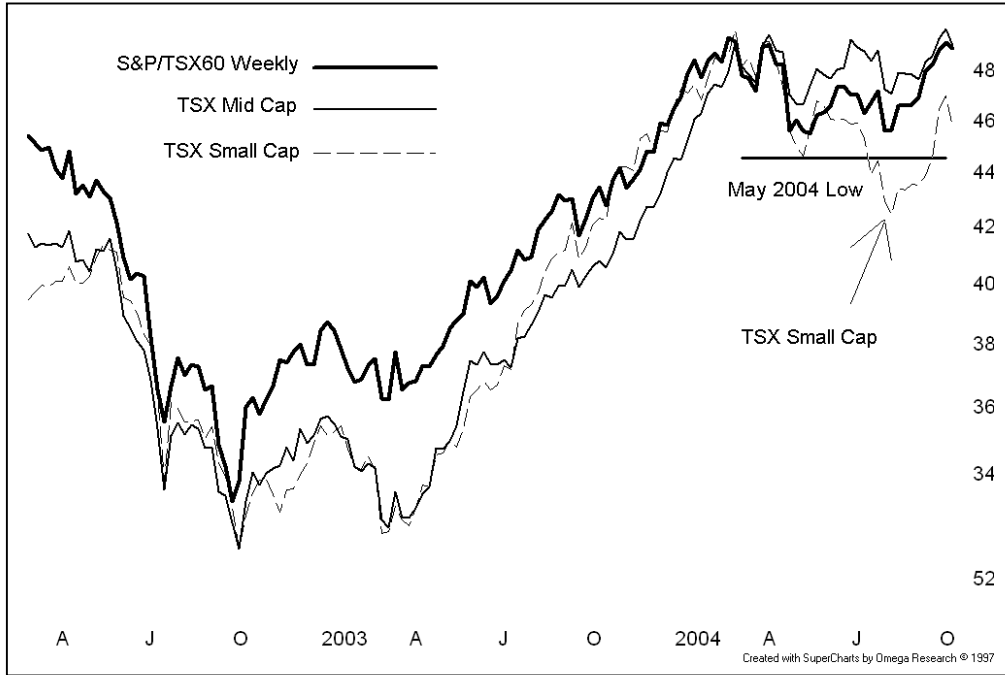


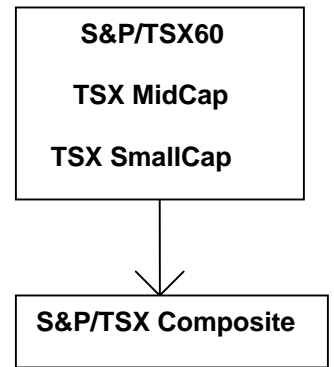


We examine the S&P/TSX Composite to better analyze the structure of the past and probable future advances.



The S&P/TSX Composite is the premier indicator of market activity for Canadian equity markets since its launch on January 1, 1977.

Index Construction – the Composite is actually the sum of three indices



Three Heavy Weights Drive the S&P/TSX60 Higher Through 2003

Name	Index Weight
Manulife Financial	15.81%
Royal Bank	13.71%
Bank Of Nova Scotia	13.10%

