



BLACKMONT

CAPITAL™

Why Financial Air Raids are about to start...

Wednesday, March 14, 2007

We have been having fun since the beginning of the year with the analogy of dancing on the Titanic. We are on record for holding 40% cash since the start of the New Year. We quickly recognized that problems were accumulating. We waited for the right time to write our essay Big speculators... are they about to hurt you. We decided to submit the work to Barron's on the 8th of February. We never hoped to make the top of the pile but are quite content with the exercise. We then proceeded to the translation for our internet site and posted the work on the 19th. The top was made and we are hopeful that we will get full credit for calling the top.

What top are you asking? The top of the liquidity mountain! The essay we did points to recognizing a structural problem as opposed to an economic problem. This is one of the reasons we went long Yen at the bottom. We were looking at the initial tipping point related to the Japanese currency in the whole financial arrangement. We did get the tipping point. It came from the Pacific Coast in the form of very intense seismic activity on the Cascadia's fault line 3 weeks prior to the top. The initial leg down in the Dow is clearly that of a 5 wave structure. The counter trend is also very well defined as a zig zag. It did hit the top of the corresponding 4 wave. We are now faced with a 3 wave down or a C wave.

By doing thrust analysis what we found was that this first move being equivalent to the drop in the spring has generated 20% of comparable anxiety. To hit bottom we need to see 100% thrust. We favor that this wave is wave 3 of a larger correction labeled A. Our analysis of flows positioning and velocity speeds forces you to adjust your wave count prior to the move. We find we have better success in the wave count if at post priori you adjust for those elements. Let me give you an example. The sudden gains of gold to \$ 690 generated a strong thrust signal. I was convinced that this particular wave was a 3rd wave that would carry to \$760. I quickly reassessed the count knowing well that it made the move continuation not likely. We sold accordingly and rewrote the count for a series of 1, 2 waves. Wave 3 would therefore lie ahead with an \$800 target.

I am a perennial bull when it comes to things that go up. I believe one way of being naturally short stocks is to be long "things". Preferably Oil, Gold & Yen. In our essay we pointed at the carry trade as culprit. There are of course more problems to come. This is what we will find out in the "price discovery". The Yen will take time to unwind. Especially given how fashionable it had become for Japanese investors buying Uridashis. At the point of recognition we will still have another 50% move to unwind the trade. It is exactly at the time of maximum anxiety that investors will repatriate funds invested overseas. This could become an enormous problem for all markets. Confidence cycle analysis points down to 2011. Of course derivatives are another bomb waiting to be dropped.

Stay tuned we will hear next the cargo plane door's open

— Yves Lamoureux, Investment Advisor, Blackmont Capital Inc.
Host of the show Lamoureux des Finances, writer and regular media commentator

The opinions contained in this newsletter are those of the author and are not necessarily those of Blackmont Capital Inc. Every effort has been made to ensure that the contents of this document have been compiled or derived from sources believed to be reliable and contains information and opinions which are accurate and complete. However, neither the author nor BCI makes any representation or warranty, expressed or implied, in respect thereof, or takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. This report is not to be construed as an offer to sell or a solicitation for or an offer to buy any securities. BCI is an independently owned subsidiary of CI Financial Income Fund. CI Financial is a Canadian owned diversified wealth management firm, publicly traded on the TSX under the symbol CIX.UN. Blackmont Capital Inc. is a member of CIPF and IDA.