



JIM TILLMAN

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CAPSULE:

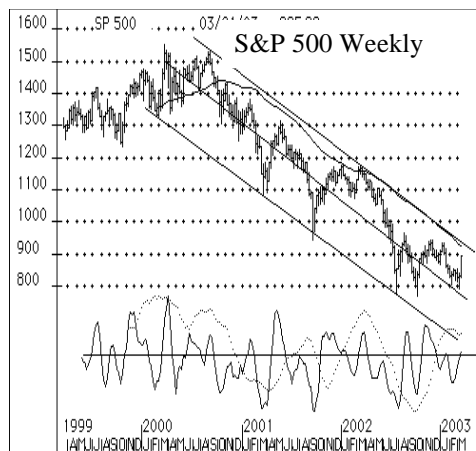
Last issue anticipated a strong upturn in the stock market during March, preferably from the lower S&P daily channel near 780 and staying above the October low, helping confirm the 4-yr cycle was acting as support. Reversing from 788 qualified on two counts but the low on March 12 being earlier than our March 24-28 target kept the outlook momentarily unclear as we have seen cycles "collapse" into a cycle low at the last minute before. When tight downtrends and previous highs were broken within a few days, however, this proved a cycle low was past. That accomplished, the uptrend into May / June should continue to unfold on schedule and normal pullbacks used for adding positions.

As you will see by the updated projection the uptrend is expected to continue into May /June. If so, it will break the major weekly down channel confirming the 4-yr cycle up and giving an initial S&P 500 target near 1030-1040. As the next channel resistance area this would be a 31% advance and within the range of our yearly forecast calling for 25 to 30% rallies within a flat trading range year.

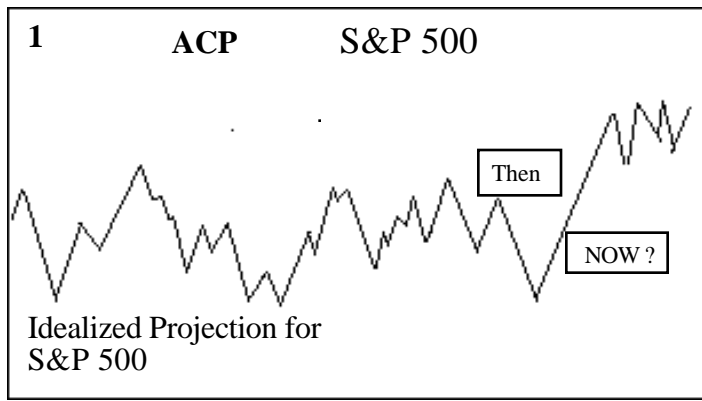
As the S&P was testing the weekly channel support on 3/12 the market had already shown signs of downside exhaustion with only 5.4% upside volume on 3/10 and Trin (arms) readings of over 6.4 (over 2 is considered oversold and bullish). This followed a 20 day average of upside volume reading under 40% on 3/4/03 that is considered an intermediate buy alert further setting the stage for a reversal. Finally on 3/12 the put/call VIX seemed to signal panic, after appearing to show little concern about the decline, by making its biggest jump (from 38 to 41) since 2/13 and 1/27 - both short term lows on the way down. Thus the stage was set for a reversal. Early, according to recent cycle lengths, but nevertheless consistent with cycle low characteristics.

During the same time the market has been pulling back from its December - January highs, in what has been considered a pullback in slowing rising 4-yr cycle support, several measures tend to buttress this theory. Stocks above their 40-day average reached 25.65% on 3/12 still well above the October low of 12.68% and even above the 23.85% low of 2/13 when the market was higher. Even stocks above their 200-day average were higher at 27.7% vs 25% on 2/13 and 16% last October. The New High / New Low ratio was 5.68 on 3/12 vs 4.76 on 2/13 and 2.54 on 10/10/02. And of course the NDX 100 average was still 18.8% above the October low and the Nasdaq Composite 14.1% while the DJ-30 was within 3.3%. Thus subtle progress is being made internally but it remains a trading market to buy and sell at opportune times.

