

# PHASES & CYCLES<sup>®</sup>

## “What the charts said” in 2009

Ron Meisels and Monica Rizk contribute to “What the charts say” publication in the Saturday edition of the Globe and Mail. This is a summary of these reports, from the first report on January 3<sup>rd</sup> to the last one on December 26<sup>th</sup>. We waited until February 23<sup>rd</sup>, 2010 to let even the latest reports gain some history (which actually hindered the performance since the markets closed down since January 2010 by 1.9% in Toronto and by 1.8% in New York) and calculated the results using the closing prices of that date.

North American markets had a volatile action in 2009. The S&P 500 Index began the year at 902.99, sold off to a closing low of 682.55 on March 5<sup>th</sup> and ended the year at 1115.10 for a 63.4% gain from the March low and a 23.4% gain for the year. At the same time the S&P/TSX Index began the year at 8988, had a March low of 7567 and a closing value of 11746 for a 55.2% gain since the low and a 30.7% gain for the year.

We submitted 52 reports during the year (usually three weeks after our clients received them) of which 34 closed higher and 18 closed lower on February 23, 2010, for a **success ratio of 65.4%** and a **Total Gain of 627%** (see Table below). Fifteen of these positions were stopped out in the early part of 2009 as markets declined, but with the exception of four: Bristol-Myers Squibb, Alaska Air, Richmond Mines and Family Dollar Stores (all of which eventually moved higher), this was the right strategy at that time, to cut losses.

Although a 65.4% success ratio is pretty good, it hides the fact that those 18 negative results were all closed out with small losses, the largest of which was only 10.8%. This illustrates the importance of using stop-loss orders in falling markets. On the other hand, most of the gains were “let run” for an average gain of 21.4% and an **average gain for all positions of 12.1%**.

The statistics on the next page show that Richmond Mines declined 10.8%, Kirkland Lake Gold fell 10.7% and URS Corp. lost 9.4%. The first two were a great surprise since gold stocks did extremely well during 2009.

The statistics also show that the three best results were Red Back Mining at an amazing 87.3%; Imax at 68.0% and Alamos Gold at 65.0%. The latter was published in January and not only stayed in the running for the whole year, but still has higher targets. The first and the last of these stocks are in the Gold Sector (which points out the importance of stock selection – see above), and the second, and most of the other big performers, come from a large variety of Sectors, such as Consumer Discretionary (Canadian Tire ‘A’, Home Depot, Quebecor ‘b’), Consumer Staples (Jean Coutu ‘A’, Coca Cola), Energy (Peabody Energy, Baker Hughes); Financials (Brookfield Asset Mgmt); Health Care (Watson); Industrials (Toromont, SNC Lavalin) and Materials (Corriente Resources, IAMGold), etc.

All in all, an excellent performance for a difficult year.

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|-----------------------------------|
| <b><u>TOTAL GAINS = 627 %</u></b> |
| <b>Total positions = 52</b>       |
| <b># of positive results = 34</b> |
| <b># of negative results = 18</b> |
| <b>Success Ratio = 65.4%</b>      |
| <b>Average Gain = 12.1%</b>       |
| <b>Best result = 87.3%</b>        |
| <b>Worst result = -10.8%</b>      |

