Then erosion to 9,000 by year end 2010. Small cap stocks should be the better performers.

I have benefited from calling the market rise to the 2000 top, and then properly calling a bear market until the fall of 2002. Becoming bullish near the 2002 bottom created good profits. Since then, I recommended in my June 2007 recommendation: *Nice Profits From the October 2002 Rally, But Raise Cash As Short Duration Debt Should Outperform the Market For the Remainder of 2007.*

Bottom Line- If one can stomach a possible steep correction, one should stay in for the ride to 11,000 by early 2010. Then, exiting the stock market would be recommended.

The Background section follows on the next page.

Background For new readers, this background gives a record of my prior market calls which have tended to be on the mark.

Down Market (Fall 1998)- When the market dipped to under 8000 during the Fall of 1998, I correctly predicted an upcoming **bull market**. I predicted a rally to a level of 10,000 in the first half of 1999. The Dow exceeded my target price but the broad market was approximately in line with expectations. Likewise, I correctly predicted the underperformance of small- cap stocks and emerging markets for the few years prior to their rally in 1999. I expected a resumption of their underperformance once the rally peaked, but felt they would participate in the rally as dead cat bounces.

Up Market (Summer 1999)- Upon the market hitting my upside target, I changed my view in the Summer of 1999 around Dow 10,500. I subsequently forecast a **bear market** starting around year- end 1999, whereby the market would eventually dip to a range of 8500-9000. The Nasdaq topped out in March 2000 and subsequently fell approximately 75% by July 2002 to 1200. The Dow and SP produced moderate losses with declines of about 1/3rd. The Dow actually undercut my estimate by reaching below 7400 in October 2002. This drop was below my dire forecast that was dismissed by technicians as being very unlikely. Small-cap stocks showed more moderate losses, helped by the better performing small-cap value stocks. All in all, market results showed a severe bear market trend and confirmed my Summer 1999 forecast which very few forecasted. In fact, I was among the very few to have correctly forecasted **both** the prior market rise and subsequent crash.

Up Market (Fall 2002) -Upon the market touching 8100 in September 2001, I changed my market opinion from Sell to Hold, as I expected the market to have bottomed. It subsequently made a lower low in October 2002, but quickly rebounded above my lower range in mid-October. However, at the time of my ratings change to Hold, I stated that I did not expect a resumption of the bull market until the end of 2002. I thus correctly forecasted a bull market in the Fall of 2002. The rally since October 2002 was on my target with the Dow topping 9300 during June 2003. In the summer of 2003, I expected the market to top out near the 9300 area, followed by a correction to near 8000, before a rally to new highs in the latter part of 2004. Here, my estimates were a bit off, although the general direction was on target.

In reinforcing my bullish outlook on the market, in May of 2006 I expected the market to reach new highs by year end of over 12,000. My expectation was a consolidating market for the remainder of 2007 with market perhaps topping out at 14,000, thus not showing much gain on a risk-adjusted basis from then current level of around 13,500.