Total companies – 213

Top 10 Holdings
 (% Mkt Cap Share) – 35%

Top 10 Holdings by sector

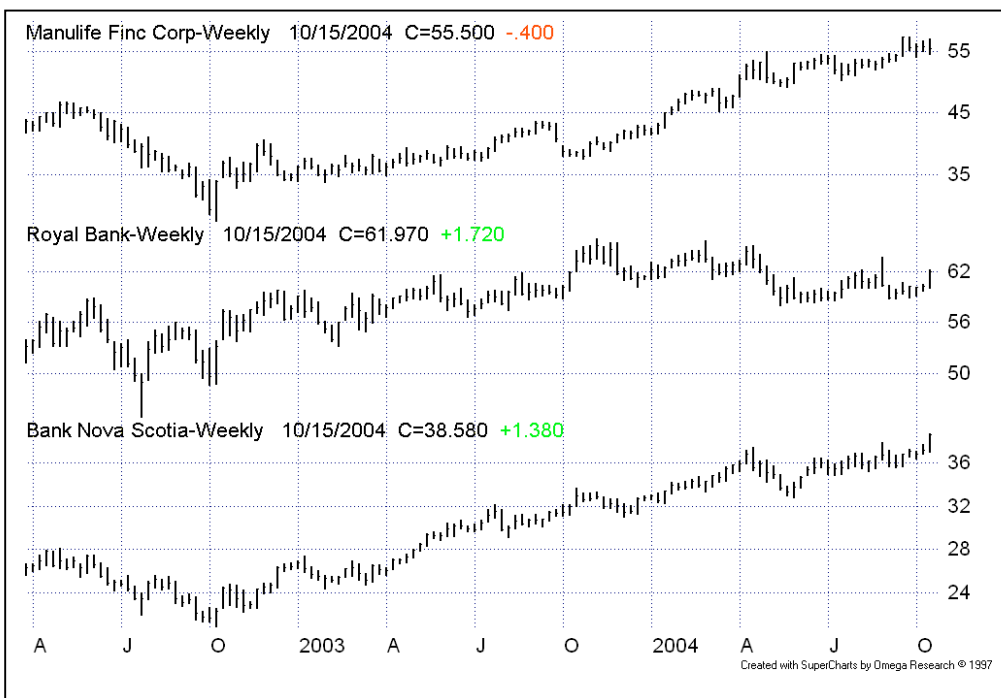
Sector	#issues
Financial Services....	7
Energy.....	1
Telecommunication...1	1
Materials.....	1

Looking Back

We examine the great 2nd up leg advance of March 2003 through January 2004 (see top chart).

The financial services and the energy sectors were the prime drivers of this "moon shot" advance.

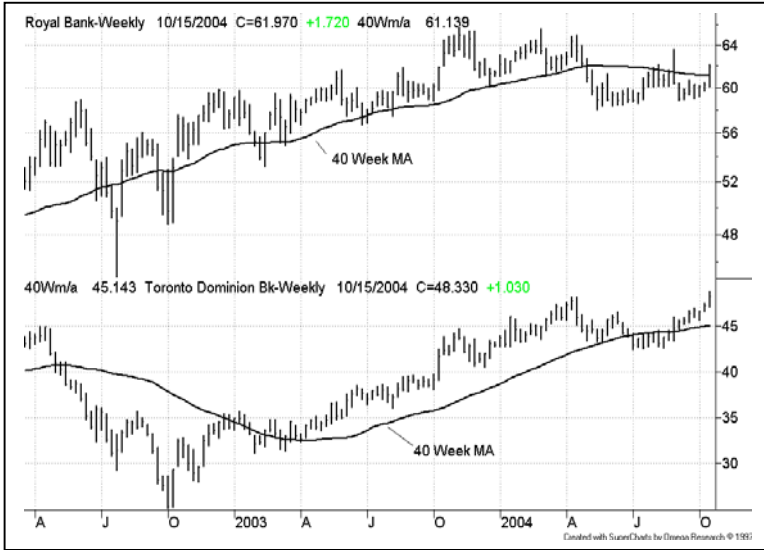
The laggards were the components of the TSX Mid Cap and Small Cap indices.