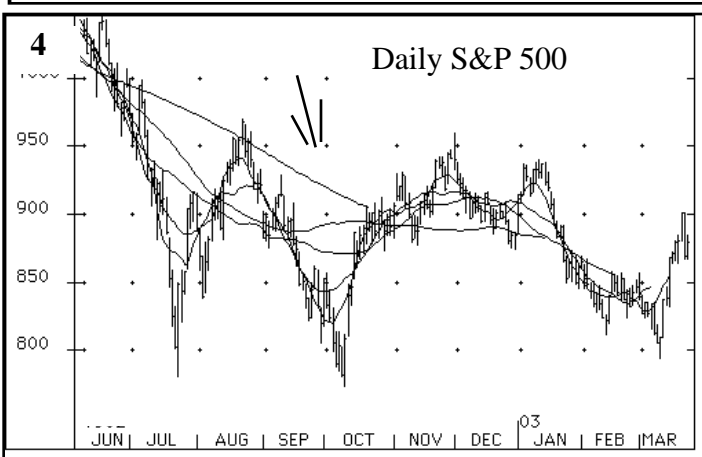
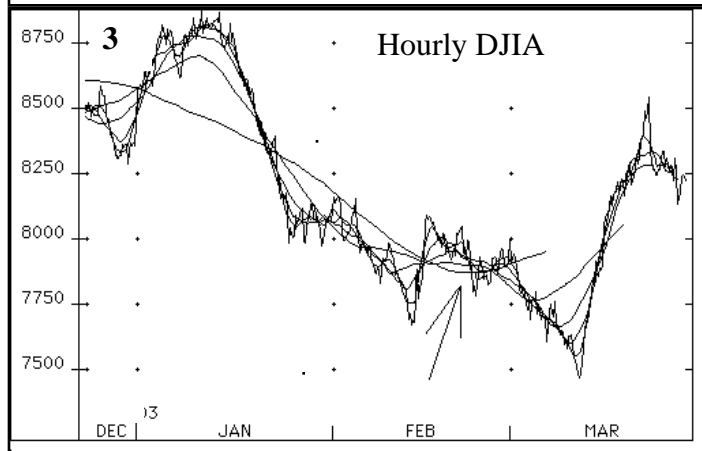
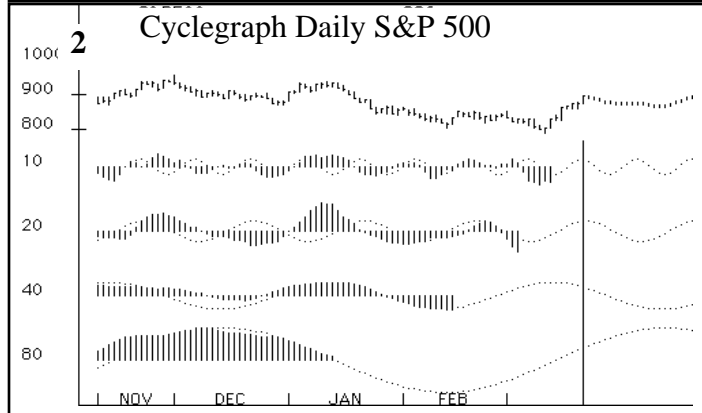
Sentiment obviously is eroding in these trying times with consumer confidence reaching 62.5% and attention focused on the war. So how can the market go up? Perhaps short interest at key points. Currently 7.99 Billion or 2.3% of total shares on NYSE. Ironically that is almost double the 4.1 Billion on March 15, 2000



CYCLES:



