

# EPIC INSIGHTS

Midweek Commentary

A PUBLICATION of EPIC ADVISORS, LLC

December 9, 2009

With most things in life, perspective is key. The size and speed of incoming waves seem much different depending upon where you're standing. What may appear to be a small ripple to someone watching from hundreds of feet away could be ominous to a person standing in the water awaiting the crash of the surf.

The same principle applies to the stock market. The U.S.-based investor who focuses solely on domestic markets has a much different point of view than the diversified investor who trades across multiple instruments and countries.

On November 11, the Dow Jones Industrial Average (Dow) closed at 10,291 and 65% of stocks on the NYSE traded above their 50-day moving averages (MA). Today, the Dow closed at 10,337 and 63% of stocks on the NYSE trade above their 50-day MAs. In a market dominated by short-term traders who react to each piece of new information, the one-month view offers only static boredom.

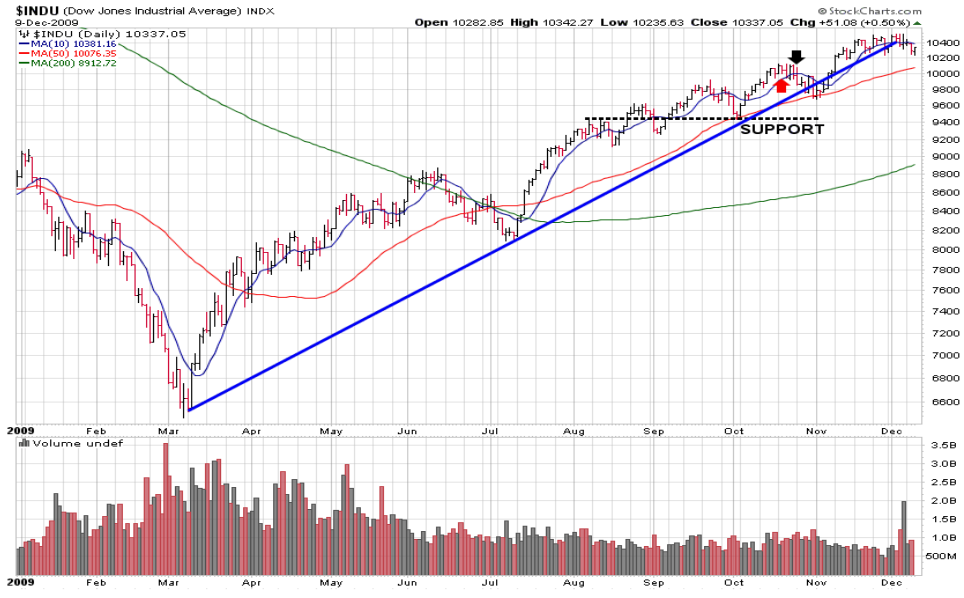
However, expand your perspective and the picture becomes clearer. During this same time frame, the EPIC Index (EPIC) offers a more diversified view of the markets and has registered a slight gain. While the uptrend since early March has been tested by recent weakness, the bullish trend remains intact.

Further broadening our perspective to the currency and commodity markets, the U.S dollar index is rebounding from recent lows. A rare weekly reversal (black arrow) sets the stage for a renewed move higher that could drive the dollar up nearly 6% over the coming weeks.

As would be expected, the strength in the dollar has taken its toll on hard assets, with both oil and gold suffering large setbacks. Oil has now taken on a very bearish trading pattern. If \$70 per barrel does not hold, look for oil to trade toward \$65 and the oil/gold ratio to approach 17.

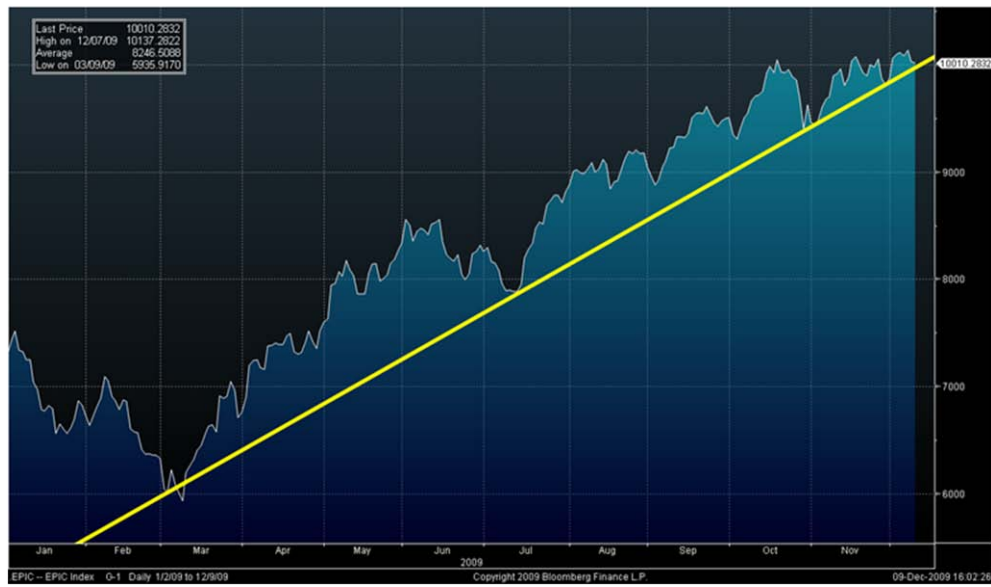
When gauging the market's recent performance and developing a prediction of what is to come, it is important to consider the proper data points without muddling over an overwhelming amount of detail. Looking across markets, I expect the dollar to continue rallying, which should result in pressure on commodities. A recent directional trade that has worked for many is long stocks versus short dollar. While I remain bullish on equities and believe prices will continue higher, we must watch to see whether this recent relationship will retain its power or change. With EPIC still above its uptrend I will keep my equity exposure intact. However, when markets change so must we, and those who are quick to acknowledge new developments and alter their portfolios will prosper.

### Dow Jones Industrial Average January 2009 - December 2009



Source: Stockcharts.com

### EPIC Index January 2009 - December 2009



Source: EPIC Advisors, LLC

### U.S. Dollar Index April 2008 - December 2009



Source: Stockcharts.com

### Oil March 2009 - December 2009



Source: Stockcharts.com

### Gold December 2008 - December 2009



Source: Stockcharts.com