

GETTING TECHNICAL

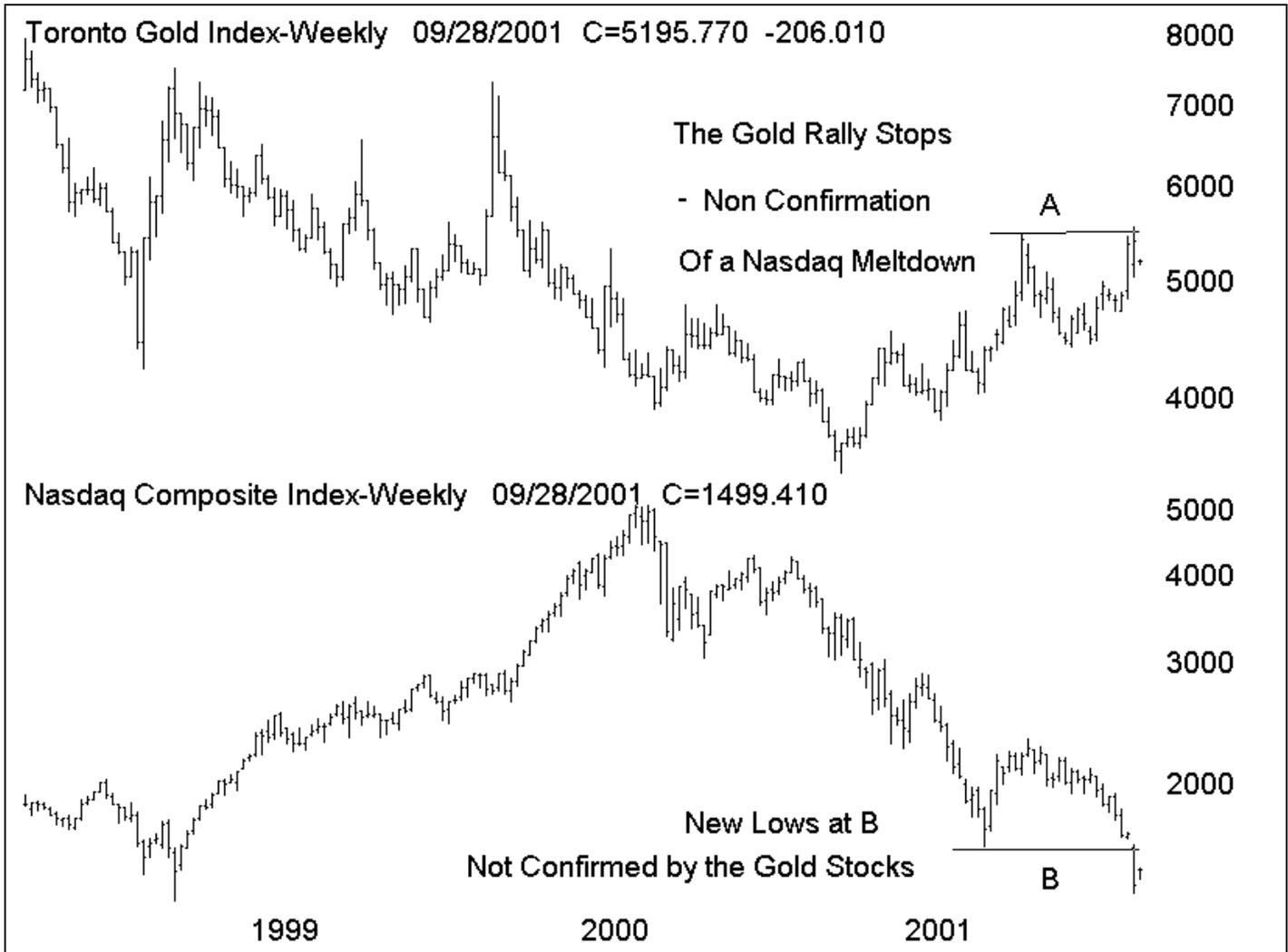
Professional Market Technicians

Editor Bill Carrigan

BI-WEEKLY UPDATE
September 24, 2001 GT1071

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TSE300 6662

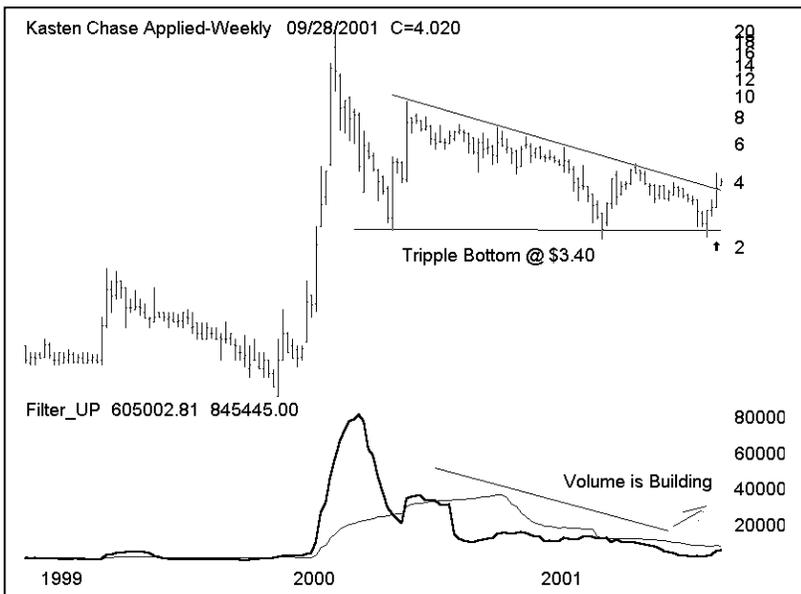
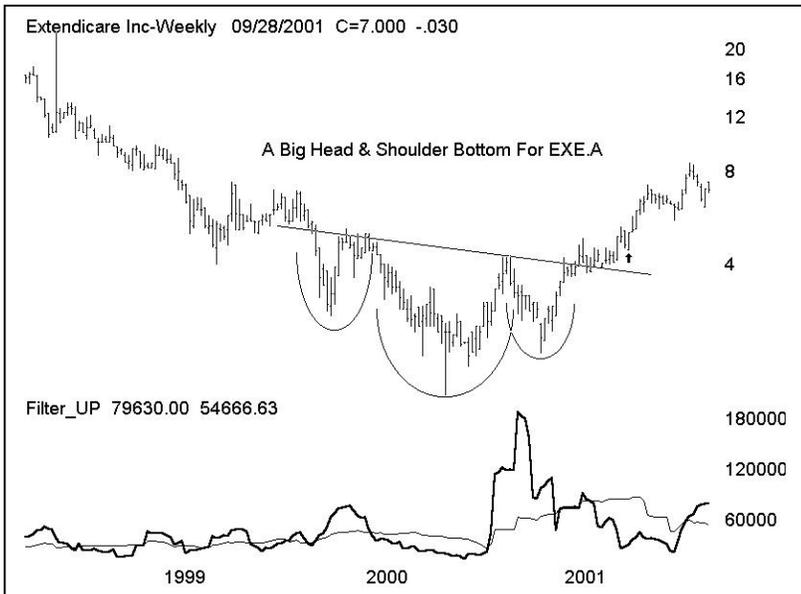
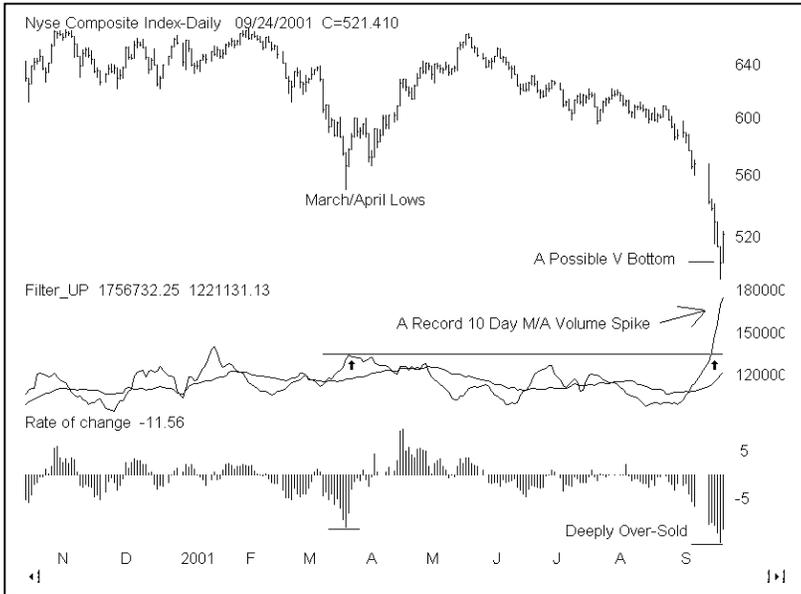
The TSE Gold & Precious Minerals Index signals a short term sell...



The **TSE Gold & Precious Minerals index** has now set up a negative divergence with the Nasdaq Composite and the S&P500 indices. Note the price magnitude failure at "A" failed to offset the Nasdaq price break down at "B". Many of the important gold components of the TSE listed gold iUnit (XGD-TSE) failed to post a close above their March/April 2001 price peaks. The failure of the gold stocks to post new cycle highs is a temporary setback for the group.

