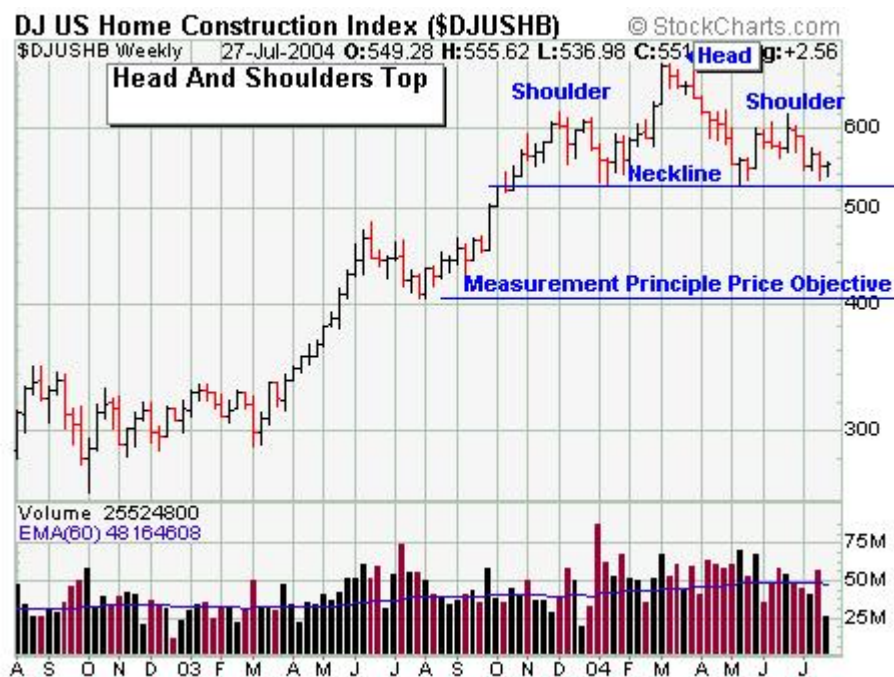


Is It All Over But the Shouting?

August 2, 2004

As most of you know, we have been looking for a “blow off” in the housing industry for a long, long time. The force-feeding of lower interest rates and the two F’s (Fannie Mae & Freddie Mac) have seemingly been attempting to fill a bottomless pit. Our endless search for an indication that the top has been reached, may have recently paid off.

Please note the “head & shoulders” stock market chart formation of the U.S. Home Construction Index recently published on the Financial Sense Web Site. A head and shoulders top formation is bearish as it signifies the reversal of an upward trend. This is exactly what the chart below shows. Although our approach is near 100% fundamental, we do pay attention to historical chart formations that seem to have a predictive value. Head and shoulder formations are one of the most reliable of such charts. Does this mean the top has been put in for this long cycle? It’s a good bet that it has, but, of course, there is no guarantee.



Source: www.financialsense.com