

Hi Everyone,

"I am for a government rigorously frugal and simple, applying all the possible savings of the public revenue to the discharge of the national debt; and not for a multiplication of officers and salaries merely to make partisans."

-Thomas Jefferson

It is easy to lose perspective on where the global economy stands – to be confused by the daily deluge of information. So I would like to give you my take on the markets.

First: A big correction in the stock market is coming. Short-term, *if* we can rise above and stay above 1087 on the S&P 500 for more than three closing days in a row, we may see the market surge to 1144. At the 1144 level we most likely will see the market start heading down.

Second: The March 2009 low at 6,469 on the Dow and 667 on the S&P 500 were major lows and we will not likely return to them. I believe we will bottom around the Dow 9,000 level. Once we fall to these levels we will head back up and could likely see Dow 15,000 by 2015.

Third: I believe that natural resources and countries like China and India will outperform virtually all other sectors. There are multiple reasons and forces driving Asia higher and they will persist for decades to come. So this next correction needs to be used to purchase some good funds and ETF's in these areas.

Gold:

Short-term, gold will head to new record highs and continue from where it is now at \$1,233 an ounce to \$1,250 on its way up to \$1,350 by the end of the year.

I have learned a couple of hard lessons. One, not all gold funds and stocks will go up and two, there will be fits and starts along the way. So expect that gold could fall back to \$1,149 - \$1,212 before it reaches \$1,350 but when and if this happens we need to use these areas as buying opportunities.

Dow:

After the initial leg back to the downside around 9,000 (worst case 8,750), the Dow could then head to 11,887. At this point, the Dow will have cleared resistance and we are going to be headed to new all time highs on up to 15,000.

I do see some major issues in 2012 and 2015 but that is a discussion for another day.

Oil:

I expect to see \$200 a barrel by 2012. Short-term I expect to see oil swing pretty wildly and I would not rule out the price of oil falling to \$68.00 a barrel sometime this year. This would be a great buying opportunity. Because then I expect the price to head up to \$81.50 and once it clears this level there is no doubt that we will see it hit \$88.00 soon after.

Copper:

Copper is a leading indicator for the global economy. It is also a very important indicator of the state of China's economy, as it is critical to building out housing and infrastructure in the Middle East, and is one of China's largest imports.

Copper is currently trading at about \$3.05 a pound, nearly 116% higher than its 2008 financial crisis panic sell off that saw copper fall from over \$4.00 a pound to just \$1.40 a pound. I expect to see \$6.00 a pound by 2012 – 2015.

The two signals we want to watch shorter term...

- \$3.36 & \$3.63 on the upside
- \$2.52 on the downside

Short-term I expect to see copper stay neutral. Once it closes above \$3.63 however, the metal is off to the races to new record highs.

Major support lies at \$2.52 which I expect to be the low for copper prices.

Home Sales:

- Existing home sales dropped 2.2% in May, compared with expectations for a gain of 6%. The supply of homes on the market actually rose slightly from year ago levels to 3.89 million.
- The National Association of Home Builders' index, which tracks how builders perceive market conditions, tanked to 17 in June from 22 in May. That was much worse than the economists were expecting and the sharpest drop in any month since November 2008.
- The Mortgage Bankers Association's purchase loan application index just touched 167.80. That was down from 270.70 a year earlier and the worst reading since 1997.
- Lumber futures prices have plunged from \$327 per 1,000 board feet in late April to around \$180 now. That's a 45% collapse in two months!

I had expected that home sales would spike in the first and second quarter of 2010 and then drop drastically the second half of this year. It is very likely that we are headed for a double dip recession in home sales. I expect another 9 – 10 percent drop in home prices.

Thanks for reading,

Valerie Holcomb, Shari Hooper & Brian Harris
Cascade Financial Group



607 Cascade West Parkway
Grand Rapids, MI 49546
(616) 575-2020
(616) 957-4142 Fax:

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