Traders should now reduce their gold stock exposure and wait for a point re enter the group. We suggest not to act until the TSE Gold index breaks above 5500. **Investors** should remain overweight in gold stocks as a long term play on a falling U.S. dollar and pending inflation..

North American energy consolidation will be the dominant theme for many years. The **Energy** sector is selling down in reaction to falling crude and natural gas prices but we view this correction to be a buying opportunity for selected Canadian Jr. oil and gas producers. Next week we will review and reposition our energy portfolio.



Several technical events have set up an important juncture for the Nasdaq and S&P500 and NYSE Composite indices. Last week's record volume numbers are typical of a selling climax. Note the recent volume peak when compared to the April/May lows – no contest here.

The failure of several key gold stocks to break above their April/May highs is another positive sign of an important low in these indices.

The break down of these indices under their April lows confirms the end of a fifth down leg in the 2000-2001 technology bear. This final cycle is now a mature 24 weeks old and we have now completed our down leg in terms of price and time.

The Ideal scenario – of a double bottom has been replaced by a spike bottom brought on by the terrorist attack of September 11, 2001.

The Dominant Theme for 2001 remains – Lower dollar beneficiaries, selected Technology, Selected Biotechnology, Energy, Metals, Cable & media. Opportunity in 2002 for Consumer travel – hospitality – airlines.

We now introduce our **New Economy Portfolio**. See page3 Our focus will be on wireless communications, information technology health and new energy. We have reacquired **BCE Emergis** in the high twenties after being stopped out of the stock last August in the high thirties. **Sierra Wireless, Inc.** is a leading provider of wireless data communications products. **MDS Inc** is a diversified health company and Extencicare is a strong related recovery candidate. **Kastan Chase** develops and sells internet security systems. **Cognos** is a vendor of internet B to B intelligence solutions.

The new **Expansion Portfolio** is beating the TSE300 and is retained in spite of the stop loss sell of BCE Emergis at \$37.10. -Bill C

We were stopped out of BCE Emergis and Intrawest we will stick with the remaining issues.

The Expansion Portfolio is Retained minus BCE and Intrawest					
Stops			Aug 10,2001	Sept 21,2001	Net
\$37.10	BCE Emergis	Stopped out	\$40.50	\$ 37.10	-8%
\$36.00	Fortis	FTS	\$39.50	\$ 40.00	1%
\$27.70	Intrawest Corp	Stopped out	\$30.75	\$ 25.50	-17%
\$12.25	Meridian Gold	MNG	\$14.84	\$ 17.72	19%
\$18.10	SNC Lavalin	SNC	\$22.45	\$ 23.00	2%
\$16.75	St. Lawrence Cement	ST.A	\$19.00	\$ 19.00	0%
\$25.40	Trizec Hahn	TZH	\$28.74	\$ 25.50	-11%
\$31.35	West Fraser Timber	WFT	\$36.47	\$ 32.50	-11%
				Total gain/loss	-3.1%
	TSE300		7645	6513	-14.8%

The New Economy Portfolio is acquired on the close of Monday September 24, 2001

The New Economy Portfolio		Sept 24,2001	Stops	Stop %
BCE Emergis	IFM	\$28.30	\$23.20	-18%
CAE Inc	CAE	\$9.00	\$7.80	-13%
Ballard Power	BLD	\$34.00	\$25.00	-26%
Kasten Chase	KCA	\$4.04	\$3.05	-25%
MDS Inc	MDS	\$17.80	\$16.11	-9%
Sierra Wireless	SW	\$15.70	\$12.50	-20%
Cognos Inc	CSN	\$22.25	\$17.70	-20%
Extencicare Inc	EXE.A	\$7.00	\$6.15	-12%
				-18.1%
	TSE300	6662	6662	0.0%

Don't forget the trading rules. The **stop losses** are set in place for the New Economy Portfolio. There are several methods to apply the initial stop loss. In most cases a stop of 15% from the initial purchase price of a stock works well. Some volatile stocks may need a stop just under the lowest low of the past **ten days**. If a stock is in a quiet (at least 3 months) trading range we suggest a stop loss just under the lowest low of the past **ten weeks**. **Never lower** a stop loss. If the stock advances – raise the stop at least to the lowest ten week low. . Avoid losing more than 15% on a stock and never let a profit turn into a loss. **Never average down** on a losing investment. Note the BCE Emergis trade. We were stopped out of IFM at \$37.10 and we bought the stock back \$28.30.

Next week we will explain the true range stop loss. This stop is best calculated if a stock advances and you wish to raise the stop loss. This stop will calculate volatility and it will let you keep the stop loss just out of the stock's natural trading range. – Bill C

The opinions are based on technical analysis and more information should be obtained before making an investment decision. There no such thing as a perfect investment and there is no such thing as a perfect recommendation.

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