

Market Timing

Hey they caught one of the Bad Guys!!

Since our buy signal on April 25th of 2003, the indices have registered some impressive gains, (29.7%) for the International Index, (16%) for the S&P 500, (29.5%) for the NASDAQ 100 and (19%) for the TSE 300.

December and January tend to be good market months, notwithstanding the impact of tax loss selling. What keeps us cautious here is that while the September- October period is usually poor, in 2003 it has turned out to be the strongest performance months of the year. This coupled with the fact that most indices are registering overbought or near-overbought readings on our model, suggests that corrections may not be too far off. We are not putting new money into equities at this point. That said we are still more than 2 weeks away from a possible sell signal on the International Index (EFA), and three weeks away on the other major indices we follow.

If we do receive a sell signal we will execute and let you know once it is done.

We certainly hope that a Santa Claus rally follows. However, as you know, we do not manage your money on hunches or the speculation of hopes.

There has been lots of banter among talking heads on the significance of catching Saddam and, as always, it is hard to get a consensus view. Like any election or survey, one cannot tell the actual outcome of an event until all of the candidates have voted and results have been tabulated. We continue to monitor each week the impact that geopolitical events have on the market and how this information affects the assets we hold. We will monitor the flow of money into and out of the markets to see



Cory Venable CFP, CIM, FCSI
Technical Market Analyst



Danielle Park LL.B., CFP, CFA
Associate Portfolio Manager

J.C. HOOD INVESTMENT COUNSEL INC.



33 Clapperton St.
Barrie ON L4M 3E6
Tel: (705) 792-3991
Toll Free: 866-792-3991
Fax: (705) 792-3992

whether the tide is coming in or going out, and react according to our discipline.

Some have been griping that the capture of Saddam is insignificant because the real bad guy Bin Laden, is still on the loose. It seems to us that catching one of the bad guys is much better than catching none. And for this we should be grateful, and the world just a little bit brighter.

Here is to a great year in 2004, where although we shall be older, we shall also be wiser.

Have a Great Holiday Season, and cherish your loved ones every day.

p.s. We are enclosing an article from the Wall Street Journal that reports how a very famous Investment Strategist named Peter Bernstein, shocked a group of Wall Street gurus this summer when he advocated the importance of "market timing." Just so you know, we are not the only ones who have decided it is imperative for us to not just buy and hold.

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