

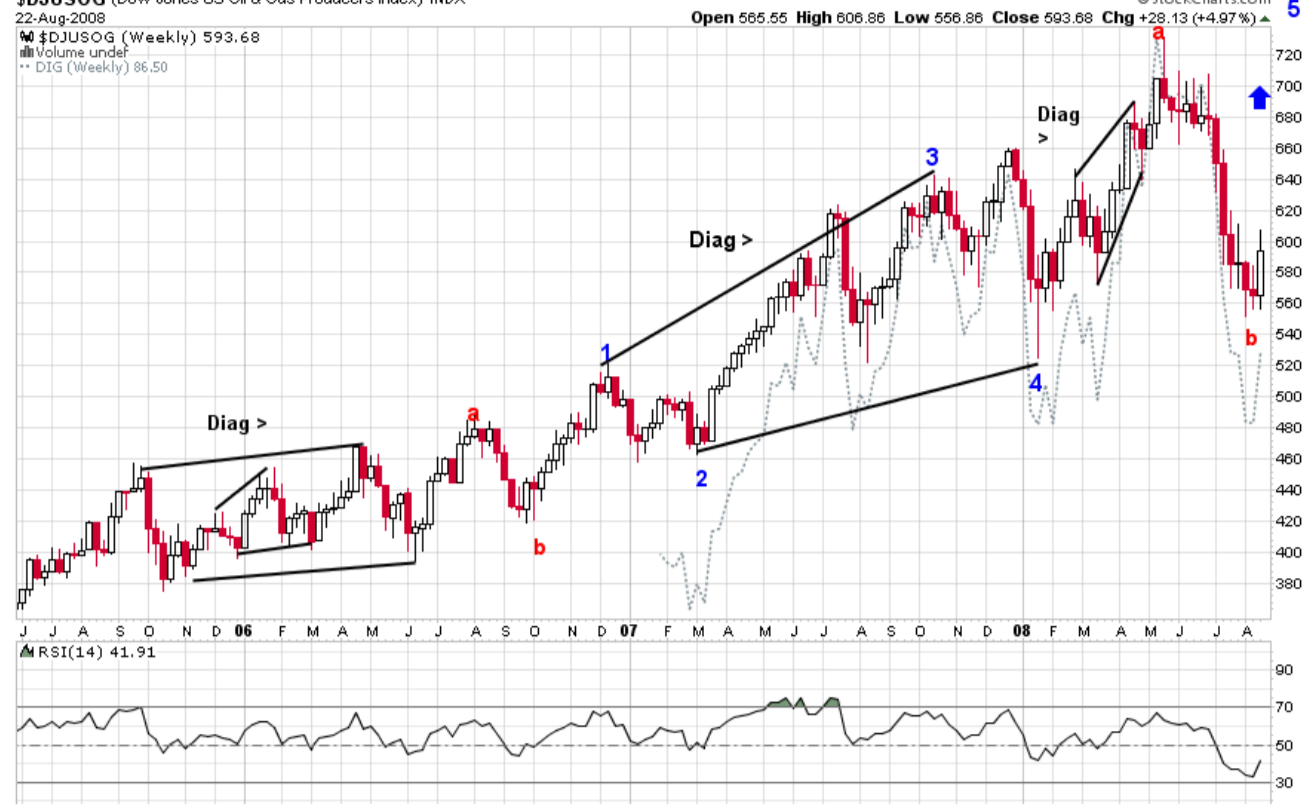


August 22, 2008

**Oil going much Higher; opposite expectations**

When expectations are inversely related to reality a low risk/high return opportunity presents itself. The major revision this week is the Oil chart; it adds a whole new twist. Rather than a big upside correction as I had previously envisioned, instead the oil chart is completing the same *market bubble a-b-c* ending, as the Dow. Oil is going much, much higher - the recent lows, will not likely be revisited for at least another 15 months.

For perspective take a look at the Oil & Gas Weekly chart below. These *Diagonal >*s indicate a major reversal ahead, but only after the upside *C* wave, completes. Notice that *DIG* in the dotted gray line, is selling at a *discount* to the oil and gas index, meaning the expectations are for cheaper oil predominate.



The Dow could still have a bit more upside although by the close of trading on Monday we will likely short again.



Financials have traced out the identical pattern, with the diagonal about to complete the wave iv upside,



The Homebuilders have traced the identical pattern. We will re-short on Monday.



These *Diagonal II*'s are in many charts part of a larger *Diag II*. While they indicate the beginning of a move down, they may not manifest that move entirely before we head back up. As you see the upside *Diagonal II* in the Dow is far bigger and indicative of a much more substantial upside to follow.

These above are not to be confused with *Diag >* which indicate dramatic reversal ahead, these *I* indicate a dramatic at *b* while these *Diag II*'s may not become manifest until the final Spike completes and we crash perhaps late next year.

Volatility for a good market timer equals opportunity, while its nerve-wracking for the buy & hold mentality. With all the uncertainty, I at least can tell you where we are going with a high degree of certainty. Although I am wrong about one quarter of the time, that beats just about everything else.

Regards,

Eduardo Mirahyes

Exceptional Bear



*"Opportunistically timed investments that maximize wealth"*