GLOBAL EMERGING GROWTH CAPITAL

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TECHNICAL OUTLOOK

GEGC is not tops down but stock oriented. Hence I present a technical analytical 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 market outlooks of the past year.

Current Market- Since my June 28, 2007 report, I forecasted that the market would top out near 14,000 and then churn for the rest of the year. I continued to expect a sluggish market for most of 2008 and continued my churn market outlook by not changing my outlook. My market call was correct as the market topped out at Dow 14,200 in October 2007 and has since swooned to about 10,500 this month.

I currently expect a rally in the first half of 2009 to 13,000 after an expected bottom at approximately 10,000 in the near future. I therefore, have changed my cautious stance and recommend to Buy the market for an expected rally.

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, and this is good. 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. With so much quick religion, it is not likely that a bear market will begin so conveniently. This has helped control occasional bullish sentiment.

Sector/Geographic Manias- Ironically, there is no place to get quick juicy returns as the EMBI and the junk market have provided relatively narrow spreads only too recently. 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 does of skepticism on how long bandwagons would continue. However, sell-offs in these areas created a quick panic and thus cushioned the likelihood of a prolonged chance of a bear market.

200-Day Trend Weak, Sinister Head and Shoulder Downward Neckline, but… OBV and MACD Strength- The current market shows that the NASDAQ, S&P 500 and the Dow are trading solidly below their 200-day moving averages. The 50-day moving averages are still showing negative crossovers of the 200-day moving averages (see above charts). Also, the Dow made a downward sloping Head and Shoulders pattern with price objective of 11,200 that were even exceed on the downside. So why are we bullish for the first half of 2009? MACD is showing a positive divergence as its lows are not confirming the index lows. Also, OBV for the Dow and SPY are showing positive trends.

Other Bullish Signs- The bond market has erased its low spread complacency. TED spread is over 300 bps, credit is tight again, and credit spreads are relatively large again. Fear has gripped the debt markets, thus creating a bullish sentiment picture. The TLT has broken the resistance level of 97 and is above its 200-day line with a bullish Golden Cross. These trends reverse my prior bearish outlook for debt-associated activities such as private equity lending.

Second, -- *Sentiment Got Giddy* – After the market sell-off in the Fall of 1998, market sentiment got very cautious. Bull readings in Investors Intelligence dropped to around 30%, at support levels near 8000. Summer 1999 readings rose to 60%, a negative sign as the market flirted with the 11,000 level. At the lows of 2202 we had high bearish readings over 60%. In the Fall of 2007 when the market hit 14,200, bullish readings hit 60% indicating sentiment weakness. Current readings are much more subdued to just under 40%. Bears are near the mid-40s indicating fear, but not necessarily near- bottom capitulations. I expect to hit those levels soon with the bank problems hitting the news every day. Some shadow sentiment evidence improved, such as zero-yield dips on 3 month T-Bills, deleveraging hedge funds, dying private equity deals, and very tight credit standards.

Third, -- *Event Triggers* -- The TV business programs and newspaper ads by financial institutions are showing again caution and recommending prudence. Commercial real estate is now correcting via the $RMZ index, thus causing concern of this seeming oasis of real estate outperformance. Instead, we see another log on the bonfire of real estate meltdown experienced in homebuilding stocks and real estate debt paper evidence by meltdown of the CDS quotes. This is creating a good sentiment picture.

Fourth, -- *Breadth Weak* -- The Advanced-Decline trend for NYSE stocks is in a downtrend. The NASDAQ and NYSE are below moving averages, although RSI is showing a positive divergence. This would support near-term market weakness, but offer some hope of a coming turn for better market conditions. Hot money inflows that ignited the emerging, commodity markets, and alternative investments, have reversed causing opposite trends as their prices have plunged.

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 has changed to one of near 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. Art has heated up with contemporary art breaking records, a warning of upcoming weakness. Recent large Wall Street layoffs which were a only a memory a year ago, as the financial community was hiring aggressively (a bearish indicator) has now changed. Layoffs are climbing and premium restaurants are accepting near-term bookings on short notice. This further indicates good sentiment.

On the commodity front, lumber is holding up off the 200 bottom. Copper is also holding above prior recent lows and above the 3 level. This would indicate that there is sufficient economic demand that would translate to acceptable GDP growth.

Market Outlook: -- *Market Should Bottom in the Fourth Quarter of 2008 and Gradual Buying Into the Market is Recommended. I Expect the Market To hit 13,000 in the First Half of 2009*

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- Now is the time to gradually start investing into the stock market around the 10, 800 level. Higher prices are expected into the first half of 2009.

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 (Fall1998)- 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.