| <u>STOCK</u>           |         | <u>Publication</u> |       |             | Price | Closed | Gain/ |
|------------------------|---------|--------------------|-------|-------------|-------|--------|-------|
| NAME                   | Symbol  | Date               | Price | Headline    | (*)   | out    | Loss  |
| Red Back Mining        | RBI     | 01-Aug             | 10.01 | BUY         | 18.75 | -      | 87%   |
| IMAX                   | IMX     | 20-Jun             | 8.21  | BUY         | 13.79 | -      | 68%   |
| Alamos Gold            | AGI     | 10-Jan             | 7.52  | BUY         | 12.41 | -      | 65%   |
| Brookfield Asset Mgmt  | BAM.A   | 21-Mar             | 15.93 | BUY         | 24.17 | -      | 52%   |
| IAMGold                | IMG     | 07-Mar             | 9.90  | BUY         | 14.62 | -      | 48%   |
| Home Depot             | HD(n)   | 23-May             | 22.86 | BUY         | 30.75 | -      | 35%   |
| 99 Cents Only Stores   | NDN(n)  | 15-Aug             | 13.00 | BUY         | 16.55 | -      | 27%   |
| Jean Coutu Group       | PJC.A   | 28-Mar             | 7.75  | BUY         | 9.75  | -      | 26%   |
| Peabody Energy         | BTU(n)  | 13-Jun             | 35.66 | BUY         | 44.83 | -      | 26%   |
| Carter's               | CRI(n)  | 11-Jul             | 22.71 | BUY         | 28.37 | -      | 25%   |
| Corriente Resources    | CTQ     | 25-Apr             | 7.00  | BUY         | 8.60  | -      | 23%   |
| Northrop Grumman       | NOC(n)  | 31-Oct             | 50.13 | BUY         | 61.24 | -      | 22%   |
| Lennar                 | LEN(n)  | 26-Dec             | 13.36 | BUY         | 16.28 | -      | 22%   |
| Canadian Tire 'a'      | CTC.A   | 16-May             | 46.72 | BUY         | 51.99 | 55.80  | 19%   |
| Watson Pharmaceuticals | WPI(n)  | 04-Jul             | 33.18 | BUY         | 38.98 | -      | 17%   |
| Toromont Industries    | TIH     | 19-Dec             | 26.07 | BUY         | 30.05 | -      | 15%   |
| McCormick & Co.        | MKC(n)  | 29-Aug             | 32.33 | BUY         | 37.15 | -      | 15%   |
| World Fuel Services    | INT(n)  | 25-Jul             | 20.71 | BUY         | 23.66 | -      | 14%   |
| Coca-Cola Co.          | KO(n)   | 27-Jun             | 48.13 | BUY         | 54.83 | -      | 14%   |
| Quebecor 'b'           | QBR.B   | 26-Sep             | 25.23 | BUY         | 28.70 | -      | 14%   |
| Atco                   | ACO.X   | 10-Oct             | 43.10 | BUY         | 49.01 | -      | 14%   |
| SNC Lavalin            | SNC     | 18-Jul             | 44.08 | BUY         | 49.90 | -      | 13%   |
| Baker Hughes           | BHI(n)  | 24-Oct             | 43.07 | BUY         | 47.06 | -      | 9%    |
| Suncor Energy          | SU      | 11-Apr             | 32.00 | BUY         | 30.85 | 34.80  | 9%    |
| Gammon Gold            | GAM     | 06-Jun             | 9.46  | BUY         | 10.14 | -      | 7%    |
| Astral Media           | ACM.A   | 19-Sep             | 32.37 | BUY         | 34.60 | -      | 7%    |
| Sherwin Williams       | SHW(n)  | 21-Nov             | 59.94 | BUY         | 63.77 | -      | 6%    |
| Pepsico                | PEP(n)  | 12-Sep             | 58.68 | BUY         | 61.78 | -      | 5%    |
| Eldorado Gold          | ELD     | 05-Sep             | 12.22 | BUY         | 12.86 | -      | 5%    |
| Emera                  | EMA     | 17-Jan             | 22.72 | BUY         | 23.87 | -      | 5%    |
| Kennametal             | KMT(n)  | 14-Nov             | 24.58 | BUY         | 25.78 | -      | 5%    |
| Valspar                | VAL(n)  | 03-Oct             | 26.47 | BUY         | 27.38 | -      | 3%    |
| Sensient Technologies  | SXT(n)  | 12-Dec             | 25.60 | BUY         | 26.36 | -      | 3%    |
| Southwestern Energy    | SWN(n)  | 09-May             | 41.32 | BUY         | 42.49 | -      | 3%    |
| Goldcorp               | G       | 17-Oct             | 44.03 | BUY         | 38.45 | 43.80  | -1%   |
| Hershey                | HSY(n)  | 22-Aug             | 39.66 | BUY         | 39.26 | -      | -1%   |
| Baxter Int'l           | BAX(n)  | 14-Mar             | 51.16 | <b>SELL</b> | 56.96 | 52.20  | -2%   |
| NTT Docomo             | DCM(n)  | 31-Jan             | 17.22 | BUY         | 15.42 | 16.80  | -2%   |
| Newmont Mining         | NMC     | 07-Feb             | 50.82 | BUY         | 49.23 | -      | -3%   |
| Haemonetics            | HAE(n)  | 14-Feb             | 61.01 | BUY         | 53.60 | 58.80  | -4%   |
| Gerdau Ameristeel      | GNA     | 07-Nov             | 8.40  | BUY         | 8.01  | -      | -5%   |
| Alaska Air Group       | ALK(n)  | 28-Feb             | 21.91 | BUY         | 34.92 | 20.80  | -5%   |
| Family Dollar Stores   | FDO(n)  | 30-May             | 30.46 | BUY         | 32.36 | 28.80  | -5%   |
| Imperial Oil           | IMO     | 18-Apr             | 45.44 | BUY         | 39.35 | 42.80  | -6%   |
| Agnico Eagle Mines     | AEM     | 21-Feb             | 68.46 | BUY         | 58.54 | 63.80  | -7%   |
| Royal Gold             | RGLD(o) | 03-Jan             | 47.96 | BUY         | 44.64 | -      | -7%   |
| Bristol-Myers Squibb   | BMY(n)  | 24-Jan             | 22.39 | BUY         | 24.44 | 20.80  | -7%   |
| Suncor Energy          | SU      | 05-Dec             | 37.91 | BUY         | 30.85 | 34.80  | -8%   |
| Rogers Communications  | RCI.B   | 04-Apr             | 28.74 | <b>SELL</b> | 34.17 | 31.20  | -9%   |
| URS Corp.              | URS(n)  | 08-Aug             | 51.00 | BUY         | 46.20 | -      | -9%   |
| Kirkland Lake Gold     | KGI     | 28-Nov             | 10.30 | BUY         | 6.90  | 9.20   | -11%  |
| Richmont Mines         | RIC     | 02-May             | 4.26  | BUY         | 4.31  | 3.80   | -11%  |

(n) listed in New York (o) listed on NASDAQ

\* Price on February 23, 2010