JLY AUG SEP OCT NOV DEC JAN FEB MAR APR MAY



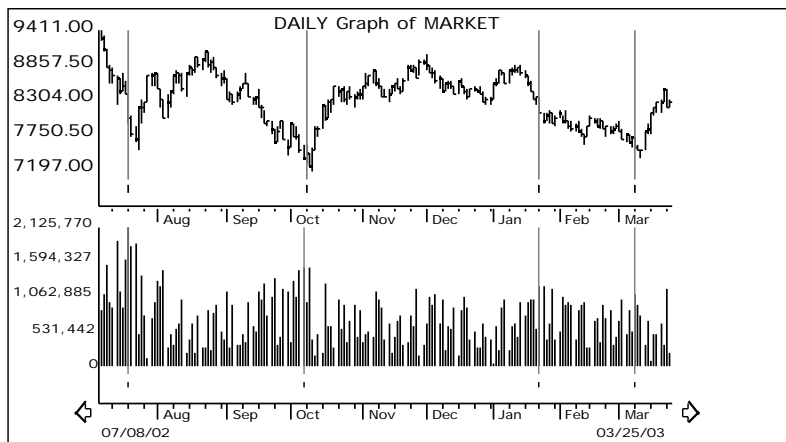
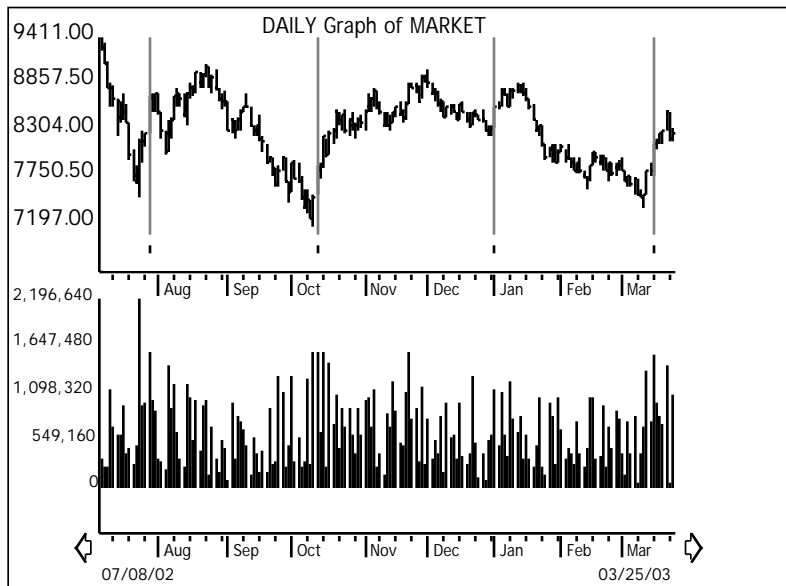
Last issue placed the "now" label at the beginning of a sharp and supposedly last decline before turning up into May-June. The following Monday (March 3) saw the market start that decline (over 7%) after the first hour and it continued until the low of March 12, almost an exact replica of the projection. Equally interesting is the fact that it showed a turn up close to but still above the lows of last October and that too was fulfilled. As you can see, a continued uptrend into May / June is suggested so the odds favor a bullish strategy until an obvious loss of momentum occurs.

You may recall last issue showed the 80- day or 20-wk cycle already turning up and we said to allow for possible early strength. You can see that not only was the 20-wk up but the 10-wk as well but the advance did not begin until the 20 and 10-day cycles turned up. We have seen this happen before and is a measure of a market that is really stretched and when it turns it usually acts the way it did. It is like a 5th wave of a 5th wave ending. After the strong eight day advance you can also see that much of the upside amplitude was already spent with the 10, 20 and 40-day cycles already shown to be peaking. Sometimes the cycles will "re-set" themselves to the low and start new counts but for now we would accept this projection and as long as a consolidation simply works sideways withing the upper half of the recent range consider the uptrend intact.

The purpose of centered moving averages in cycle work is to actually see the path the cycles have taken and to understand how they combine to form patterns. To show a different perspective than chart 2, chart 3 shows the actual path the cycles took and how the larger cycles had already started turning up (see arrow) before the low was finally made. Notice the smaller and smaller cycle centerlines going into the low. What does this tell us about the present? First it tells us a larger cycle is up and may do the opposite of the decline. Secondly, a small focal point has already formed in the uptrend near the halfway point indicating a first objective has been met and to expect some type pullback. This will be supported by the larger up cycle so the pullback may appear as a

consolidation similar to those on the way down. Once the hourly and daily centerlines reach a common focalpoint to the upside the advance will be near completion. If so, the daily chart would look like the projection and possibly similar to the pattern the hourly chart has already created. While you are comparing charts 3 and 4 also note the path the major daily centerline (see arrow) should take. It also should show a low in the middle of the chart like the hourly has. In order to do that prices have to be higher in the future and that is what we are counting on. Anything less would be a bearish sign to increase reserves.

The earlier discussion of volume characteristics caused us to go back and review recent examples to show what tends to follow. On the top right are days with high upside volume ratios. From the left the first ratio was 11.22 on 7/29/02 or 91.3% up volume kicking off the rally into the late August high. the second was on 10/11/02 was a ratio of 8.8 or 89.6% kicking off the rally to the early December high. The third one on 1/2/03 is an example of a high ratio and 93% upside volume but the total volume was low making it suspect. Nevertheless the market was up for several more days but reminding one it is always wise to be wary of following one indicator blindly. The last one is for 3/17 with a 13.48 ratio and 92.8% up volume. Note that a correction tends to follow, as it is now, but the odds favor the uptrend continuing.