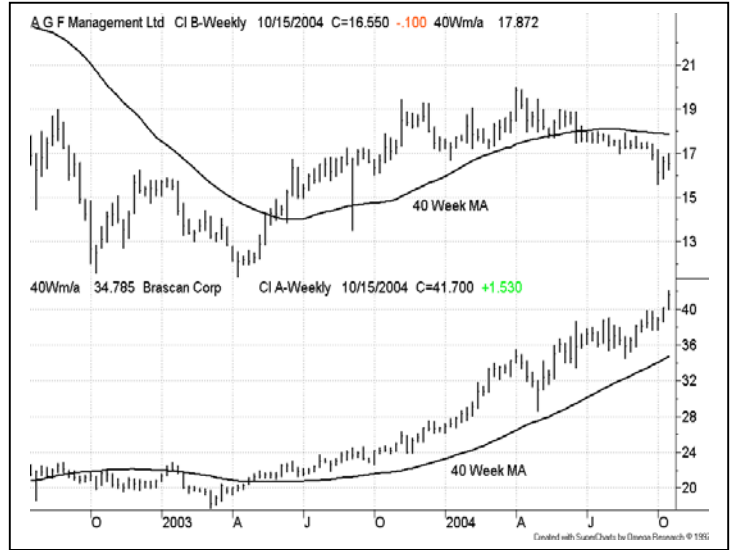
Financial Services - 35.6% of the S&P/TSX Composite by weight @ September 30, 2004

New 52-week highs in several bank stocks and the iUnit Financial Index Fund iFin (TSX-XFN) suggest the broader indices are headed higher through year-end. Investors can enjoy via the ETF iUnit XFN or, traders can position in the lagging issues such as the Royal and TD banks (chart lower left). Traders can also trade out over-bought issues and rotate into over-sold issues e.g.: from Brascan into AGF Management (chart lower right).

Laggards Royal & TD Bank



Over-bought Brascan into over-sold AGF



Energy - 18.4% of the S&P/TSX Composite by weight @ September 30, 2004

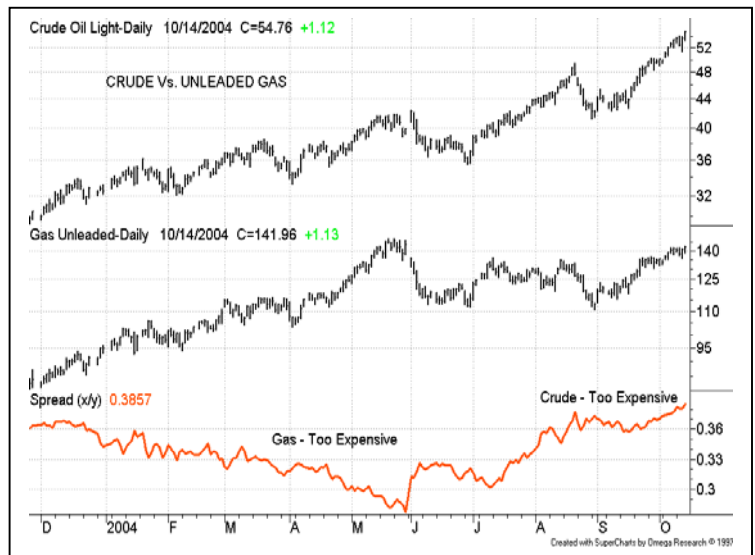
Spiking energy stocks (See chart lower left). Many stocks are now bid up too far above their 40 week MA's. A correction is likely at anytime. The Crude and energy complex bull is now very mature in terms of time (30 months) and price magnitude. Our Crude/Gasoline spread (see lower chart right) continues to warn of a pending turning point.

Strategy: Reduce and avoid new commitments to the energy complex.

