



Safian Investment Research

96 Brook Hills Circle, White Plains, NY 10605
Economic Analysis • Asset Consultant • (914) 697-9700 • Fax (914-)761-1011

Investment Strategy Report

A Sector Approach to Economic Forecasting

Since 1962

Vol. 21 No. 3

March 6, 2009

Comparison : 1930 – 1931 to 2007- late 2008

Our February 28th Investment Strategy Report discussed the different stock market averages and concluded that the equally weighted arithmetic Value Line Index has been one of the best, if not the best, overall measure of the stock market. Therefore, the enclosed graphs compare this Average from 1984 to date with the Dow Jones Industrial Average for the 1921 to the 1938 period. There is a definite similarity between the two periods up until 1931. It will be interesting to see what happens from here.

Currently, the Value Line Index is at the support area from 1999 to 2002. Please notice how the top in 2007 was longer than was the case in the 1929 period. The 1929 break was like the recent 2008 drop. The consolidation phase did not hold as the current phase seems capable of doing. Had a new government come to power during that 1931 period, as opposed to early 1933, after the 1932 decline, possibly stock prices would have held. Undoubtedly, the current period is undergoing a lot of actual and potential stimulus. The Value Line Index is now at the 1999 to 2002 consolidation prices. In 1931, the 1926 consolidation, which preceded the major move ending in 1929, was unable to hold and stock prices fell another 70% or so to the 1932 lows. The 1929 peak to the 1931 low was about a 55% to 60% decline. The drop from the 2007 peak to date was approximately the same percentage. We believe the 1999 to 2002 consolidation will support the current drop in values. Needless to say, government policies will be a critical stock market force.

Ken Safian

Lorraine Corbett

kensafian@gmail.com

**DOW JONES INDUSTRIAL INDEX
MONTHLY HIGH / LOW**

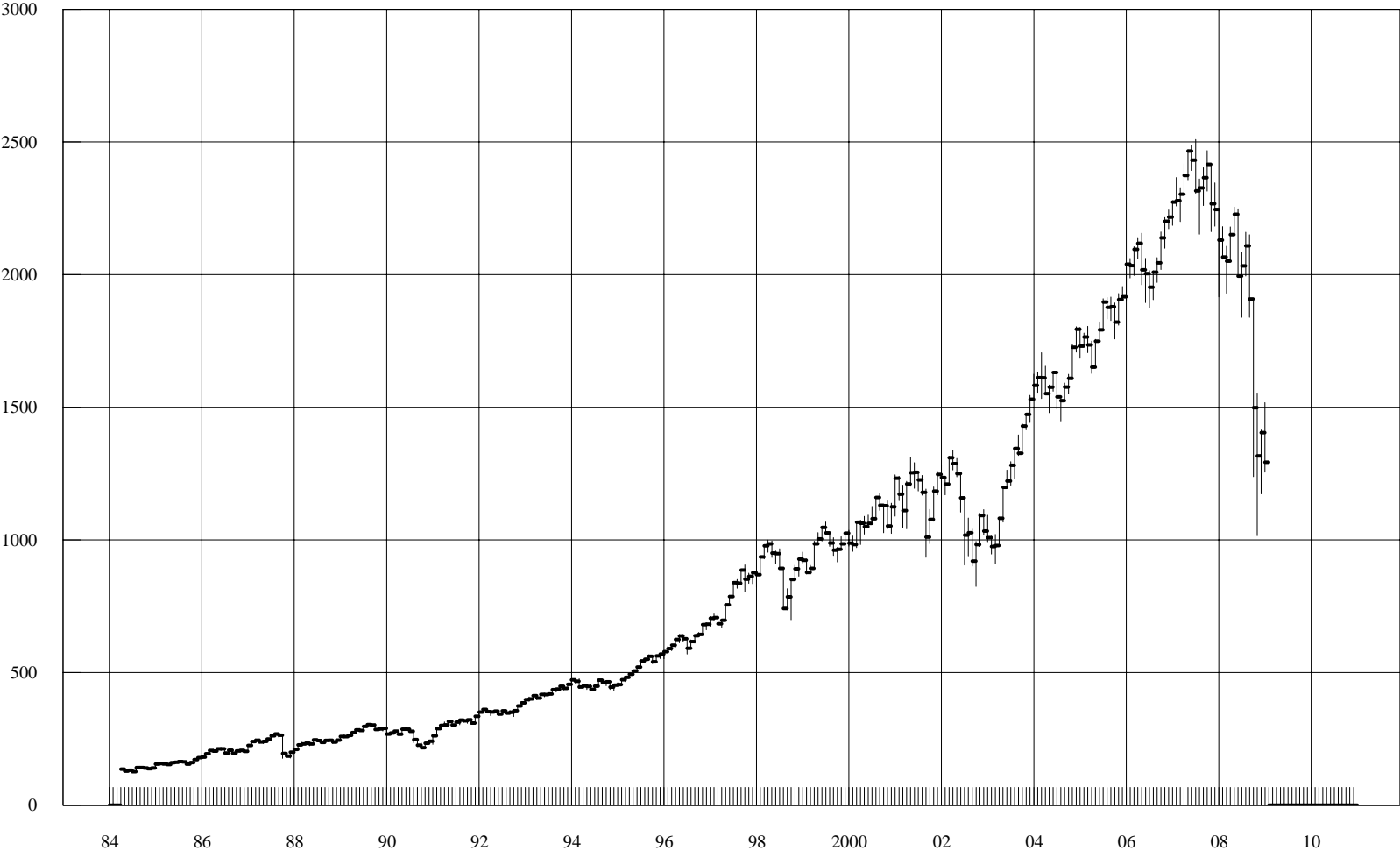
INDEX



Data Plotted monthly from 1920 through 1939

VALUE LINE INDEX
MONTHLY HIGH / LOW

INDEX



Data Plotted Monthly Through January 2009
Source: Bloomberg