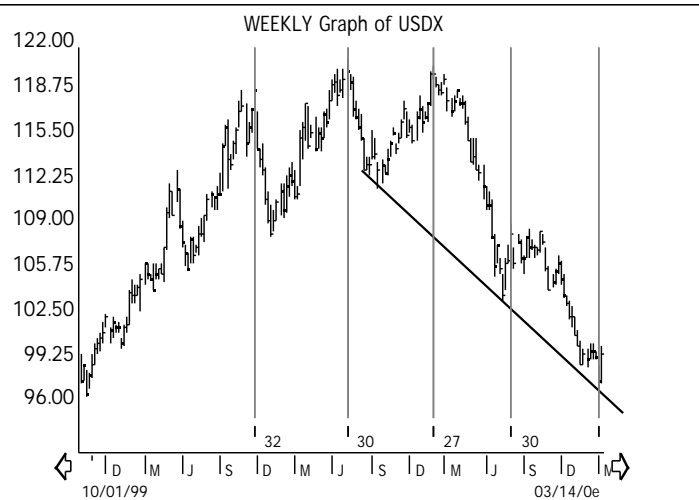
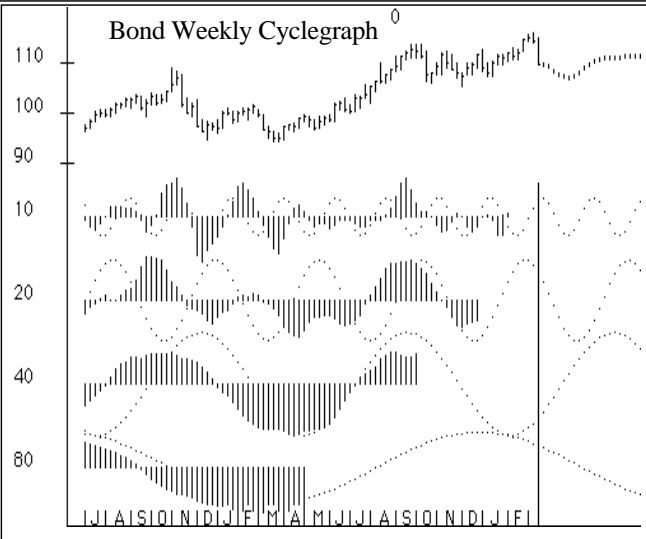
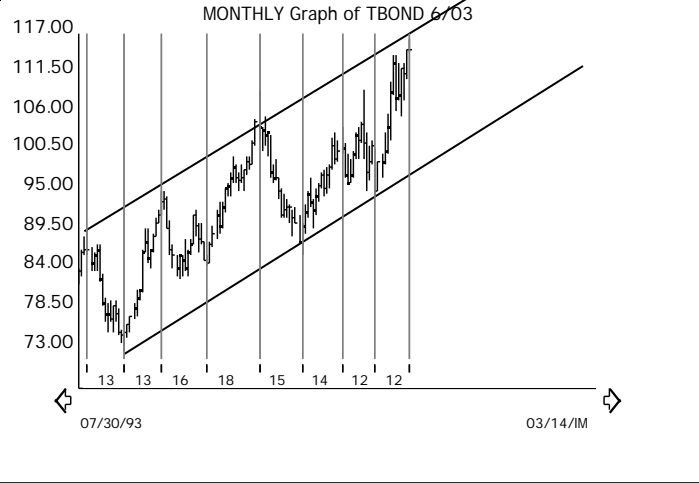


The above chart shows when downside volume reached a peak generally just prior to a low. These dates from left were 7/19/02 (low 7/24), 10/08/02 (low 10/10/02), 1/24/03 (brief low 1/27) and 3/10/03 (low 3/12). In these cases upside volume tends to be less than 10%. On 3/10 it was 5.4%. Again, there are exceptions but in general these tools tend to help indicate a trend is ready to change.

Long bond interest rates reached 4.603% on 3/14/03 week, 4.606 on 9/27/02, 4.662% on 11/2/01 and 4.69% on 10/9/98 in effect forming a large trading range between there and around 6% for the last five years. The chart to the right of a continuous bond future has an up slope to it because of the cost of carry as each contract is rolled over but clearly shows up and down cycles averaging 13.6 months. Flat or upsloped it still shows a clear trading range channel that should have just reached another turning point for perhaps the next 12 months or so. Already breaking a 50 week downtrend in yields or uptrend in price indicates rates may be once again heading back to 5.5% or higher over time.