Sell Into Bullish Stampede Price Spikes
 Canadian Nat Res & First Calgary Pete



Recent Price High In Crude Is Not Confirmed By Unleaded



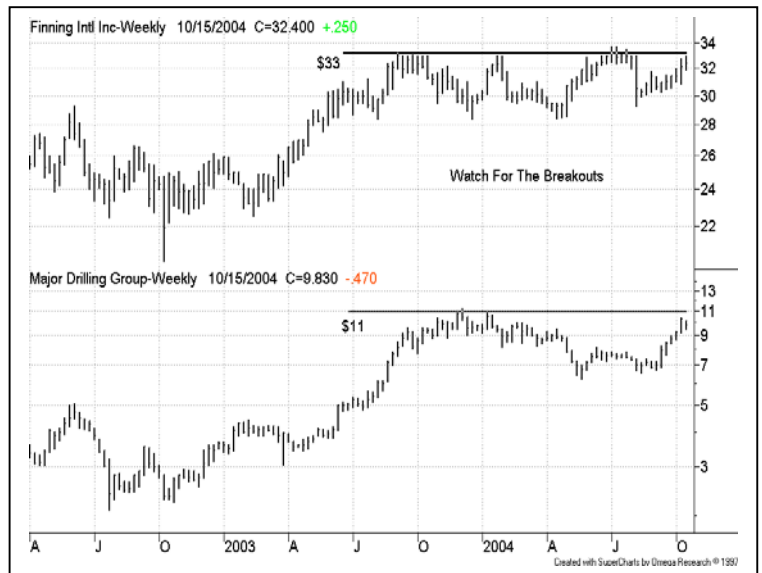
Materials - 17.3% of the S&P/TSX Composite by weight @ September 30, 2004

The Materials Sector was a leader in the 2003 2nd up leg advance. Materials are third weight (behind financials & energy) as a group on the TSX Composite. The materials and energy story is now quite old and the easy money has been made. Strategy: Sell spiking issues such as Cameco and Ipsco (chart lower left) and position in the overlooked issues such as Finning and Major Drilling (chart lower right).

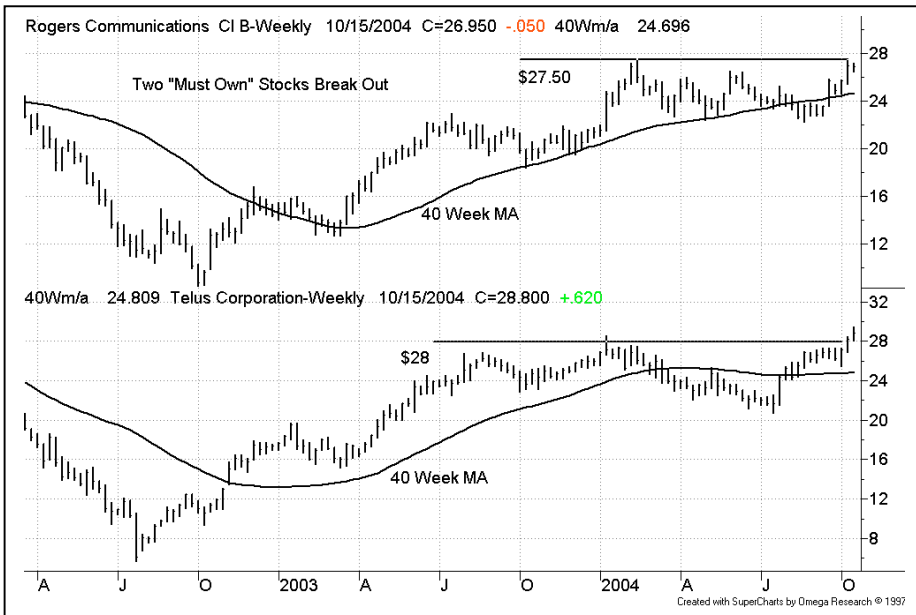
Over Bought - Too Far From the 40-WK MA



Over Looked - Watch For The Breakout



Telecom - Media - Communications - Information Technology - Consumer



Other important sectors by weight:

- Information Technology 6.7%
- Consumer Discretionary 6.3%
- Telecom Services 4.9%

These two "must own" stocks place us into the New Economy, Consumer Communications and Media Convergence space.

See Rogers Communications and Telus (chart left).

Other candidates are Canwest Global, Cogeco, Shaw Comm and BCE Inc.

- Bill Carrigan

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