

Follow up on my September 8 commentary

Dear Reader,

I should like to follow up on my September 8 commentary in which I wrote:

“The US dollar is strengthening (and is now short-term overbought) and some stocks and commodities have become oversold from a near-term perspective. So, what could happen in the next few weeks is a rebound in the Euro, which is oversold near-term, and a rebound in equities and selected commodities”.

While not written in stone, there is a good chance that the above has begun to unfold. The S&P is not only oversold but has reached strong support dating back to 2006 (see Figure below). The USD has become massively overbought and a correction is very probable with the Euro rebounding from 1.40 versus the dollar to between 1.46 and 1.50. Commodities including gold are also likely to rally.

Marc Faber

S&P 500 Index, 2003 - 2008