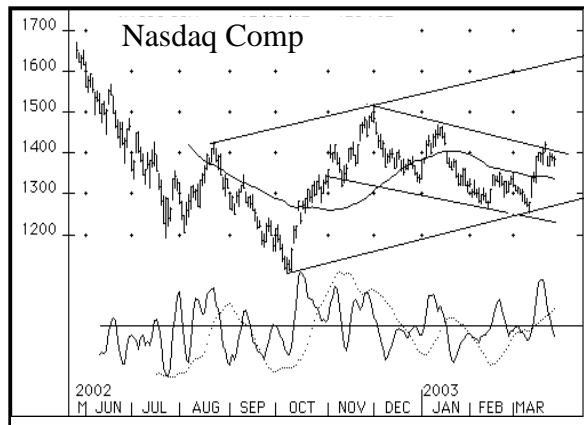
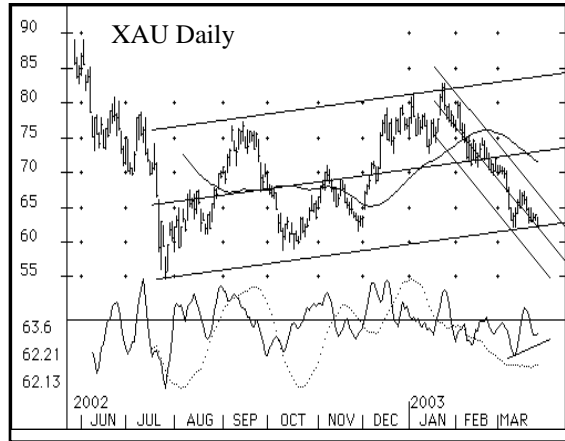
The weekly Cyclegraph suggests a similar scenario with a decline into the 10 and 20-wk cycle low - a rally - then continued pressure from the 40 and 80-wk cycles. Our last letter suggested bonds would turn down when the stock market turned up and both may have changed direction for some time to come. We have been neutral since 112:17 on 2/04 and now suggest to go short on any rally to 112:16 with 113:13 stop.

Our January letter called attention to the 18 month reversals in the U.S Dollar for several years. January was 17 months, February was 18 months and the low on 3/10/03 just barely missed being right on target. We had estimated a 50% retracement level of 95.48 but it pulled up short at 97.73 and right at the bottom of its down trend support. We believe this is another 18 month reversal and would look for higher prices



Gold:

Finally breaking its near perfect sequence of 26 week up and down trends the XAU broke channel centerline support and stopped out positions at 67.44 on 3/7/03 (bought under 65). However a new cycle of 34 to 35 weeks high to high and low may be forming. This weeks test of the major two year uptrend near 62 is 35 weeks from the last test and the last high at 81 was 34 weeks from the previous high - making perfect touches at the top and bottom of the major channel. Therefore, we suggest to go long now and use a stop of 58.50 close for money protection.



In the Nasdaq chart above you can see this average is forming classic channels and another reason to consider the 4-year cycle

bottomed last October. Finding support on the possible new major channel uptrend March 12th and already flurting with a breakout of the smaller downchannel suggests this average could test the upper channel during the May-June advance. It also makes the last low (1253) very important and should be used as a stop from here on out.

If we use this channel for an objective and since the lows were 22 weeks apart - 22weeks from the December high this average could be at 1660 by May 9th week or 21% higher. This gives us something to shoot for in the weeks ahead.

Since 3/12 the strongest groups are (1) Internet Providers, (2) Major Airlines, (3) Internet Software, (4) Internet. In the S&P 500 - GT (5), EP (5.95), S (24) and YHOO (24) are in the top ten. In the DJ-30 - MCD (14.8), JPM (24), DIS (17.6), and CAT (49) have been the strongest. Perhaps these will give you some ideas of where the new money is flowing.

Combining best relative strength group with best relative strength in the S&P 500 we will add Yahoo to the portfolio. Also to consider a possible low in golds we will add NEM (25) for representation in that area.

In the S&P 500 our update note said to buy a close under 860 but we believe the consolidation is near an end so buy now and use a close stop of 838. Raise to 857 when 895 is exceeded.

Be well.

*JIM TILLMAN, CMT
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March 28, 2003
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SYM	STOCK	DATE REC	PRICE	Cur/Pr	%	COMMENT
PPHN	*Peregrine Pharm	7/24/98	1.50	60.00	(50%	Hold/buy
MMM	Minnesota Mining	7/28/02	120.00	131.00	9%	Hold
XOM	Exxon Mobil	7/28/02	34.00	36.00	6%	Hold
SWBT	Southwest Bancorp	9/30/02	30. avg	31.00	5%	Stop 26.5
PPP	Pogo Producing	9/30/02	33.00	39.40	19%	Stop 29.75
YHOO	Yahoo	4/3/03	24.00	24.00		stop 19
NEM	Newmont	4/3/03	25.00	25.00		stop 22.5
	Reserves 30-40%					

*Cycletrend Inc. has a position in this stock.

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